



EJW

ECON JOURNAL WATCH
Scholarly Comments on
Academic Economics

Paul A. Samuelson [Ideological Profiles of the Economics Laureates]

Daniel B. Klein and Ryan Daza

Econ Journal Watch 10(3), September 2013: 561-569

Abstract

Paul A. Samuelson 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

A11, A13, B2, B3

Link to this document

http://econjwatch.org/file_download/763/SamuelsonIPEL.pdf

- Roth, Alvin E.** 2007. Interview by Tim Harford. July 12. *BBC Radio 4* (London). [Link](#)
- Roth, Alvin E.** 2010. Market Design: Understanding Markets Well Enough to Fix Them When They're Broken. Submission to *SBE 2020: Future Research in the Social, Behavioral, & Economic Sciences*. September 8. National Science Foundation (Arlington, Va.) [Link](#)
- Roth, Alvin E.** 2012. Interview by Patt Morrison. *Los Angeles Times*, November 14: A19. [Link](#)

Paul A. Samuelson

by Daniel B. Klein and Ryan Daza

Born in Gary, Indiana, Paul Samuelson (1915–2009) was of the generation of economists inspired by the Great Depression. He reflected on the period: “After 1929 it was the sturdy middle classes, and not just the lumpen proletariat, who were down and out. It was not all that unfashionable or disreputable to be bankrupt. By the last Hoover years, the states and localities had run out of money for relief. In middle-class neighborhoods like mine, you constantly had children at the door, asking by mouth or with a note for a dime, a quarter, or a potato: saying, in a believable fashion, we are starving” (Samuelson 1985, 6). Samuelson credits his parents for his ethical outlook:

Although positivistic analysis of what the actual world is like commands and constrains my every move as an economist, there is never far from my consciousness a concern for the ethics of the outcome. Mine is a simple ideology that favors the underdog and (other things equal) abhors inequality.

I take no credit for this moral stance. My parents were “liberals” (in the American sense of the word, not in the European “Manchester School” sense), and I was conditioned in that general *Weltanschauung*. It is an easy faith to adhere to. When my income came to rise above the median, no guilt attached to that. Nor was there a compulsion to give away all my extra coats to shirtsleeved strangers: my parents would have thought me daft to do so, and neurotic to toss at night for not having done so. Some personal obligation for distributive justice liberals do expect of themselves; but what is far more important than acts of private charity is to weight the counterclaims of efficiency and

ECON JOURNAL WATCH

equity, whenever public policy is concerned, in the direction of equity.
(Samuelson 1983, 5)

At age 16, Samuelson began his undergraduate studies at the University of Chicago. Samuelson reflected on his experiences there:

I began the study of economics on January 2, 1932. America, indeed the world, was in deep depression, though this had not quite yet contaminated any of the books assigned to me at the University of Chicago. ... Oddly, even though the outside world of the 1930s was being wracked by increasing joblessness and excess capacity, in Chicago it was easy learning pre-Keynesian economics in which all markets always cleared. We handled the situation by being schizophrenic. (Samuelson 1985, 5)

He continued:

A convert takes his religion seriously. From age 16 to 19 I was puzzled. I knew there were no jobs. Throughout my college career I earned exactly \$3.00; it was for a Saturday's stint delivering luxury fruits, but I was not called back and the University Placement Service had no leads for me to pursue. People who still held their jobs were lucky and knew it. How could all this be in a market-clearing model? Walras-Debreu paradigms, like Marshall-Cassel paradigms, have no room in them for lucky and unlucky transactors. ...

