

*ON THE OCCASION OF HIS BEING MADE AN HONORARY MEMBER OF THE*

**AFTER DINNER SPEECH BY MARK PERLMAN**

It is always a great joy to be professionally honored, and to be so honored in one of Europe's greatest palaces is a special reason for remembering the occasion with particular gratitude.

Generally no after-dinner speaker is entitled to discuss anything so serious as ideas. Rather, with everyone having consumed an excellent dinner, it is best that I talk of such non-serious things as people and their antics. My task, as President Erich Streissler told me, was to be amusing (if possible). As he, himself, is so amusing an afterdinner speaker I am put in the position of an English Judge whose experience showed what becomes of Schumpeterian imitators.

The story goes that two such English jurists were fishing on a loch in Scotland when one said, "Is it not still July?"

The other, after reaching for his pocket diary, moaned, "Indeed it is, and we are apparently fishing 'out-of-season.' But if we turn ourselves in, the cases will be heard only by the likes of us. So why do we not handle the matter ourselves?"

Thus it was that they rowed over to the side of the loch, and one clambered out, sat on the rocks, and announced in a loud voice, "Oyez, Oyez, Oyez – the Court of the Queen's Bench is now in session. Prisoner, you are charged with poaching. How do you plead?"

The other replied, "Guilty, my Lord."

"Prisoner, are there any mitigating circumstances?"

"I fear none, my Lord."

"Prisoner, you have admitted your guilt, and your punishment is a fine of five guineas."

With that the two jurists changed places, and again the cry was heard, "Oyez, Oyez, Oyez – the Court of the Queen's Bench is now in session," was heard. And then the second judge asked, "Prisoner, you are charged with poaching. How do you plead?"

The reply was "Guilty, my Lord."

"Prisoner, are there any mitigating circumstances?"

"I fear none at all, my Lord."

"Prisoner, you have admitted your guilt, and I declare your punishment to be a fine of ten guineas."

At this point the prisoner spoke up, saying "My Lord, in a recent case heard not far from here, and one with very similar facts, the Court held that a fine of five guineas was appropriate."

To which the sitting judge replied, "I know, I know. But the crime of poaching is becoming all too frequent."

Thus it is that I fear that my stories have to be even more amusing than usual.

The two economists who were the usual butt of so many stories are Joseph Schumpeter and Thorstein Veblen. But Schumpeter's stories were mostly told by himself on himself, and they are thus somewhat suspect.

Not so the stories about Veblen.

Of these perhaps the best comes from the time that he was being interviewed for a position at Harvard. Professor Taussig, who was not in favor of hiring him, tried to throw him off by telling him that he was to lecture on Topic A in the morning and Topic B in the afternoon. But when he introduced Veblen at the morning's lecture he announced the topic as B.

By the end of the day, Veblen was more than a little irked at Taussig. Nonetheless after dinner Taussig, oblivious of Veblen's growing anger, said to him, "Professor Veblen, my colleagues and I are quite impressed with your professional achievements, but we have heard that your friendships with some of your colleagues' wives have gone beyond the pale ..."

At that point Veblen growled, "Professor Taussig, reassure your colleagues, saying that I have seen their wives and they have nothing to worry about on that score."

Veblen was once entertained at dinner by Jack and Frances Viner. After eating a fine meal, Jack led him into the living room, saying, "Have you, by chance, ever read the work of the Canadian, John Rae?"

Veblen's reply, again growled, was, "Yes, and any number of smart-aleck youngsters claim that I plagiarized his phrase, "Conspicuous consumption."

I will return to Viner in a few minutes. But first let me tell you about another economist, Gunnar Myrdal.

Myrdal was a very rough and impolite student. Irked by Myrdal's manner, his teacher (Gustave Cassel) is reported to have said to him, "Gunnar, you must be more deferential – remember that these professors are the ones who are going to place you."

To which Myrdal muttered, "Yes, but they should also realize that I am the one who will write their obituaries."

