

Simon Kuznets

Cautious Empiricist of the Eastern European Jewish Diaspora
and how studying him changed my economics

E. Glen Weyl

Harvard Society of Fellows

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How I wound up writing this paper

- Senior spring: home stretch, need a history course
- Never knew much about my own background...
- Why not take history of Russian Jewish diaspora?
- Olga Litvak (now at SUNY Albany) taught Kuzents on Jews
- Never heard of this...and no standard treatment discussed
- But hugely influential in that community
- Saw connections in modeling, arguments in development
- Relationship with Friedman's medical cartel argument
- Striking role of eastern European Jews in economics
- Archival work, interviews...but off track, so let it drop?
- But: woodworks, colleagues, Russian scholars
 - And most importantly you all!
- Best part: people I met, great thinkers of 20th century
 - Daniel Bell, Oscar Handlin, Shmuel Eisentadt

Simon Kuznets, Chicago and my path to HOPE

- For all that, I am not an historian of economic thought
- So biggest impact on me is connection to my research
- Paper showed why HOPE matters for me
 - 1 Where to look for ideas and inspiration (epigraph)
 - 2 Wisdom of the ancients and cycles
 - Rosenstein-Rodan and Murphy-Shleifer
 - Population and growth debate
 - Empirical-theoretical divide
 - 3 Exposure to how old some “new” ideas are
 - “Big” ideas in development, Shultz and natural experiments
- Filed away, came to fore in Chicago price theory
- Deep, fundamental problem, must have been thought of
 - Lead me to dig deeper into history
- Today talk about this (also give sense for my work)

Wisdom of the “ancients”

“There is nothing new except what has been forgotten”

- 1 No one learns GE comparative statics today
 - But “modern” comparative statics use very special case
⇒ *The Correspondence Principle and the Law of Demand*
- 2 Slutsky symmetry not taught any more
 - But underlies much theory (Acemoglu) and identification
⇒ *Slutsky meets Marschak*
- 3 Cournot only remembered for competition model
 - But study of pass-through anticipated contemporary issues
⇒ *Pass-through as an Economic Tool* with Michal Fabinger
 - And complements constantly reinvented, results forgotten
⇒ *Concordance among Holdouts* with Scott Duke Kominers
- 4 More recent: Spence’s quality monopolist, Bresnahan
 - I’ve made a cottage industry of reviving

Cycles, fads and what they teach us

- Cycles can teach as much as ideas generated
 - ① Why did an idea “go out” and does this still matter?
 - Slutsky symmetry and income effects: irrelevant for firms
 - Imperfect competition \implies goodbye GE? Restart fallacy
 - Cournot, Bertrand and the simple models lesson
 - Consistent conjectures, existence and identification
 - ② Which limitations of current fad have been missed?
 - Atheoretical empirics and the Marschak-Lucas critique
 - Partial equilibrium and consumer surplus
 - The second best and behavioral economics (Handel 2009)
 - Mirrlees, utilitarianism and interpersonal comparisons
- Restart fallacy and self-promotion

Intellectual history and the unity of price theory

- Have come to see all economics as simple price theory
- Classics = Econ 101, but ignored for modern
 - Yet modern problems not different from classics, just harder
- Understanding what were frontiers helps fit things together
 - 1 Bulow and Roberts on auctions
 - 2 Saez on Mirrlees taxation
 - 3 Aguirre, Cowan and Vickers on 3rd degree discrimination
 - 4 Einav, Finkelstein and Cullen on lemons
- Why is “unity of price theory” useful?
 - 1 How we are first taught, so easier to understand, teach
 - 2 Helps keep mind straight (only so many things at one time)
 - 3 Makes most economics “worked examples” (alla Kuhn)
 - 4 Provides large, general toolkit for new problems

What actually makes a classic paper?

- Standard “history”: read a classic paper and be awed
- But this gives terrible impression
 - The paper shapes how we now learn it
 - Seems like manna from heaven; no impression of context
- Gives wrong goals
 - Rhetoric about Akerlof’s lemons
 - What really made that a great paper?
- Gives wrong critiques
 - “There’s nothing new here”
 - “This is just mathematics, not economics”
 - “This is methodology not real applied work”
- To avoid these, must understand context of reception
- My vision of teaching industrial organization
 - By styles: two old, two recent (one classic, one bad)

HOPE to motivate a paper

Finally, useful inspirationally and rhetorically for motivation

- 1 Inspiration: old, unformalized ideas = good research
 - Old Friedman, Rand idea of heroic creative industrial genius
 - + Old problem of why reward with market power (AC v. MC)
 - ⇒ *Creative Genius and the Free Enterprise System* with Tirole
 - Markets correct inefficiencies in prices (Friedman)
 - ⇒ DeLong, Shleifer, Summers and Vishny on noise traders
- 2 Also purely rhetorically useful: use as motivation
 - Impression of broad, deep understanding of problem
 - Appeals to oft-alienated older audiences
 - No solution for long suggests problem hard, you important

A plea for greater dialogue

- Should be obvious I think mainstream needs more HOPE
 - But I think HOPE could use a bit more from mainstream
 - One of my closest colleagues is David Grewal
 - Junior fellow at Society of Fellows
 - Great historian of economic thought, everything to 60's...
 - But little since, gives impression of disconnected "fringe"
 - Interpersonal comparisons back to Aristotle, but not Mirrlees
- ⇒ I think closer dialogue could raise profile of HOPE
- Perhaps could even teach HOPE about trajectory
 - I'd love a "history of contemporary economic thought"
 - Something I could: how we go where we are *now*
 - How are the prospects?
 - But perhaps to promote this I need a foot in HOPE
 - So maybe you can help me with that through this paper