



Paul A. Samuelson

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 1970

Biography



"In this age of specialization, I sometimes think of myself as the last 'generalist' in economics," wrote Paul Anthony Samuelson, Professor of Economics at the Massachusetts Institute of Technology, "with interests that range from mathematical economics down to current financial journalism. My real interests are research and teaching..." His work in economic theory has been in modern welfare economics, linear programming, Keynesian economics, economic dynamics, international trade theory, logic choice and maximization. In terms of economic philosophy, Professor Samuelson calls himself "a 'modern' economist... in the right wing of the Democratic New Deal economists."

He was born in Gary, Indiana, in 1915. He received the degree of Bachelor of Arts from Chicago University in 1935, and the degrees of Master of Arts in 1936, and Doctor of Philosophy in 1941 from Harvard University. He was a Social Science Research Council predoctoral fellow from 1935-1937, a member of the Society of Fellows, Harvard University, 1937-1940, and a Ford Foundation Research Fellow from 1958-1959. He received honorary Doctor of Laws degrees from Chicago University and Oberlin College in 1961, and from Indiana University and East Anglia University (Eng.) in 1966.

He was awarded the David A. Wells Prize in 1941 by Harvard University, and the John Bates Clark Medal by the American Economic Association in 1947, as the living economist under forty "who has made the most distinguished contribution to the main body of economic thought and knowledge."

Even while a graduate student at Harvard, he had already won international renown and had made significant contributions to economic theory. Confronted by contradictions, overlaps, and fallacies in the classical language of economics, he sought unification - and clarification - in mathematics. In his first major work, *Foundations of Economic Analysis*, published in 1947, he demonstrated that this approach worked. He told economists that they had been practicing "mental gymnastics of a peculiarly depraved type," and that they were like "highly-trained athletes who never run a race." He was not claiming mathematics as the cure-all or end-all of economic analysis, but he was insisting that mathematics was essential to an understanding of what economics was all about.

His *Economics: An Introductory Analysis*, first published in 1948, has become the best selling economics textbook of all time. The textbook has sold more than a million copies and has been translated into French, German, Italian, Hungarian, Polish, Korean, Portuguese, Spanish and Arabic. It is now in its fifth edition. "The book's emphasis on different themes has changed with the changing of the nation's economic problems," wrote *Business Week* in 1959. "The first edition was dominated by the end-of-the-war worry that widespread unemployment would return... later editions put growing stress on fiscal and monetary controls over inflation. In the later editions Samuelson has worked toward what he calls a 'neoclassical synthesis' of ancient and modern economic findings. Briefly, his synthesis is that nations today can successfully control either depression or inflation by fiscal and monetary policies... Some economists feel that Samuelson's book... is really his greatest contribution. It has gone a long way toward giving the world a common economic language."

He was co-author of *Readings in Economics*, published in 1955, and has co-authored numerous other works in the field. His latest book is *Linear Programming and Economic Analysis*, written in collaboration with Robert Dorfman and Robert Solow and sponsored by a grant from the Rand Corporation. Mathematical economics is applied to practical problems in international trade, transportation and marketing, competitive strategy in business and government, industrial production, and defense planning. Such complex problems of choice can now be analysed by the mathematical economics which Professor Samuelson has developed.

He came to M.I.T. in 1940 as an Assistant Professor of Economics and was appointed Associate Professor in 1944. He served as a staff member of the Radiation Laboratory from 1944-1945, was Professor of International Economic Relations (part-time) at the

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Fletcher School of Law and Diplomacy in 1945. He was a Guggenheim Fellow from 1948-1949. He is now an Institute Professor. He was a Guggenheim Fellow from 1948-1949.

Professor Samuelson has served widely as a consultant. He worked for the National Resources Planning Board from 1941-1943 (in charge of war-time planning for continuing full employment); the War Production Board and Office of War Mobilization and Reconstruction in 1945 (economic and general planning program); the United States Treasury, 1945-1952; the Bureau of the Budget in 1952; the Research Advisory Panel to the President's National Goals Commission from 1959-1960; the Research Advisory Board Committee for Economic Development in 1960. He was a member of the National Task Force on Economic Education from 1960-1961 and has been a consultant to the Rand Corporation since 1949. He is an informal consultant to the United States Treasury and the Council of Economic Advisors. He is also a consultant to the Federal Reserve Bank. He was Economic Advisor to Senator, candidate, and President-elect Kennedy and was the author of the January 5, 1961 "Samuelson Report on the State of the American Economy to President-elect Kennedy." His consultation for the government has brought him national recognition as an economic advisor. In 1965 he was elected president of the International Economic Association.

Contributing in 1958 to a symposium sponsored by the Committee for Economic Development on "What is the most important economic problem to be faced by the United States in the next twenty years?" Professor Samuelson answered, "The threat of inflation."