Clearly I was ripe to accept, a few years later, Keynes' proposal that money wage rates be accepted as if they were "sticky." This was not a perfect bicycle, but it was the best wheel in town. But at the time I worked desperately to fit all this into my classical system. In despair I fabricated the hypothesis that people already on the job must have developed special skills that made them more valuable to their employers than the unemployed alternatives were. (Samuelson 1985, 6)

Samuelson received his bachelor's degree from the University of Chicago in 1935, and his master's degree in 1936 and Ph.D. in 1941, both from Harvard University. He became a professor at MIT by age 25. Samuelson won the Nobel Prize in 1970 for "the scientific work through which he has developed static and dynamic economic theory and actively contributed to raising the level of analysis in economic science."

Samuelson found solutions in John Maynard Keynes's work and became one of the most successful proponents of Keynesian economic theory, through both his policy advice and his widely used undergraduate economics textbook. Samuelson, regarding the impact of Keynes's *General Theory*, stated in 1946:

I have always considered it a priceless advantage to have been born as an economist prior to 1936 and to have received a thorough grounding in classical economics. It is quite impossible for modern students to realize the full effect of what has been advisably called "The Keynesian Revolution" upon those of us brought up in the orthodox tradition. What beginners today often regard as trite and obvious was to us puzzling, novel, and heretical. . . .

The *General Theory* caught most economists under the age of 35 with the unexpected virulence of a disease first attacking and decimating an isolated tribe of South Sea islanders. Economists beyond 50 turned out to be quite immune to the ailment. With time, most economists in-between began to run the fever, often without knowing or admitting their condition.

I must confess that my own first reaction to the *General Theory* was not at all like that of Keats on first looking into Chapman's Homer. No silent watcher, I, upon a peak in Darien. My rebellion against its pretensions would have been complete except for an uneasy realization that I did not at all understand what it was about. And I think I am giving away no secrets when I solemnly aver—upon the basis of vivid personal recollection—that no one else in Cambridge, Massachusetts, really knew what it was about for some 12 to 18 months after its publication. Indeed, until the appearance of the mathematical models of Meade, Lange, Hicks, and Harrod there is reason to believe that Keynes himself did not truly understand his own analysis.

Fashion always plays an important role in economic science; new concepts become the *mode* and then are *passè*. A cynic might even be tempted to speculate as to whether academic discussion is itself equilibrating; whether assertion, reply, and rejoinder do not represent an oscillating divergent series, in which—to quote Frank Knight's characterization of sociology—"bad talk drives out good."

In this case, gradually and against heavy resistance, the realization grew that that the new analysis of *effective* demand associated with the *General Theory* was not to prove such a passing fad, that here indeed was part of "the wave of the future." This impression was

confirmed by the rapidity with which English economists, other than those at Cambridge, took up the new Gospel: e.g., Harrod, Meade, and others at Oxford; and still more surprisingly, the young blades at the *London School* like Kaldor, Lerner, and Hicks, who threw off their Hayekian garments and joined in the swim. (Samuelson 1946, 187-188)

Samuelson described himself as being “in the right wing of the Democratic New Deal economists” (quoted in Lindbeck 1992). In 1983, Samuelson wrote “I do not perceive that my value-judgment ideology has changed systematically since the age of 25” (Samuelson 1983, 6).

Michael Szenberg, Lall Ramrattan, and Aron Gottesman have described Samuelson’s decision on where to teach and why:

Theodore Schultz, then chairman of the Economics Department at the University of Chicago, sought Samuelson as a counterbalance to the school’s *laissez faire* philosophy. Schultz’s argument to Paul was enticing: “We’ll have two leading minds of different philosophical bent—you and Milton Friedman—and that will be fruitful.” Paul tells us that he verbally accepted the offer initially, but changed his mind twenty four hours later, fearing that the position would force him to counterbalance Friedman by adopting leftist opinions that he didn’t fully agree with. Samuelson clearly defined himself as a centrist, rather than an advocate of right- or left-wing philosophy. Also, he resisted requests by former Presidents John F. Kennedy and Lyndon B. Johnson to join the Council of Economic Advisors. As he said, “in the long-run the economic scholar works for the only coin worth having—our own applause” (Samuelson 1962). Also, by distancing himself from politics, Paul can call the “shots as they really appear to be.” (Szenberg et al. 2007, 4)

