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Author(s): JOSEPH A. PECHMAN

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## Arthur Okun

Arthur Okun died suddenly on March 23, 1980 at the age of 51. He was a brilliant economist, a gifted writer, a patient teacher, and above all, a superb human being and a truly modest and humble person. He could have been an ivory tower economist, but he turned to applied economics in order to use his expert knowledge and sharp powers of analysis to help improve economic welfare for everybody. He made major contributions to economics and economic policy and will be sorely missed by his colleagues, the profession, and public policy-makers.

Arthur Okun was born in New Jersey, went to Columbia University for his undergraduate and graduate work, and received his doctorate in economics in 1956. He was a brilliant scholar from the beginning. He was elected to Phi Beta Kappa in his junior year and received the Asher E. Green Prize for the highest scholastic average in his college class. He was the Godkin lecturer at Harvard University in 1974 and received the 1979 Frank E. Seidman distinguished award in political economy. He reached the rank of full professor at age 35. He was the author of numerous articles, *The Economics of Prosperity* (Brookings, 1975), and *Equality and Efficiency: The Big Tradeoff* (Brookings, 1975), and was co-editor with George L. Perry of the *Brookings Papers on Economic Activity*.

Arthur taught at Yale University during the 1950s and came to Washington with James Tobin in 1961 when Walter Heller asked

Tobin to join him and Kermit Gordon in serving on that memorable Council of Economic Advisers. He returned to Yale in 1963, but was called back to Washington by Gardner Ackley to become a member of the Council in late 1964. He was appointed chairman of the Council in February 1968 and came to Brookings in January 1969, where he later said, "I enjoy life as a member of the kibitzer's club . . . an ex-government official who stays in Washington is like a football player who turns to broadcasting. There are two great advantages in the shift in roles: you do not get hurt and you get a better view of the game."

During the past eleven years, Arthur was a model of a Brookings staff member. His research was always concerned with important policy issues. He tackled these issues with the most advanced analytical techniques. And he wrote beautifully, so that the results of his research were understood by key opinion leaders and the public at large, as well as by his fellow economists.

Arthur's major preoccupation as an economist was to devise methods of achieving economic growth with price stability. Early in his career, he observed that the economy grew by 3 percentage points when the unemployment rate was reduced by 1 percentage point. This relationship, now known as Okun's law, held for many years, and now many scholars are trying to explain why it isn't working. In the last two years, Arthur was grappling with the problem of stagflation, which

—he felt—would undermine the U.S. economy unless it was brought under control. The manuscript he left will be studied by students and policy-makers alike for a long time to come. Brookings expects to publish it soon.

Arthur's intellectual prowess was truly amazing. He had a steel-trap mind, a powerful pen, and a keen wit. He was one of the best forecasters Washington has ever seen, but he did his forecasting on the back of an envelope rather than with the assistance of a large-scale computer, as others do today. He was a walking encyclopedia of economic history. Whenever a startling statistic appeared, he was able to pinpoint exactly how far back that number had previously been reached or exceeded. If rapid arithmetic were a sport, he would surely have been on the U.S. Olympic team.

Arthur loved economics and never tired of talking about it. His appearance at the luncheon table in the Brookings cafeteria immediately generated a seminar in economics, the topics ranging from questions of economic theory to the analysis of the latest wrinkle in the unemployment rate. Arthur held forth on economics on any and all occasions with his friends, most of whom were economists. When asked why he spent so much time talking economics with economists, Arthur would reply with a disarming grin and shrug of the shoulders: "I like economics and I like economists."

Arthur was loved and admired by everybody who worked with him. He spent countless hours helping others in their research and writing. He was always available to the press for explanation and comment on the day's economic events. Many economists with whom he disagreed were his close friends, simply because

they knew he was eager to understand and discuss their point of view. Politicians, labor leaders, and businessmen of all persuasions sought his advice, which was always forthright and objective. He was rarely able to say "no," so he was always overcommitted and overworked.

With George Perry, Arthur made the *Brookings Papers on Economic Activity* the most important technical economic policy journal in the world. He had the rare faculty of being able to bring out the best in each of the authors of the *Papers*. Many of the well-known younger economists learned from him what rigorous economic analysis was really about and how to present their findings in an orderly and readable fashion.

Arthur's ability to write was a gift most of us envied. He once remarked that, at the Council of Economic Advisers, he had never written anything he had signed or signed anything he had written. At Brookings, he wrote for himself and turned out reams of beautiful prose at a fantastic rate of speed.

Arthur's ability as a phrase-maker greatly added to his effectiveness as a policy analyst. His speeches and congressional testimony were lucid and often contained artful figures of speech. Among other terms, he invented these:

- *discomfort index*—the sum of the unemployment rate and the inflation rate;
- *the leaky bucket*—the loss in economic efficiency accompanying programs to help low-income people;
- *the invisible handshake*—the implicit contract between employers and workers which is an important element in the wage-price spiral; and
- *expensive easy money*—a condition where credit is plentiful at

the same time as interest rates are high.

The hallmark of an Arthur Okun speech or prepared testimony was the analogy which captured for a lay audience the essence of the point he was making. A country undergoing inflation, he said, "was like a fat lady munching candy: the more she overindulges the more serious the risks become." This statement unleashed the largest volume of hate mail Arthur ever received. One woman wrote: "We fat ladies have enough troubles without you."

Arthur believed in truth-in-packaging, so he always acknowledged the source of his inspiration. In a recent bit of testimony he was explaining that managing incomes policies is not easy and that, as conditions change, the policies are "reshaped and reinstated . . . P. T. Barnum once noted that keeping a lamb in a cage with a lion requires a large supply of lambs. Similarly, society may need a reserve supply of incomes policies."

In 1970 Arthur was being prominently mentioned as a successor to Arthur Burns as Chairman of the Federal Reserve Board. For reasons I still disagree with, he thought he was not the man for the job. "Just because my name is Arthur, I smoke a pipe, graduated from Columbia, and am Jewish, some members of the press are convinced I should be the next Chairman of the Federal Reserve Board. Not me," he said.

He used the working title, "Prices and Quantities in Cyclical Fluctuation," for the manuscript he was working on when he died. I tried to persuade him to entitle the book "Causes and Cures of Stagflation," which is what the book is all about. But he insisted on his title, because he didn't want to give anybody the impression that the book would be easy

reading. Needless to say, the book will be published with the title he chose.

Arthur was a compassionate as well as a technical economist. His *Equality and Efficiency* is concerned with the trade-off between the goals of greater equality and economic efficiency. He recognized that the pursuit of too much equality could generate unacceptable efficiency losses, but he also believed that methods could be devised to achieve social betterment without sacrificing too much economic efficiency.

In his *The Political Economy of Prosperity*, Arthur explained why it was difficult to be a successful political economist and, by implication, why he became one. He wrote: "To convey the professional view effectively requires the talents of a missionary, an outstanding pedagogue and a supersalesman; it also takes skillful and sympathetic understanding of opposition views and, especially, of noneconomic considerations in policy choices. . . . The political economist will find that much of the exploration on the frontiers of economic knowledge is irrelevant to his task of providing ammunition for the battles waged in a political arena. And so political economy has to be a separate and distinct activity in the profession. It is not a science, but it is a source of potential benefit to the nation."

There are few people like Arthur who have both the qualifications and interest to practice the art of political economy. It will be immeasurably more difficult to solve our economic problems without Arthur Okun's help.

JOSEPH A. PECHMAN  
Director of Economic Studies,  
The Brookings Institution.  
This portrait is based on eulogies  
presented at the funeral and  
memorial services for  
Arthur Okun on March 25  
and March 28, 1980.