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Simon Kuznets [Ideological Profiles of the Economics Laureates]

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Abstract

Simon Kuznets is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

JEL classification

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Simon Kuznets

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Simon Kuznets (1901–1985) was born in Russia. In 1922, Kuznets emigrated with his family to the United States. He earned his Ph.D. from Columbia University in 1926 and started working at the National Bureau of Economic Research the following year. Between 1930 and 1971, Kuznets taught at the University of Pennsylvania, Johns Hopkins University, and then Harvard University (Kuznets 1992a/1971). His ideological views do not seem to have changed significantly during his adult life.

Kuznets won the Nobel Prize in Economic Science for “for his empirically founded interpretation of economic growth which has led to new and deepened insight into the economic and social structure and process of development.” In a speech at the award ceremony, Bertil Ohlin praised Kuznets for having “consistently addressed himself to giving quantitative precision to economic magnitudes which seem [to] be relevant to an understanding of processes of social change. He has collected an extraordinarily large body of statistical material which he has analysed carefully, and...he has used this to shed new light on economic growth. In doing so, he has, among other things, developed methods for calculating the size of, and changes in, national income” (Ohlin 1992/1971).

During World War I, Kuznets attended school in Kharkov, Russia, where he became intrigued by the Bund, a Menshevik or Marxist-socialist Jewish organization advocating gradual change (Kapuria-Foreman and Perlman 1995, 1526). E. Glen Weyl argues that this brand of Marxism does “not clearly manifest in his later work” (Weyl 2012, xix), but Vibha Kapuria-Foreman and Mark Perlman suggest that “This fascination with the relative distribution of income matured into a life-long interest in the question of whether an improved relative distribution (meaning a movement to household income equality) was compatible with general economic growth. ... [Kuznets’s] concern with the benefits and costs of income levelling remained with him all of his life” (Kapuria-Foreman and Perlman 1995, 1526, 1529).

In a 1941 presentation, Kuznets spoke of challenges domestic and foreign: “In wrestling with these two groups of problems, public agencies will have to be called upon to assume greater and more varied tasks than in the past. Governmental activity may thus have to be more extensive than heretofore. A more vigorous foreign policy necessarily means a more active and potent central government; and to develop various offsets to the undesirable short term variability of domestic levels of economic activity requires a government that is much more [than] a mere night watchman of our security and property” (Kuznets 1953/1941,

292-293). Still, Kuznets warns: “The danger lies in the possibility of control of the government apparatus by interests and goals not in accord with those of society at large. In [the United States], as in many others, the development and crystallization of monopolistic groups reinforces elements that are not actually interested in preservation of economic freedom and individual initiative. We must recognize that foreign policy, even in democratic countries in the past, is an arm of governmental activity imperfectly controlled by the desires and interests of the wider groups of the population. The prospective increase in government activity, both in domestic and foreign areas, raises the problem of how to strengthen the mechanism of control to offset the dangers of authoritarianism” (ibid., 293).

Robert Fogel, many years later, reflected on the 1940s as a time of pessimism among economists, before a change: “Simon Kuznets, for instance, was the least ideological economist I have ever known, but even he was very cautious about the economy’s future late into the 1940s. By then, he began to believe that we had entered a new era of economic growth and maybe that the Great Depression was the exception, not the norm” (Fogel 2007, 44-45).

Kuznets was not active in public debate; he did not speak up on particular policy issues. But he did sometimes express a broadly political sense of purpose. Kuznets’s 1954 Presidential Address to the American Economic Association and his 1971 Nobel Prize lecture reflect his longstanding concern with inequality. In the former, he called for more intense and accurate research into the topic of income distribution in society: “better knowledge and comprehension of the subject are indispensable, not only in and of itself but also as a step in learning more about the functioning of society—in both the long and short run” (Kuznets 1955, 27). In his Nobel lecture, Kuznets took up the question of technology and its implications for inequality across countries: “Thus, concurrent with the remarkable positive achievements of modern economic growth are unexpected negative results even within the developed countries; while the less developed countries are struggling in the attempt to use the large potential of modern technology in order to assume an adequate role in the one and interdependent world (from which they cannot withdraw even if they wished to do so)” (Kuznets 1992b/1971).

Later, Kuznets said that “a major function of modern sovereign government is to help channel social and political adjustments to economic growth, to modify old and create new institutional patterns that would facilitate growth while limiting its inequitable effects. Given the variety of, and likely conflicts among, the group interests affected, an overriding sovereign power is required that would represent the interests and values of the community” (Kuznets 1979, 14-15).

On the topic of economic growth and its disturbance of the status among relative economic groups, Kuznets said: “Only if such conflicts are resolved without excessive costs, and certainly without long-term weakening of the political

fabric of society, is modern economic growth possible. The sovereign state, with authority based on loyalty and on a community of feeling—in short, the modern national state—plays a crucial role in peacefully resolving such growth-induced conflicts. ... [I]t can stimulate growth and structural change. ... [I]t can referee, select, or discard legal and institutional innovations that are proposed in the attempt to organize and channel effectively the new production potential” (Kuznets 1973, 252).

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