



Chronicling 100 Years of the U.S. Economy

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Top Influencers

The Bureau of Economic Analysis (BEA) and its journal, the *Survey of Current Business*, are respected sources of data on the health of our national economy due in large part to the individuals who influenced BEA and its predecessor agencies over the past century. From economic theory to the mechanics of producing reliable statistics, their contributions helped make BEA and its accounts the reliable, authoritative sources of economic data they are today. The *Survey* has chronicled the evolution of BEA's output for almost a century.

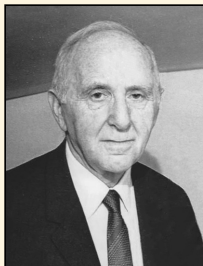
As we celebrate the centennial of the *Survey*, some of these top influencers will be profiled on the [centennial website](#). This month, we chronicle economist and Nobel laureate **Simon Kuznets**.

Simon Kuznets

The Founder of National Income Measurement

By Mary-Lynne Neil

Many preeminent economists, statisticians, and theoreticians were influential in the development of the Bureau of Economic Analysis (BEA), its products, and the journal that has disseminated its data for almost 100 years—the *Survey of Current Business*. One economist whose interests and expertise were crucial to the early development of national income measurement—the cornerstone of gross national product (GNP)—was Simon Kuznets.



Dr. Simon Kuznets

Simon Smith Kuznets emigrated to the United States from Ukraine in 1922 at the age of 21. Within 4 years, he received a B.S., an M.A., and a Ph.D. in economics from Columbia University. Soon after, he began working at the newly formed National Bureau of Economic Research (NBER), a private, nonprofit research organization, alongside its founder and his advisor, Wesley Clair Mitchell.

Kuznets' influence on the measurement of national income cannot be overstated. One can easily assert that Kuznets was the right person in the right place at the right time due to his significant contributions to measuring the health of the U.S. economy.

The federal government collected data from 1865 (and to a limited extent, data were also collected from 1770). In the 1920s, much of the business and economic data released by the federal government originated from the Department of Commerce (DOC) Bureau of Foreign and Domestic Commerce (BFDC). By the Great Depression, the lack of data on the nation's

production and income became evident. In 1930, NBER put Kuznets in charge of a study using new methods for generating national income estimates. This project led to his seminal publication *National Income*.¹

While working as an NBER researcher, Kuznets was tapped by Mitchell in 1931 to work with the BFDC on the development of national income accounts. Kuznets joined the Economic Research Division of the BFDC in January 1933. Soon after, Kuznets produced the first official estimates of GNP for the period 1929–1932. This report was sent to the U.S. Senate in January 1934.² Kuznets then returned to NBER.

At the outbreak of World War II, Kuznets was again detailed to the federal government, this time at the War Production Board. Kuznets was associate director of the Bureau of Planning and Statistics, an arm of the War Production Board. There he assessed the nation’s capacity to expand military production and the implications for the economy as a whole. His expertise in national accounting was vital to these assessments. After World War II, Kuznets took on the role of advisor to many Asian governments on their national income accounts.

During his career, Kuznets produced reliable measures of GNP broken down by industry, by final product, and by use. Over the course of many decades, he also calculated GNP with the historic data, computing national income back to 1869. His systematic and meticulous approach energized quantitative economics, and he is credited with helping form modern economics and econometrics. He is also credited with fueling the “Keynesian revolution.”³

Kuznets' interests extended to economic growth, distribution of income, savings, consumption, investment, and the cyclical nature of production and prices over periods of 15 to 20 years, often referred to as “Kuznets cycles.” Other concepts attributed to him include the “Kuznets curve,” which proposed that industrializing nations experience a rise and subsequent decline in income inequality, and the “environmental Kuznets curve” that measures the rise and decline of pollution in industrialized countries.

A dedicated researcher and educator, Kuznets held academic posts throughout his career, including posts at the University of Pennsylvania, Johns Hopkins University, and Harvard. He also participated in many research organizations and committees.

In 1971, Kuznets was awarded the Nobel Prize in Economic Sciences for his contributions to economic growth theory.

Kuznets died in 1985 at the age of 84. His legacy lives on today in part through his contributions to national income accounts and quantitative and macroeconomic theory.

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1. Simon Kuznets, *National Income: A Summary of Findings* (Cambridge, MA: National Bureau of Economic Research, 1946); www.nber.org.
 2. See the forthcoming September 2020 *Survey of Current Business* for a reprint of this report.
 3. Economist John Maynard Keynes turned neoclassical economics upside down when he reworked the determinants of employment levels in an economy. Keynes said that demand, not supply, was the factor driving employment levels. This was known as the “Keynesian revolution.”