

Reflections on the Schumpeter I knew well

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*“Ah, did you once see Shelley plain,
And did he stop and speak to you,
And did you speak to him again?
How strange it seems, and new!”*

Robert Browning, Memorabilia, 1855.

In December of 1934, when I was an acne aged senior at the University of Chicago cleaning off pictures of Adam Smith, Böhm-Bawerk, and Alfred Marshall for the Economics Department, George Stigler and Allen Wallis were gigantic graduate students exercising squatter sovereignty over a basement storage room in the new Social Science Research Building. They told me that the American Economic Association was holding its Christmas annual meeting downtown in the Palmer House and suggested that I might want to pay that zoo a visit.

That is how I first saw Shelley plain. In one statistics section a roly-poly Harold Hotelling introduced Bill Madow who put some of the biggest matrices known to man on the blackboard. (That left its mark on me.)

Then, down the hall, to an overflow audience a florid Arthur Marget sang the flowery praises of a Harvard speaker whose name I could not catch. From Harvard he may have come, but I could catch no meaning from his energetic gibberish about “kitchens” and “spaghettis”. Only a year later did I come to realize his Germanic-English was preaching about short-term Crum-Kitchen business cycles, intermediate-length Juglar cycles and longest-run Kondratief waves. He spoke dynamically and dramatically, and since his own jokes made him laugh, I nervously joined in with the crowd’s frequent applauses. It was not love at first sight but he did capture my interest.

Still, the following week when Wallis and Stigler asked what I had learned at the AEA, I replied “Harry Carver from Michigan math department suggested, ‘to avoid the sample assumption of normality, permute the sample’s measured properties

with that universe's means properties'." Wallis then observed, "Samuelson, that's the silliest idea I've ever heard." This is really a story about Allen Wallis since the famous bootstrap technique did become important in statistics only some forty years later.

When I finally came to mention Schumpeter, George Stigler snorted, "Isn't he the nut who believes the interest rate to be zero in the stationary state?" I didn't then have the wit or the brashness to reply, "Yes, and Frank Knight is the nut who believes that the interest rate can *never* be zero in the stationary state." Knight was then our local Chicago Isaac Newton.

A year later I won a juicy SSRC fellowship that would pay all my graduate school expenses provided I went to a different university. So I was bribed to leave the midway Valhalla. In June 1935, without exception my Chicago teachers – Simons, Director, Knight, Douglas, Viner, Gideonse, Mints, Nef, and Yntema – recommended Columbia over Harvard. By lucky miscalculation I brashly ignored their wisdom. But it was not in order to sit at the Schumpeter knee. My hallucination was that the Harvard Yard would, like the Dartmouth lawns at Hanover, New Hampshire: a pretty white church on the hill, and much green ivy. Ed Chamberlain's 1933 *Theory of Monopolistic Competition*, which had never been assigned in any of my numerous Chicago courses, I found on a Reserve shelf and much enjoyed. But it took scarcely a month in the busy Harvard Yard to realise that Chamberlin was indeed a one-book-only man.

By sheer luck – my good luck – Harvard was about to come out of a lean period, led by an infusion of European talent: Schumpeter, Leontief and Haberler; buttressed too by the powerful soon-to-be arrival of Alvin Hansen, and my discovery of Edwin Bidwell Wilson, mathematician, physicist, statistician and only protégé of Yale's Willard Gibbs. Had I stayed at my beloved Chicago I would have missed completely, or had to fabricate alone, three great revolutions: the Keynesian revolution, the mathematical revolution, and the imperfect-competition revolution; besides, the Chicago ideology was an infantile eczema okay for one's teens but much in need of outside sunshine.

Today's lecture began with meeting Schumpeter for the first time. Lest the fast-moving clock choke off an account of how exactly fifteen years later I was the last professional economist to talk at length with Joseph Schumpeter, let me postpone for another occasion those intervening years. In 1949, this time in New York City, the AEA again met just after Christmas. Joseph and Paul had no inkling then that within a dozen days Professor Schumpeter would die in his sleep at the Taconic, Connecticut country estate of his American third wife, Elizabeth Boody Schumpeter. It can be said that Schumpeter's death was the gift of the gods – it came unannounced; with his boots on, he died going full-tilt. Born February 8, 1883 (four months before Keynes), Schumpeter died January 7-8, 1950 at but age 67.

(Keynes, perhaps from a heart damaged at Eton by rheumatic fever, was granted only 63 crowded years.) Best of all for a scholar like Schumpeter, his huge *History of Economic Analysis* was near enough to completion that his economic historian widow could supervise its final editing with the help of a few friends (Wassily Leontief, Richard M. Goodwin, Gottfried Haberler,...).