In a 1960 interview, Samuelson said: “I never look upon the Government as something in Washington that does something to us or for us. I think of public policy as a way in which we organize our affairs, and so I do not think it is part of fiscal responsibility and monetary-policy responsibility to be discontented with the sort of unemployment we had in the prewar decade, and with the sort of exuberant booms leading to crises and panics that we had throughout the history of our capitalist system” (Samuelson 1960, 55). Samuelson avoided direct policymaking power, but he was consultant to presidents and government agencies. Avinash Dixit describes Samuelson as having been “an active participant in policy debates, perhaps most importantly through his columns in *Newsweek*” (Dixit 2012, 4).

Although Samuelson did not see his views as changing in a fundamental way, Samuelson was influenced by certain life experiences, and there might be some grounds for saying that in his later years he lurched a bit in the classical liberal direction. When academia felt pressure in the McCarthy era, Samuelson said he learned “the perils of a one-employer society. ... To me this became a newly perceived argument, not so much for *laissez faire* capitalism as, for the *mixed* economy” (Samuelson 1983, 6, emphasis in original). His faith in government action also diminished as highly interventionist economies failed to perform well in the subsequent decades (Weinstein 2009). He wrote in 1983: “My enhanced skepticism about the government ownership of the means of production or the efficacy of planning is not a reflection of ossifying sympathies and benevolence, but rather is a response to the testimony of proliferating real-world experiences” (Samuelson 1983, 6).

Still, in 1999, Samuelson elaborated his contempt for libertarianism:

Years ago [Richard Crossman] edited *The God That Failed*, whose chapters report the disillusionment of one true believer after another in the promise of Marxian prophecies under the impact of contemporary actuality. It would be boring sawing of sawdust to elaborate on that god that failed. More relevant to the present moment of global economic chaos is an antipodal-polar archetype. I am speaking about the god of pure *libertarian* capitalism. (Samuelson 1999, 30)

He continued:

If rational expectationism or rule-bound monistic monetarism are realistic and potent doctrines, then the god of libertarian *laissez-faire* reigns intact. Do not, they say, let one storm panic you into any macro-activism. Things themselves will allegedly muddle through and, besides, activism can only systematically affect long-term price levels rather than sustainable macro-output and employment patterns. So it is argued.

Outside the seminar rooms, movers and shakers are becoming shaken in their faith that the god of libertarian *laissez-faire* cannot fail. Paul Volcker and Alan Greenspan [*sic*] dutifully pay lip service to the independent central bank boilerplate, but—like Mr. Dooley’s Supreme Court, which “follows” the election returns—in 1982, 1987, 1998, Volcker and Greenspan have shown a proper concern for $Q(t)$ likelihoods even when $P(t)$ remained pacific. I hope that the rumor

is true that the clerks at the new (Frankfurt) Central European Bank are furiously leaning English at Berlitz night school courses and letting their Bundesbank German rust.

I conclude on a serious note. Why have the rational expectationists suddenly turned quiet? The ball is in the court of Lucas, Sargent, and other important contributors to the New Classical School. Are organized markets *macro-efficient* inside of modern mixed economies, as those economies *actually* are? What makes them so? What keeps them so? Are self-fulfilling “rational” bubbles (away from “fundamentalists’ value”) impossible? Or possible? And with what plausible theory about life tables of bubbles’ expected duration? (Samuelson 1999, 32)

A *New York Times* obituary of Samuelson says that, although Samuelson warned against government getting too big to efficiently respond to societal needs, he believed that “no serious political or economic thinker would reject the fundamental Keynesian idea that a benevolent democratic government must do what it can to avert economic trouble in areas the free markets cannot. Neither government alone nor the markets alone, he said, could serve the public welfare without help from the other” (Weinstein 2009).