"The history of the twentieth century," he wrote, " - America's century! - has been pretty much a history of rising prices... inflation is itself a problem. But the legitimate and hysterical fears of inflation are - quite aside from the evil of inflation itself - likely, in their own right, to be problems. In short, I fear inflation. And I fear the fear of inflation. Avoiding inflation is not an absolute imperative, but rather is one of a number of conflicting goals that we must pursue and that we may often have to compromise. Even if the military outlook were serene - and it is not - modern democracies must expect in the future to be much of the time at, or near, the point where inflation is a concern. Our greatest economic problem will be to face that concern realistically, to weigh inflation's quantitative evil against the evils of actions taken against it, to develop methods of adjusting to the residue of inflation which attainment of the 'golden mean' might involve. The challenge is great but the prognosis is cheerful."

In an interview in 1960 with *U.S. News World Report*, Professor Samuelson talked about a new kind of inflation - what he called "cost-push." As contrasted to the familiar kind of inflation - where too much spending power pulls up prices and wages - cost-push inflation is "a force that operates year-in and year-out, whenever we are at high employment, to push up prices. It's a price creep, not a price gallop; but the bad thing about it is that, instead of setting in only after you have reached overfull employment, the suspicion is dawning that it may be a problem that plagues us even when we haven't arrived at a satisfactory level of employment."

In his report to President-elect Kennedy in 1961 on the state of the American economy, he wrote: "Various experts, here and abroad, believe that the immediate postwar inflationary climate has now been converted into an epoch of price stability. One hopes this cheerful diagnosis is correct. However, a careful survey of the behavior of prices and costs shows that our recent stability in the wholesale price index has come in a period of admittedly high unemployment and slackness in our economy. For this reason it is premature to believe that the restoration of high employment will no longer involve problems concerning the stability of prices."

"Economists are not yet agreed how serious this new malady of inflation really is. Many feel that new institutional programs, other than conventional fiscal and monetary policies, must be devised to meet this new challenge. But whatever the merits of the varying views on this subject, it should be made manifest that the goal of high employment and effective real growth cannot be abandoned because of the problematical fear that re-attaining prosperity in America may bring with it some difficulties; if recovery means a reopening of the cost-push problem, then we have no choice but to move closer to the day when that problem has to be successfully grappled with."

In this report to President-elect Kennedy, Professor Samuelson made certain minimal policy recommendations "that need to be pushed hard even if the current recession turns out to be one that can be reversed by next summer at the latest." He urged strong support of pledged expenditure programs, including: increasing defense expenditures and foreign aid on a basis of merit and need, vigorously pushing educational programs, high priority for urban renewal and health and welfare programs, highest priority on improving unemployment compensation, acceleration of useful public works and highway construction programs, help for depressed areas programs, and natural resource development projects.

To stimulate residential housing, he recommended reducing mortgage rates, mortgage discounts, insurance fees, and extension of maximum amortization periods, and a step-up in the Federal National Mortgage Association mortgage purchasing program. In monetary policy he specifically urged more reliance upon short term issues (to nudge a reduction in long term rates), and decisive actions to improve our international balance of payments position.

On the question of unemployment levels, Professor Samuelson made these comments in an interview with *U.S. News World Report* in December, 1960: "I think, without question, that unemployment of more than 6 per cent is something to be concerned about. You don't push the panic button, but you don't relax and enjoy it either... I myself don't believe in a

numbers game in which you give a maximum tolerable percentage, because I think, truly, it does vary with the times... I would hesitate to specify the figure today, but I will say this: it would be, in my mind, less than a 4 per cent figure - that is, for the period ahead. I would not, realistically, think we could hope for a 2 per cent figure in the near future, as certain European countries have been able to do. But I do think that if we are pretty zealous in this matter and insist upon getting low figures - say, 3.5 per cent - then our very success in accomplishing that may lead to a new epoch just beyond when we could hope to go below 3 per cent... "

A further question in the interview asked what degree of responsibility the government has to insure high employment. Replied Professor Samuelson: "I think I would say simply that the American people have expressed the choice that it is their concern to see that large departures from high employment will not be tolerated... 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 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 have had throughout the history of our capitalistic system."

Summing up, he made this prediction for the decade: "I think the '60s will give us the potentiality of very good growth. More and more of our social problems of the past are, in fact, being licked. So I would face the '60s not complacently, but optimistically."

Professor Samuelson has been active in a number of honorary and professional organizations. He is a member of the American Academy of Arts and Sciences, a fellow of the American Philosophical Society and the British Academy; he is a member and past President (1961) of the American Economic Association; he is a member of the editorial board and past-President (1951) of the Econometric Society; he is a fellow, council member and past Vice-President of the Economic Society. He is a member of Phi Beta Kappa.

He is the author of hundreds of articles in journals and magazines.

He lives with his wife and six children (including triplet boys) in Belmont, Mass.

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