Tom Edward Davis

June 11, 1929 – October 27, 2022

Tom Edward Davis joined the Cornell faculty in 1963 as a tenured associate professor. Prior to joining Cornell's faculty, he was an assistant professor at the University of Chicago from 1956 to 1963. He was named chairman of the department of economics at Cornell in 1967 and served in that capacity until 1970. Tom's specialized in the economic development of Latin America. He served as chairman of the editorial committee of the Latin American Research Review, and worked under fellowships from the Ford Foundation, the Social Science Research Council, the Fulbright program, and the Agency for International Development. In 1965 he became the director of the Latin American Program and remained in that position for many years.

One of Tom's important papers examines a perplexing problem in economic development. Inflation is widely viewed as doing serious economic harm by making saving unprofitable and distorting investment decisions. Ultimately in reduces the economic growth of a country. In 1963, Tom took up a simple question – with all the harm that is done by inflation, how it can be that Chile has had eighty years of sustained inflation? Chile was not the only country in Latin America with persistent inflation. But it is one where Tom knew the context well.

There were several prevailing theories at the time. One was that central bankers failed to understand that the way to control inflation was to control the money supply. A second was almost the opposite; that central bankers were reacting to increases in wages and worried that this would cause unemployment without increases in the money supply and inflation. Tom posits a theory that has much more to do with politics than economics by carefully considering who wins and who loses from inflation. First, he notes that the alternative to inflation is taxation. That a government can manage its debt either by taxing its citizens to pay that debt or by making the debt worth less by making each peso owed less valuable through inflation. He points out that the Conservatives did not want taxation. And the Liberals wanted to ensure that real wages of government employees and organized labor (and presumably could protect these workers from inflation through contracts). Large banks, he argues, had sufficient power to insist that loans to the banks expand as the Central Bank expanded the money supply. This he contrasts against those who are harmed by inflation -- smaller firms in competitive industries such as food, textile, leather and wood production and unorganized labor and

the self-employed. Although numerically important in a country like Chile, this is a fragmented base that are unlikely to organize in support of implementing stabilization program.
Because of the persistent political pressures, Chile experienced persistent inflation. There is now growing appreciation in Development Economics of the relationship between political processes and economic growth an area where Tom was on the forefront.

Faculty and staff in the department remember Tom with great affection. During the student protests in 1968, when he was department chair, students occupied the Economics Department and Tom was barricaded in his office for 24 hours. The faculty remembered that he handled the entire incident with grace and humor. Many faculty reported that Tom always had time for hallway conversations and that they were always enlightening.

Tom will be missed for his intellect and for the affection he had for his colleagues and students.

Written by Seth Sanders