Preface

Leland Yeager is probably best known for his contributions to international economics and monetary reform. While he has written highly regarded work in the area of trade theory (for example, Yeager and Tuerck, 1966, 1976), he is most famous for his *International Monetary Relations* (1966, 1976b), a landmark book that became the standard reference in the field. Both editions of that volume are divided into theory and historical narrative. (Friedman and Schwartz's (1963) purely historical narrative was published just three years earlier.) Some economists have recently 'rediscovered' many of the ideas, theories and evidence found in Leland's books of over a quarter of a century ago. In the area of monetary reform, he and Robert Greenfield developed the much discussed 'BFH system'.

I believe his legacy, however, will be in the entire arena of monetary theory. When I first arrived at the University of Tennessee at Chattanooga in 1977, students would ask me whether I was a 'Keynesian' or a 'monetarist'. I would reply: 'Neither, I am a Yeagerite'. Since then labels have changed and schools of thought have come and gone, but the one constant is that I still regard myself as a 'Yeagerite', albeit a little wiser and a lot older. I view this book as a tribute to Leland's enormous contributions to monetary theory, especially his development of monetary-disequilibrium theory.

Years ago I joined Leland's efforts to produce this work, which is a hybrid of treatise and graduate textbook. Toward what I hoped was the end of what we both recognized as an excessively long-drawn-out process, Leland felt obliged to withdraw his name as co-author of the book. Nevertheless, the bulk of the material contained in it (both published and unpublished) is his. Leland has provided draft chapters as well as numerous notes and other materials. We have had voluminous correspondence and have exchanged many drafts. I have copious notes taken during our many visits together. He has been kind and patient in answering literally thousands of questions.

As sole author of this book, I accept responsibility for any errors. On the other hand, the theories presented are Leland's, and he should receive full credit for them. The Acknowledgements section lists his published articles and books, from which passages appear in part here. In no case was an article or manuscript reproduced in its entirety. I have edited this material, which includes passages from articles that we wrote together. In most cases I have tried to

stay as close as possible to the original wording, sometimes repeating it verbatim, sometimes not.

I have chosen to focus on what I consider to be the timeless, enduring fundamentals of monetary-disequilibrium theory. The book does not examine the empirical evidence which supports this theory. Nor does it need to do so. I believe that Clark Warburton, Milton Friedman, Anna Schwartz, Karl Brunner, Allan Meltzer, Phillip Cagan, David Laidler, Leland Yeager, and many others already have provided ample evidence in support of orthodox monetarism. This book provides the theory – with special emphasis on the processes involved – which underlies the monetarist evidence. It specifically sheds light on the so-called ‘black box’ of the monetarists (see pages 129–30 below).

Two schools of thought dominate the textbook market. First is the new Keynesian economics. Second is the fashionable exaggeration of monetarism into the so-called new classical macroeconomics. These two schools, reviewed in chapters 6, 7 and 8, have crowded the monetary-disequilibrium hypothesis, or orthodox monetarism, off the intellectual stage. Because this work tries to remedy this imbalance, I feel no obligation to give equal space to doctrines and pieces of apparatus already receiving ample exposure. Instead of reproducing whatever may be considered (rightly or wrongly) to be standard fare, I concentrate on what I judge to be the essentials of the topic.

Alan Rabin