Along those lines, the *Economist* obituary of Samuelson said:

[Samuelson] approved of massive government spending to help an economy escape from recession when monetary policy can do no more. When the Obama administration introduced just that sort of stimulus this year, partly on the advice of Mr Samuelson’s nephew, Larry Summers, who is Mr Obama’s chief economic adviser, he was quick to approve. (*Economist* 2009)

A 2004 *Journal of Economic Perspectives* article by Samuelson was interpreted by some as promoting protectionism, but Samuelson retorted: “Economic history and best economic theory together persuade me that leaving or compromising free trade policies will most likely reduce future growth in well being in both the advanced and less productive regions of the world. Protectionism breeds monopoly, crony capitalism and sloth” (Samuelson 2005, 242).

Mark Skousen has traced changes in the famous textbook authored by Samuelson (1st ed., 1948), and later Samuelson and William D. Nordhaus (19th ed., 2010). Skousen finds: “Recently, Samuelson and coauthor William Nordhaus have gradually shifted from antithrift to prosavings policies, from deficit spending

to fiscal restraint, and from fiscal policy to monetary policy as effective countercyclical tools” (Skousen 1997, abs.).

Samuelson was interviewed by Karen Ilse Horn in June 2007. In the interview, Samuelson says:

By and large, globalization has helped both China and the US. But the point is that the winners in the US are a very unbalanced group. In the old New Deal days, with Presidents Franklin D. Roosevelt, Harry Truman, John F. Kennedy, Lyndon Johnson, the government would have made the winners—with the use of the tax system and the expenditure system—share some of their winnings, so that potentially, everybody could be better off. However, there is a big change in my understanding: only to a limited degree can you take a market system and improve on it by government buy-out. (Samuelson 2009a, 52)

Then Horn asks, “And why isn’t state intervention a good remedy?” Samuelson continues:

Mine is not the Hayekian argument that it would turn totalitarian. To me, all of current history just shows that if you do that, as in Sweden, you kill the goose that lays the golden eggs. You can rectify distribution only to a very limited degree. The real trouble with the modern world from an ethical viewpoint is not an idiot like President George W. Bush or a mean guy like President Richard Nixon, it’s the electorate. The more we get away from the Great Depression, when everybody felt we had the same problems and need of mutual [reassurance], and from the “necessary war”, World War II, the more the electorate no longer has altruism. But you can’t just dispel the electorate, as the German playwright Bertolt Brecht noted sarcastically. Yet, this emphasis upon the limited improvements that you can make within a modern democracy is a fundamental change in my thinking. The other thing that has changed is that because of Japan and Singapore and Hong Kong and Taiwan, the US economy in the ancient tradition of my textbook is a different one from the one of the current edition. In those days, the Fortune 500 companies had a measure of oligopoly power which they were forced to share with the trade unions. Well, in the meantime, the trade unions are gone in America, except in a few localizations and in government. We have a coward labor force. The result is that we are much more like in a Say’s law situation. All that

conversion to the disequilibrium system, into Keynesianism, seems no longer useful to me. (Samuelson 2009a, 52-53)

In a questionnaire that Horn administered to Samuelson and the other laureates that she interviewed, she asked, *Please name a politician that you admire for his/ her good hand in economic policy*, to which Samuelson answered: Franklin Delano Roosevelt. To Horn's question, *In your mind, what has been the most misleading theoretical approach in economics?*, Samuelson answered: Libertarianism (Horn 2009, 265).

