Memorial Resolution of the Faculty of the University of Wisconsin-Madison
On the Death of Professor Emeritus Donald Hester

Professor Emeritus Donald Denison Hester passed away in Madison, WI on July 8, 2016. He was an economist who was an internationally recognized expert in the study of financial institutions and macroeconomics. He exemplified the Wisconsin Idea by contributing his knowledge in public service to numerous policymaking agencies at the federal and state level, and to the university and the academic economics field. He was also an exceptional teacher that inspired generations of students, many of whom joined in creating and funding the Professor Donald D. Hester Chair in Economics.

Donald Hester was born in Cleveland, Ohio, on November 6, 1935. He graduated magna cum laude from Yale University in 1957, and won the Dickerman Prize for his undergraduate thesis. He then earned his graduate degrees from Yale – a Master’s degree in 1958, and his Ph.D. in 1961. His Ph.D. dissertation was on “An Empirical Examination of a Commercial Bank Loan Offer Function,” which was published in 1962 in Yale Economic Essays.

Don joined the economics department at Yale as an assistant professor in 1961, and was promoted to associate professor there in 1965. In 1968, Don moved to the University of Wisconsin, Madison as a full professor and remained in that position until his retirement in 2000. At that time, he was named a Professor Emeritus by the economics department.

Over his long career, Don served in many capacities as an advisor and visiting scholar. He was a Junior Visiting Professor at University of Bombay, an Academic Visitor at the London School of Economics, a visiting faculty at the Peoples’ University in Beijing, and also a visiting faculty at LUISS – Guido Carli in Rome. He served as a consultant to the Federal Home Loan Bank Board; the Board of Governors of the Federal Reserve System; the U.S. Department of the Treasury; the U.S. House of Representatives Committee on Banking, Currency and Housing; the Federal Reserve Bank of Chicago; the Center for Credit Union Research; and, the Wisconsin Council on Economic Affairs. He also was an associate editor of the Journal of Money, Credit and Banking.

At the University of Wisconsin, Don served as the Director of the Center for Quantitative Macro-Economic Analysis in the Social Systems Research Institute (SSRI), 1968-1970, and was Chair of SSRI, 1980-1984. He served as chair of the Department of Economics, 1990-1993.

Donald Hester published eighty scholarly articles and books. His notable contributions were to the economics of banking and its role in macroeconomic fluctuations. He was co-author (with James L. Pierce) of the influential Cowles Foundation Monograph, “Bank Management and Portfolio Behavior,” published in 1975. One of Don’s most famous contributions was a criticism of a famous paper of Milton Friedman’s that added empirical evidence in favor of a monetarist model of macroeconomics in opposition to a Keynesian model. Don’s paper was called “Keynes and the Quantity Theory: A Comment on the Friedman-Meiselman CMC Paper,” and was published in the Review of Economics and Statistics in 1966.

Don authored a contribution to the Brookings Papers on Economic Activity in 1981, entitled “Innovations and Monetary Control,” that analyzed how financial innovations affected the ability of the Federal Reserve to conduct monetary policy. His suggestion that controlling monetary aggregates was becoming a less useful way to conduct monetary policy undoubtedly had a large influence on central bank behavior throughout the world. Don also published important scholarly papers in such leading journals as the Journal of Political Economy, the Journal of Money, Credit and Banking, the Quarterly Journal of Economics, Econometrica, the Review of Economics and Statistics, and the Journal of Finance.

Many former students in the economics department fondly remember Don’s classes in money and banking, and his advanced courses in macroeconomics. He won numerous teaching awards, including the William H. Kiekhofer Memorial Teaching Award in 1976 and the University of Wisconsin Phi Beta...
Kappa Teaching Award in 2000. His former students honored Don by establishing the Professor Donald D. Hester Chair of Economics in 2015. Generations of Don's students who took his Money and Banking course remember playing the challenging role of managing a commercial bank in his instructional simulation of a commercial banking system.

Don’s interest outside of academia included travel, theater and Italian art. Don’s elder son, Douglas, preceded him in death. He is survived by his wife, Karen, his son Karl and his wife Kimberley, and Don’s grandchildren: Nicholas, Natalie and Kai.

Donald Hester’s contributions to the University and the Department of Economics – through his research, service, teaching, and as a valued colleague – are the legacy he bestowed on many, and he will be remembered fondly.