He is best known for his work on portfolio theory; he was awarded the Nobel Prize in 1981. His books include *The American Business Creed* (1956), *National Economic Policy* (1966), and *Policies for Prosperity* (1987).

US economist. Tobin was the USA's most distinguished Keynesian economist, meaning not only that he refused to embrace monetarism, but also that he consistently held the view that the original Keynesian theory of income determination was capable of being extended and refined to deal with the macroeconomic problems of the 1980s and 1990s. He was awarded the Nobel Prize for Economics in 1981 for contributions to macroeconomics.

At the centre of Tobin's work was the concept of financial asset-holding. In his view, the ultimate measure of demand expansion or deflation was the relationship between the equities and debts of business enterprises as priced on the stock market, and the replacement cost of the assets of these enterprises at current prices; the ratio of these two global magnitudes he called ‘q’. The principal way in which events in the financial sector affect aggregate demand is by changing ‘q’. Monetary policy can lead to such a change, but so can a change in asset preferences for money, bonds, or equities. In this sense, monetary policy is only one of the elements that alter the rates of inflation and unemployment, and it is not necessarily the most important element. This, in essence, was his reply to the monetarism of US economist Milton Friedman.

Tobin was born in Champaign, Illinois, and received his bachelor's, master's, and doctor's degrees from Harvard University in 1939, 1940, and 1947 respectively. He began teaching at Harvard University in 1945 but moved to Yale University in 1947, where he remained as professor of economics, except for a year in Washington as a member of President Kennedy’s Council of Economic Advisers in 1961–62 and a year in Nairobi, Kenya, as visiting professor at the Nairobi Institute for Development Studies in 1972–73.


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