I love that story because when I was to be examined orally on economic theory at Columbia University in October 1949 I was under the impression that my examiner was to be John Maurice Clark with whom I had once mentioned that I thought that Marshall's 1920 *Industry and Trade* was a more impressive work than his renowned *Principles*. Clark was quite intrigued and said that we must talk about it when you take your theory exam.

You can imagine my chagrin when I learned 24 hours before the exam that the new chairman (James Angell) had changed the rules, and he had assigned George

Stigler to be my examiner.

Stigler came to the exam thirsting for blood and would have failed me had the others not said that he was excessively unfair. However, he did have the right to reexamine me just prior to my defending my dissertation. I recall that after I heard those results I marched up to Professor Stigler saying, "What do I have to do to get by you, memorize your God-damned textbook?" (I had been a Army top-sergeant and was accustomed to venting my fury when I felt so justified.)

Stigler's reply was admirable. "Perlman," he said, "That will do for starters, but you'll have to do even more."

Thus it was about 14 months later that just prior to defending my dissertation I again was examined by Stigler (this time Professor Clark came along to enjoy the fun). Stigler's first question involved a quotation from an Irish economist, "'It little avails the poor for the price of bread to be set during a famine.' Would you give me your comment about its correctness?"

I said that everything depended upon whether I spoke as an economic theorist or as an economic historian. "Economic theorists," said I, "Don't know about revolutions; economic historians do."

His second question involved how much would a monopolist produce if his marginal cost always exceeded his marginal revenue. "My answer was that as the question lacked internal logic, it couldn't be considered as serious."

The Chairman of the Examining Committee (like Cassell) expressed concern about my rudeness.

But I went on saying, "How can anyone be called a monopolist if he doesn't produce anything?"

Stigler grinned, and said "Touché." There were one or two more sallies, but Stigler passed me. Indeed, about 17 years later he was one of two (Fritz Machlup was the other) who recommended to Milton Friedman that I be asked to create the Journal of Economic Literature, which is clearly one of my better claims to that ephemeral thing called, "Fame."

Now I must come to the point of this story. Just after George died I was asked to write the Stigler obituary for the Economic Journal. It was a task I relished and used no small number of his mordant witticisms in summarizing his work and his personality.

So Myrdal was right. One has only to be patient!

Getting back to Jack Viner, whose tyranny in the classroom both Rose and Milton Friedman still can make them recall their shaking with fear.

This story starts by my mentioning that Viner once asked me (the son of someone whom he thought a

staunch defender of Institutionalism) what Institutionalism had ever produced. I answered a slough of welfare programs, but these he said were charity, not economics.

In time I got to know Simon Kuznets very well. Simon was, of course, a self-confessed Institutionalist who thought that the test of a theory was not its inherent logic but whether it served as a shortcut to understanding empirical relationships. We were colleagues at Johns Hopkins and after we both left I used to visit him for two or three days twice a year. In the course of those visits he told me how he happened to get involved with developing the American National Income Accounts.

Simon and Edith (a quondam student of my father) got married and were in need of money to buy furniture. Simon's older brother, Solomon Kuznets, was Professor Edwin R.A. Seligman's assistant and in that capacity was assigning articles, at ten cents per word, for the old Encyclopaedia of the Social Sciences. Not surprisingly Simon asked Solomon for the longest article available. That was the genesis of that marvelous and very lengthy treatment on National Income in the encyclopaedia, still wellworth reading. In early 1933 the article came to the attention of Senator Robert LaFollette who introduced successfully a Congressional Joint Resolution directing the new Secretary of Commerce to commission such a study, giving data from 1929 through 1933.

The new Secretary (Daniel Roper) could find no one in the Department willing to undertake the effort, and so he went to the great American empirical-economist authority, Wesley Clair Mitchell, asking for advice. Mitchell suggested Kuznets. But Kuznets who had just been appointed Professor of Statistics at the University of Pennsylvania (the Economics Department wouldn't have him because he was a Jew), was afraid to ask for leave. So he proposed that two of his students would undertake the task with his journeying once every fortnight to Washington to supervise the project. The two students, Robert Nathan and Milton Gilbert, did a remarkable job – publishing in 1935 the National Income of the United States, 1929-1934.

