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editorials

An economist for all seasons

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Paul Samuelson, a truly great economist, died on the 13th of this month. The last time I saw him will now remain the only time we ever got to talk about India. It was at the weekly faculty lunch at Massachusetts Institute of Technology (MIT), at the height of the summer holidays. The few of us who were around had congregated at what was traditionally Paul's end of the table. I ventured some comment about the failings of the Indian State. He looked up from his plate and said, "Chakravarty [Sukhamoy Chakravarty spent some time at MIT in the 1960s] had such faith in the Indian State," his expression making it clear that he did not, but went on "...but a brilliant mind...it was the times...everybody believed in these things". That was typical of Paul; he believed in being blunt but also in generosity of judgement. He delighted in ideas; at the faculty lunch, almost till the very end, it was often Paul who would get the real conversation going (at least at his end of the table): "What did you think of X's piece in the [Wall Street] Journal?", Have you read Y's latest?"

Though Paul always had his own answer, it was a real question. Paul was an intent, if slightly intimidating, listener — his brows furrowed, eyes blazing like little pieces of charcoal. If he did not agree, he did not hesitate to offer a correction, or to lay out his alternative view. While I will not say that this had nothing to do with vanity, the primary goal, quite clearly, was to set the tone for the kind of conversation that was appropriate for a lunch at the MIT economics department.

Paul loved the department. It was his creation, to the extent that any department of nearly 40 faculty members can be a creation of one man. He set the norm for the kind of economics that we practised (and practise), that combines a respect for theory with a commitment to remain connected to ground realities. He hired many of the people who made, and make, the department what it is. And perhaps most importantly, he built probably the most-influential machine for training high-quality economists that has ever existed. It is no accident that every single academic economist in a position of seniority in the Barack Obama administration, including both Larry Summers and Ben Bernanke, have a strong association with MIT.

But then, in a sense, Paul also created modern theoretical economics. What sets modern economic theory apart from all the other social sciences, is the degree of its reliance on formal models. Formal models are artificial universes that economists use as the laboratories for their thought experiments. These universes are tightly described by a set of explicit (and often extreme) assumptions that allows the economist to focus on the interplay of one specific set of forces, to the exclusion of others. The point of a model is not to mirror reality but rather to get us far enough away from it so that we can think clearly about each piece that goes into our description of the world.

Economic theorists come in two flavours. There are those who come up with interesting new models that others then adopt and play with, and those who build tools that make it easier for others to analyse models. Paul belonged to both camps. He was the first to recognise the importance of developing tools for analysing models: his early work and thesis research published as the Foundations of Economic Analysis, were all about building tools — including ones that no one had yet realised that they would need — to make models more tractable. In his subsequent work, stretching from the 1940s to the 1980s, Paul built many models that became the starting point of different fields. I was taught international trade theory at Jawaharlal Nehru University at a time when conventional economic theory was clearly out of favour there, but much of the course was built around the basic model that Paul had developed in the late 40s and 50s. It was that unavoidable.

And thus it has been for so many of the core fields in economics — public finance, macroeconomics and the theory of financial markets. Somewhere, very early, there is a model by Paul. Despite this, or

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perhaps because of it, unlike many other distinguished economists, he never lost sight of the fact that a model was a model, a tool for learning about reality — not reality itself.

To the end, he resisted the abuse of economic models to justify unjust social policies; this is what he wrote in 2008, celebrating Obama's victory: "The 2008 US presidential election brought an end to the Bush administration blunders, and to other post-Reagan 'make the poor and middle classes subsidise the ultra rich' enactments. These are bad morals and not justified by higher growth efficiency." Few economists would have — could have — said it so bluntly or so well. This was the last piece he wrote.

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