

# Paul samuelson: an intellectual biography



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## Abstract

Paul Samuelson was one of the greatest economists from the 20<sup>th</sup> century. The man has created many aspects of contemporary economics. Therefore, we can discuss basically anything from economic growth, welfare economics, stabilization policies, international trade, or anyone of the other issues that many have caught your eye (Nordhaus, 2005). The following paper shows the one of the greatest contribution that Paul Samuelson offered to the world of economics.

## Paul Samuelson- An Intellectual Biography

### Introduction

Paul Samuelson is well known as America's first Nobel Prize winner in economics (Henderson, 2008). He is also most recognized as the first economist to increase the height of mathematical analysis in the business (Nordhaus, 2005). He also has created many aspects of contemporary economics that we can discuss basically anything from economic growth, welfare economics, stabilization policies, international trade, or anyone of the other issues that many have caught your eye (Nordhaus, 2005).

### Early Life

Paul Samuelson was born in Gary, Indiana, in 1915. His first degree was a Bachelor of Arts from Chicago University in 1935 (" Paul A. Samuelson - Biographical"). His second degree was a Master of Arts in 1936. His third degree was a Doctor of Philosophy in 1941 from Harvard University (" Paul A. Samuelson - Biographical"). From the period of 1937-1940 Samuelson was a

Social Science Research Council pre-doctoral fellow. He was also a Society of Fellows member at Harvard University from 1937-1940. From 1958-1959 he was also a Ford Foundation Research Fellow (“ Paul A. Samuelson – Biographical”). In 1961 Samuelson received honorary Doctor of Laws degrees from both Chicago University and Oberlin College (“ Paul A. Samuelson – Biographical”). He also received two more honorary Doctor of Laws degrees from Indiana University and East Anglia University in 1966 (“ Paul A. Samuelson – Biographical”).

### “ Public Good” Theory

In “ *The Pure Theory of Public Expenditure*” by Paul Samuelson he discussed his theory about “ private good” versus “ public good” and how there is no real way to calculate how much we can ever have of “ public goods” (Samuelson). With that said we will discuss what Global Public Goods are, how we manage these goods, and whether future technology will affect these goods (Nordhaus, 2005).

Global Public Goods can be described based off what a “ public good” is, which is defined based on two main points. The first is that a public good is non-rivalry of consumption which basically states that each person’s utilization of a good leads to no reduction from someone else’s use of the same good (Éloit, 2012). The other one is that a public good is non-excludability of use which basically states that the good cannot be saved for one individual; it has to be accessible to everyone (Éloit, 2012). The largest global public good would be water. That is just the most widely accessible pure global public good. Now in regards to the different levels of “ pure”

private and public goods and “ impure” private and public goods they overlap quite frequently and therefore there are very few true and “ pure” public goods (Nordhaus, 2005). We can then say that global public goods are not that different from other public goods. They are just the only ones where the effects spill around the world and for a significant period of time.

Now that we know what global public goods are how do and can we manage them? To begin we have to understand that there is no instrument by which global citizens can use to make the collective decisions in regards to the issues that come from these types of goods (Nordhaus, 2005). The way we “ try” to manage these goods is through individual governments, but there are times when that is not particularly possible. This is known as the Westphalian dilemma (Nordhaus, 2005).

Lastly, we will need to know how future technology will affect these goods. A forgotten aspect in regards to global public goods is the type of technology used to produce these goods (Nordhaus, 2005). It is with that said that depending on the type of technology used to make the public goods varies and thus decides the rules and place that can make the public goods the most effectively based on said technology (Nordhaus, 2005).

### Contemporary Example

Now there are many economic issues that are hurting the world from housing problems, to the internet, trade, and taxes all impact the world these days the largest problem is actually with America (Barfield, 2014). We have many of these problems occurring in our community down our streets. A very large issue we are facing would be the current tax reforms that the <https://assignbuster.com/paul-samuelson-an-intellectual-biography/>

politicians keep discussing. So over that last few decades many other countries all over the globe have reduced their corporate tax rates, which has left America with the largest rate in the world (Barfield, 2014). This issue from an economic point of view severely lowers the amount of investments that occur in the United States, with that said we can see that productivity is being strangled and wages have been significantly lowered. Currently, all political avenues that have been taken have failed to do anything to resolve this problem and the ideas being considered would not even put a dent in the current tax load for investments within the United States (Barfield, 2014).

With that said one aspect I think Paul Samuelson would be inclined to discuss would be to fully eliminate corporate tax as a whole and only tax corporate income at the stockholders level (Barfield, 2014). Another aspect I think Samuelson would be inclined to discuss would be to allow investment expenses to be instantly deducted rather than written off over many years (Barfield, 2014). I feel that the reason he would agree to either of these responses is because each one allows for much more economic growth. I also feel that based off his theory on “ public goods” that he would rather have growth in this way because it benefits many instead of just the “ private goods” of the corporate tax payers. Now the main reason I say that is because either of the aspects would help abridge the tax system, they would also promote investments, and they would increase the wages over the county.

Published Theories

Now besides Samuelson's theories on "public goods" he also published many other articles. His first was "*A Note on the Measurements of Utility*" which was how he coined the term "revealed preference" (Henderson, 2008). This essentially was a test to see if the consumer showed their preferences by their choices thus "revealed preferences (Henderson, 2008)." *Foundations of Economic Analysis* went and revolutionized mathematics in regards to economics and essentially depicts how all economic actions are understandable by either maximizing or minimizing the subject to a specific constraint (Henderson, 2008). Samuelson has also brought essential insight into finance theory, consumer theory, capital theory, welfare economics, macroeconomics, dynamics and general equilibrium, and international trade (Henderson, 2008). Now for Samuelson finance theory allowed him to express his ability to show that commodity futures prices were meant to change randomly (Henderson, 2008). He also did some major ground blazing work in capital theory; however his donations to this aspect are too vast to explain in layman's terms. Samuelson also proved in mathematics that there are circumstances when differentials would be calculated to zero (Henderson, 2008). The factor price equalization theorem is what Samuelson used to prove this situation. Samuelson's theories in macroeconomics tried to combine the accelerator theory of investment with the Keynesian income determination model to prove the recurring parts of business cycles (Henderson, 2008). He also came up with other theories and he even wrote many other articles and textbooks. These are just a handful of his published theories.

Conclusion

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In this discussion you have learned that Paul Samuelson is a very well known economist. During his life he taught and learned about many different theories that have helped evolve economics today. One of his most significant theories would be about public goods. Today it depicts the differences between “ pure” and “ impure” goods in regards to whether they are public or private. We can also see based off this theory how Samuelson may approach the current issue of the Tax reform in America. The main reason that global public goods relate to America’s tax reform is that by creating the wages and investment possibilities it allows for more trade which allows for more goods to be made available to more people at no additional cost. Therefore, I conclude that Paul Samuelson is one of the greatest economists due to what he has left for future economic generations to come.

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