In a foreword contributed to a short 2009 edited volume on Franco Modigliani, Samuelson—in his colorful way—remarked on Hayek and Friedman:

Vulgar debaters used to argue about who was the greatest twentieth century economist. Inevitably Keynes came up. For a brief period there was the ridiculous comparison between Hayek and Keynes. That was just before Hayek went into what cosmologists call a black hole as far as mainstream world economics was concerned. During the supply-shocked stagflation of the 1970's, when triumphant Keynesianism was losing esteem, monetarist Milton Friedman was praised in the Sunday newspapers as Keynes's superior. Alas, 1960 Friedman's version of 1911 Fisherine $MV=PQ$ in the end advanced no new understanding of either stagflation or macroeconomic prediction. (Samuelson 2009b, iii)

We are aware of two two public petitions signed by Samuelson, one opposing the George W. Bush tax cuts and another endorsing John Kerry for president in the election of 2004 (Hedengren et al. 2010).

References

- Crossman, Richard**, ed. 1949. *The God That Failed: A Confession*. New York: Harper & Brothers.
- Dixit, Avinash**. 2012. Paul Samuelson's Legacy. *Annual Review of Economics* 4: 1-31. [Link](#)
- Economist**. 2009. Paul Samuelson: The Last of the Great General Economists Died on December 13th, Aged 94. *The Economist*, December 17. [Link](#)
- Hedengren, David, Daniel B. Klein, and Carrie Milton**. 2010. Economist Petitions: Ideology Revealed. *Econ Journal Watch* 7(3): 288-319. [Link](#)
- Horn, Karen Ilse**. 2009. *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics*. Cheltenham, UK: Edward Elgar.

IDEOLOGICAL PROFILES OF THE ECONOMICS LAUREATES

- Keynes, John Maynard.** 1936. *The General Theory of Employment, Interest and Money*. London: Macmillan & Co.
- Lindbeck, Assar,** ed. 1992. Biography of Paul A. Samuelson. In *Nobel Lectures: Economic Sciences 1969–1980*, 57-61. Singapore: World Scientific Publishing Company. [Link](#)
- Samuelson, Paul A.** 1946. Lord Keynes and the General Theory. *Econometrica* 14(3): 187-200.
- Samuelson, Paul A.** 1948. *Economics: An Introductory Analysis*. New York: McGraw-Hill.
- Samuelson, Paul A.** 1960. What to Do About Business Recessions. *U.S. News & World Report* 49(26): 52-58.
- Samuelson, Paul A.** 1962. Economists and the History of Ideas. *American Economic Review* 52(1): 1-18.
- Samuelson, Paul A.** 1983. My Life Philosophy. *American Economist* 27(2): 5-12.
- Samuelson, Paul A.** 1985. Succumbing to Keynesianism. *Challenge* 27(6): 4-11.
- Samuelson, Paul A.** 1999. Two Gods That Fail. *Challenge* 42(5): 29-33.
- Samuelson, Paul A.** 2004. Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization. *Journal of Economic Perspectives* 18(3): 135-146.
- Samuelson, Paul A.** 2005. Response to “The Limits of Free Trade” by Avinash Dixit and Gene Grossman. *Journal of Economic Perspectives* 19(3): 242-244.
- Samuelson, Paul A.** 2009a. Interview by Karen Ilse Horn. In *Roads to Wisdom: Conversations with Ten Nobel Laureates in Economics* by Horn, 43-57. Cheltenham, UK: Edward Elgar.
- Samuelson, Paul A.** 2009b. Foreword to *Franco Modigliani: Peerless Twentieth Century Macroeconomist*, ed. K. Puttaswamaiah. Enfield, N.H.: Isle Publishing Company.
- Samuelson, Paul A., and William D. Nordhaus.** 2010. *Economics*, 19th ed. Boston: McGraw-Hill/Irwin.
- Skousen, Mark.** 1997. The Perseverance of Paul Samuelson’s Economics. *Journal of Economic Perspectives* 11(2): 137-152. [Link](#)
- Szenberg, Michael, Lall Ramrattan, and Aron Gottesman.** 2007. Ten Ways To Know Paul Samuelson. *American Economist* 51(2): 3-7.
- Weinstein, Michael M.** 2009. Paul A. Samuelson, Economist, Dies at 94. *New York Times*, December 13. [Link](#)