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POLITICAL ARITHMETIC

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POLITICAL ARITHMETIC

Simon Kuznets and the Empirical Tradition in Economics

ROBERT WILLIAM FOGEL, ENID M. FOGEL,
MARK GUGLIELMO, AND NATHANIEL GROTTÉ

The University of Chicago Press CHICAGO AND LONDON

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*To Penelope Enid Anderegg and Maximillian Thor Pietraszewski,
great-grandchildren of Enid and Bob*

Preface

This book is about the scientific work of Simon Kuznets and his impact on economics as a discipline. Kuznets was the winner of the third Nobel Prize in economics, which he received in 1971 for his work on comparative economic growth. He was also an exceptionally inspiring teacher who influenced the research and teaching of some of the best economists in economics and demography.

The book begins with a view of the great accomplishments of the twentieth century. Chapter 1 offers a history of the development of economics as an academic discipline prior to World War I. Chapter 2 describes the establishment of the NBER as an objective collector and analyzer of economic data that would be useful to policymakers. Chapter 3 describes the development of national income accounting at the NBER as a major tool for analyzing and assessing the performance of the economy and for guiding government interventions. It also describes the leading role played by Kuznets in demonstrating the power of this tool as a successful guide to the allocation of available resources between military needs and the civilian economy during World War II. Chapter 4 deals with Kuznets's use of national income accounting to analyze the factors accounting for the differences in the rate of growth among nations, the specific work for which he was awarded the Nobel Prize. Chapter 5 reviews Kuznets's scientific methods. Chapter 6 examines the continuing impact of Kuznets's research and his influence on economics. Chapter 7 considers the global economy in the quarter century after Kuznets's death with forecasts of the nature and future of both the domestic and the global economies.

Kuznets is introduced early in the introduction, then recedes into the background until chapter 3. To lighten that drought, we address now a question often put to us: What was Kuznets like as a person? To Robert Fogel, he was a beloved teacher who took a fatherly interest in both the intellectual and the personal aspects of his students' lives. That interest did not end after those students completed their graduate work and were off teaching somewhere on their own. Kuznets encouraged them to keep in touch and come visit him at home whenever they were in town.

"And so we did," said Fogel. Enid and Bob, with children in tow, often visited Simon either at his office or his home. After bouncing each of the boys on his knee and talking with them for a bit, he would settle back in his chair and ask, "So, Mr. Fogel, what have you been working on lately?" He listened to the answer carefully, sometimes probing for more detail, occasionally offering suggestions.

Kuznets had many students, all of whom wanted his help after they were launched on their own careers. When Fogel asked Simon to give a paper at his workshop in Chicago, Simon said, "You don't need me." But, when a less successful student issued the same invitation, Kuznets accepted without hesitation.

One day shortly after Simon's death, Fogel was at Kuznets's home, helping organize his papers for deposit at the Harvard Library. "Simon," his widow, Edith, said, "was modestly immodest." By that, she meant he was immodest in his desire to identify and measure the driving forces of economic growth but modest about his capacity to do so. He was always more focused on what he still had to learn than on what he already knew.

Born in Pinsk, Russia, on April 30, 1901, Kuznets received his education in primary school and gymnasium in Kharkov. He served briefly as a section head in the bureau of labor statistics of the Ukraine before emigrating to the United States in 1922. He entered Columbia University, where he received his B.A. in 1923, his M.A. in 1924, and his Ph.D. in 1926. His principal teacher at Columbia, and his lifelong mentor, was Wesley Clair Mitchell, a founder of the NBER and its director of research from 1920 to 1946.

Kuznets was a member of the research staff of the NBER from 1927 to 1961. It is there that he met Edith Handler. They were married in

1929 and had two children, Paul and Judith. Kuznets also held professional appointments in economics and statistics at the University of Pennsylvania (1930–54) and in economics at Johns Hopkins University (1954–60) and Harvard University (1960–71). During 1932–34, he served in the Department of Commerce, where he constructed the first official estimates of U.S. national income and laid the basis for the National Income Section. During World War II, he served as the associate director of the Bureau of Planning and Statistics of the War Production Board. He was instrumental in establishing the Conference on Research in Income and Wealth (which brought together government officials and academic economists engaged in the development of the U.S. national income and product accounts) in 1936 and helped establish its international counterpart, the International Association for Research in Income and Wealth, in 1947. He served as an adviser to the governments of China, Japan, India, Korea, Taiwan, and Israel in the establishment of their national systems of economic information.

Despite his extensive activities in the design of government programs of economic intelligence and his work in consulting with such private agencies as the Growth Center of Yale University and the Social Science Research Council, Kuznets was a prolific analyst of economic processes and institutions. During the course of his career, he produced thirty-one books and over two hundred papers, many of which set off major new streams of research. Among the fields in which he pioneered, in addition to national income accounting, were the study of seasonal, cyclic, and secular fluctuations in economic activity; the impact of population change on economic activity; the study of the nature and causes of modern economic growth based on the measurement of national aggregate statistics; the household distribution of income and its trends in the United States and other countries; the measurement and analysis of the role of capital in economic growth; the impact of ideology and other institutional factors on economic growth; changing patterns in consumption and in the use of time; and methods of economic and statistical analysis. Kuznets's intellectual contributions were acknowledged by his colleagues in many ways, including his election as president of the American Statistical Association in 1949 and of the American Economic Association in 1954.