Meanwhile Kuznets went off to do his preferred study on the income of professional physicians. But hardly had he gotten into it when Professor Mitchell asked him to take up a study of American capital accumulation, originally assigned to Professor Viner – who was too busy advising the Secretary of the Treasury on tax and tariff policy. Mitchell offered Simon a 'clever young fellow,' to fill in on the income of physicians; and that is how Milton Friedman got started. I don't have time to tell you how much trouble Friedman's study later caused, but in

the end he was allowed to publish it and after considerable delay got his PhD.

By the late 1930s Simon's major study of American capital accumulation including the 1934 was available. When in September 1939 World War II broke out, Robert Nathan (Kuznets's quondam student who had done such a remarkable job on getting the National Income Accounts ready) returned to Washington and undertook to handle the problems of military procurement planning. His achievements there boggle the mind: in 1940 he managed to persuade the American steel firms to increase their capacity by 10 percent at a time when they were operating at only 68 percent capacity. He did much the same thing with the American aluminum industry.

By the end of 1941 when the U.S. was reeling from the Japanese attack on Pearl Harbor Nathan, having become Director of the Planning Committee of the War Production Board, asked Simon to join him in Washington. Once there Simon wrote three very famous memoranda.

The first noted that the Army could double its orders without any inflationary pressure (production of so many civilian products had stopped). General Somerville, a self-important, domineering, Chief of Supply then tripled the Army's orders. To which Simon addressed his second memorandum, 'Double does not mean triple.'

Somerville fired off an answer saying that he had personally examined Kuznet's (second) Memorandum, and ended by adding that no serious man should waste his time reading it. Kuznets then wrote a personal note to the General in which he picked up the gauntlet and ended with the phrase, 'Furthermore, your closing argument is a non sequitur.'

But by this time Kuznets had written a third memorandum, one noting that the Army was buying from its traditional suppliers, firms which were hardly the most modern in the country. The implication was that he could tell the Army where there had been recent capital accumulation with the result that greater output could be achieved quickly. At that point the Army's Chief of Staff, the imperious George Catlett Marshall, personally came to the War Production Board and told its members (as well as both Nathan and Kuznets who were instructed to be present) that the Army didn't need 'a couple of university intellectuals' telling them how to do its business.

Nathan and Kuznet. of course, immediately resigned.

But that wasn't the end of the story. A New York investment banker, Nicholas Eberhardt, heard about the episode and persuaded the Secretary of War (Marshall's

boss), the patrician Henry L. Stimson, to order Marshall to adopt the Kuznets plan. The result was that whereas in 1941 the Armed Forces procured only 4 percent of the American Gross National Product, by 1944 (the last full year of the war) the Armed Forces were getting a full 48 percent.

A Princeton Professor of Government, George Graham, heard of the episode and assigned a PhD student, John Brigante, to write it up; its title is The Feasibility Problem. And Princeton in 1950 or 1951 offered Simon his first honorary doctorate.

The story ends pretty much where it started. On the day of the ceremony Simon was walking down Princeton's main road, Nassau Street, with his cap and gown over one arm and Edith on the other when whom should they run into but Jack Viner. Viner asked what they were doing in Princeton. Simon replied, "They're giving me an honorary degree."

To which the ever sharp-tongued Viner exclaimed, "Whatever for?" So much for Viner's capacity to appreciate the achievements of American Institutionalists. End of that story.

#### AFTER DINNER SPEECH (CONT)

But I must leave you with one that does Viner more credit – in the drawing room he was always fascinating and invariably kind to me – he once even offered me the use of his automobile the evening I took his daughter out. The story I want to tell however deals not with me but with an incident involving a young man.

Once when at a wedding Viner asked a young male guest what his field was. He thought the answer was Geology. And Viner, something of a polymath, then delivered an uninterruptable 50 minute discourse on the topic – only at the end of which was the young man finally able to say, "But Professor Viner, you misunderstood me. My field is not geology, but theology."

Viner didn't flinch. "Next time," was his reply.

May I thank you for your rapt attention which my stories really didn't deserve? And for the honor you have bestowed upon me!

Le Louvre

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