Paul Samuelson

Paul Anthony Samuelson died on 13 December 2009 at the age of 94, as the January issue of this Newsletter was about to be printed. He was born in May 1915, in Gary, Indiana, to parents who were ‘upwardly mobile’ Jewish immigrants from Poland. To begin with, the family prospered. His father, Frank, was a pharmacist and Gary was a newly established steel town whose output was much in demand during World War I. But hard times followed and the family moved to Chicago where he attended Hyde Park High School. He entered the University of Chicago at the age of just 16 and ‘...was born as an economist on Jan. 2, 1932’ as he was later quoted as saying. After getting his bachelor’s degree in 1935, he moved to Harvard where he took his MA in 1936 and got his PhD in 1941. His teachers at Harvard included Schumpeter, Haberler, Leontieff and Alvin Hansen, a leading Keynesian of his day.

Samuelson’s PhD dissertation eventually appeared in 1947 (revised, 1983) as what many regard as his finest work, *Foundations of Economic Analysis*. (It later laid the foundations for his Nobel Laureate). In the book, Samuelson set out to

• examine underlying analogies between central features in theoretical and applied economics and

• study how operationally meaningful theorems can be derived with a small number of analogous methods

by drawing on the methods of American thermodynamicist, Willard Gibbs. This involved the application of the language of mathematics to apparently diverse subfields of economics and the use of comparative statics as a mode of reasoning. Its publication was an immediate success, winning him the John Bates Clark Medal awarded by the American Economic Association to the ‘most promising’ economist under the age of 40. It also sold well for many years.

In 1941, Samuelson moved to MIT. It is widely-reported that Harvard made no attempt to prevent this and this is sometimes linked to the hostility towards Samuelson’s dissertation shown by the Chairman of the Harvard Economics Department, Harold H Burbank, and to the university’s (then) reluctance to hire Jews and economists of a Keynesian persuasion.

Successful as *Foundations* was, Samuelson will be much better known to generations of students throughout the world for his textbook, *Economics*, first published in 1948. This is thought to have sold over four million copies, in English and in translation into thirty or more other languages. Given the rapid development of the pedagogic infrastructure in the last thirty years or so — from textbooks, to instructors manuals and then the accompanying CD and now the supporting website — it is difficult to imagine the impact that *Economics* made on students and teachers of economics when it first appeared. But as Samuelson himself said, he ‘sweated blood’ devising the diagrams, charts, coloured text for emphasis and the deployment of plentiful headings and sub-headings. As one grateful student noted on Paul Krugman’s blog, the day that Samuelson died, ‘What I know now, what I understand, is due to his ability to make the “dismal science” accessible and yes, for some of us, even enjoyable’.

In addition to its pedagogic innovations, *Economics* is often credited with popularising ‘Keynesian economics’. Samuelson was certainly an admirer of Keynes’s work and the latter’s preoccupation with the economic causes of war and the importance of sound economic policy in maintaining peace and prosperity. Samuelson explained Keynesian economics to American presidents, in particular to President Kennedy, other world leaders, members of Congress and the Federal Reserve Board. He was a consultant to the United States Treasury, the Bureau of the Budget and the President’s Council of Economic Advisers, and is widely credited with persuading Lyndon Johnson of the need for the 1964 tax cut to head off recession.

However while Samuelson may have shared Keynes’s concerns with instability, recession and the need for fiscal activism, the textbook was often attacked for forcing Keynes’s ideas into a neoclassical synthesis — a system in which the conventions of classical economics can be reconciled with Keynes’s theories of underemployment by introducing a few price rigidities and other ‘market imperfections’. When this is done, Keynesian economics can be represented in the conventional way by a few equilibrium diagrams — typically the ‘Keynesian cross’ or, for intermediate students, the IS/LM model — in which aggregate behaviour is just the sum of individuals maximising subject to a constraint in the conventional way. For critics, especially the post-Keynesians, this ignores Keynes’s insights about fundamental uncertainty and the consequent importance of group psychology and leads to a downgrading of monetary and financial analysis. Samuelson was not alone in this, of course, nor even the pioneer. The same criticisms have been aimed at Hicks, Hansen, Modigliani, Meade and others.

In 1970, Samuelson was awarded the Nobel Memorial Prize in Economic Sciences, just one of many honours accumulated over the years. As the Committee said:

More than any other contemporary economist, Samuelson has helped to raise the general analytical and methodological level in economic science. He has simply rewritten considerable parts of economic theory. He has also shown the fundamental unity of both the problems and analytical techniques in economics, partly by a systematic application of the methodology of maximization for a broad set of problems. This means that Samuelson’s contributions range over a large number of different fields.
The fields in which he made notable contributions include:

- Welfare economics
  (the Lindahl-Bowen-Samuelson conditions)
- Macroeconomics
  (the overlapping generations model)
- Consumer Theory
  (revealed preference theory)
- Public finance
  (resource allocation with public and private goods)
- International economics
  (the Stolper-Samuelson theorem and the Balassa-Samuelson effect).

Samuelson remained based at MIT for the rest of his career and during that time helped develop MIT into one of the world’s outstanding graduate schools of economics. Teachers and students, all of whom became Nobel Laureates, included Robert Solow, George Akerlof, Robert F Engle III, Joseph Stiglitz, Paul Krugman, Robert C Merton, Lawrence R Klein and Franco Modigliani.

In 1938 Samuelson married Marion Crawford, a fellow Harvard student. Together, they had six children — prompting the quip that *Economics* was the result of financial stringency. Marion died in 1978 after which Samuelson remarried. He is survived by his second wife, Risha Clay Samuelson, by all six children and numerous grandchildren.