

### Task

1. How do you understand Keynes's words written in 1936?
2. Describe his childhood and years at Cambridge University.
3. What was his business in India and what other pursuits did he take up?
4. What did he do after he had given up his civil service?
5. What position did he hold with the outbreak of World War I?
6. What was J. Keynes busy with after the war?
7. How did he meet his future wife?
8. What tenets did he begin to depart in his book *A Treatise on Money*?
9. The Great Depression supported Keynes's assertions, didn't it?
10. What was his own opinion of the book *The General Theory of Employment, Interest and Money*?
11. Explain the meaning of the emphasized words.
12. Discuss the text together with your groupmates.

## 3.11. SIMON SMITH KUZNETS (1901-1985)



The gross national product is one of the most often quoted statistics, a favourite of economists and the new media alike. The ability to measure numbers such as GNP and national income arose **fairly late** in the development of economic theory. In fact, before this century such **estimates** seemed beyond the **realm** of human calculation. It was not until 1941 that the US Department of Commerce published the first national income estimates. At the **forefront** of this pathbreaking work, for which he won the Nobel Prize, was Russian-born economist Simon Smith Kuznets.

Simon Kuznets was born April 20, 1901, in Pinsk originally a Polish city but under the Russian flag at the time. His father, a Jewish fur merchant, emigrated to the United States when Kuznets was young, hoping to earn enough in America to send for his wife and sons.

But war kept the family apart. It was 1921 before Simon Kuznets and his brother Solomon travelled to the United States to join their father. After spending the summer teaching themselves English, the brothers enrolled in Columbia University to study economics. A year later Kuznets received his B.A. (Bachelor of Arts) and remained at Columbia for his graduate work. During these years he developed a deep respect for his professor and doctoral thesis chairman, Wesley C. Mitchell.

In 1920 Mitchell had formed the National Bureau of Economic Research (NBER), a group of highly **capable** researchers. In 1927 a year after completing his Ph. D. Kuznets joined the Bureau. Among the other young economists Mitchell hired was Edith Handler, who, like Kuznets, had received her training at Columbia University. Within two years of meeting one another, Handler and Kuznets were married.

In 1921 – 1922, Mitchell and his colleagues published a two-volume work in which they made **preliminary** estimates of the national income. During this time, the Department of Commerce was working to estimate the value of all goods and services produced in the United States and they turned to Mitchell and NBER for help.

#### ESTIMATING GNP

Kuznets was given responsibility for the project as the country began to slip into the greatest depression of its history. He later recalled that the lack of national economic data at the time was a scandal: “No one knew what was happening.” Kuznets began the complicated task of estimating the nation’s gross national product (a term he coined) with the assistance of Lillian Epstein and Elizabeth Jenks, who were statisticians. Seven years later their first report was published, an estimate of the nation’s income for 1929 – 1932. The figures showed that the national income had plunged from \$89 billion in 1929 to \$49 billion in 1932, a drop that had a catastrophic effect on the economy.

In 1938 Kuznets published a second report of national income calculations from 1919 to 1935. In 1941, with the assistance of Epstein and Jenks, he published his **mammoth** two-volume work *National Income and Its Composition, 1919 – 1935*.

Kuznets was the first economist to attempt such a comprehensive estimate of the performance of the economy. He did more than simply count all the thousands of goods produced. He started by establishing a three – part **framework** for his estimations.

First, he calculated the nation’s product as the sum of the expenditures made by different classes of buyers on different classes of goods. Gross national product was thus **obtained** by taking the sum of expenditures made by consumers (consumer goods), businesses (investment), government (goods and services), and foreigners (net exports).

The second step was to take the sum of incomes produced in the economy. Thus the national product was the sum of wages, interest, rent and profits **paid out** to individuals. The remaining step followed from this: to add up all the income **received** by the individuals in the economy. The result, the GNP, was a measure of national economic performance.

#### OTHER CONTRIBUTIONS

Kuznets’s work didn’t end with the GNP. After calculating GNP back to the middle of the nineteenth century, he **embarked on a study** of economic growth in the United States. His data enabled him to look closely at how the distribution of