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The Normative Evaluation and Social Choice of Contemporary Economic Systems

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Shigeto Tsuru, 1912-2006: Life, Work, and Legacy

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Shigeto Tsuru, 1912-2006: Life, Work, and Legacy

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August 20, 2006

1. Shigeto Tsuru passed away on February 5, 2006 at the age of 93. He was one of the greatest political economists and influential opinion leaders in postwar Japan. He was also the human embodiment of mainstream economics educated at Harvard University in its prewar golden age, as well as the Marxian tradition of political economy absorbed in prewar Japan. It was this unique background that enabled Tsuru to be free from any rigid dogmatism whatsoever. However, the same background made him rather isolated in the academic spectrum in postwar Japan, which used to be sharply divided into antagonistic camps, and having a foot in both camps was viewed with scepticism rather than with admiration for flexibility.

Tsuru’s academic and social accomplishment is remarkable. He also left many disciples who would hand on his torch into the future. His accomplishment becomes even more impressive if we recollect that there were many storms in his life, and he was always snowed under with many official commitments which his sense of duty did not allow him to avoid. To say nothing of his services rendered as a Member of the Science Council of Japan, as well as at Deliberation Councils of the Japanese Government, his postwar career contained the following commitments. He served as the Program Committee Chair of the Economic Stabilization Board from June 1947 to April 1948. It was as an integral part of this duty that he took initiative in writing the famous Report on the Economic Reality of Japan,¹ which was the first White Paper ever written in Japan. It

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*Shigeto Tsuru was among the three examiners who interviewed me when I applied in the mid-1960s for the Graduate School of Economics at Hitotsubashi University. Besides, during my study at the Graduate School, I took two courses he taught, one of which being in part on the welfare-theoretic implications of national income. However, I should not be counted as his disciple in the traditional sense of the word. I am grateful to Heinz Kurz who induced me to write this essay. Thanks are also due to Konosuke Odaka and Miyohei Shinohara for their comments on the earlier draft of this essay.

¹Tsuru, S., in collaboration with S. Ohkita, Report on the Economic Reality of Japan, Economic
is also appreciated as the most informative, influential, and readable government report ever published in Japan. After he resigned from the Economic Stabilization Board, he was appointed in September 1948 to Professor of the Institute of Economic Research, Tokyo University of Commerce, which soon became Hitotsubashi University, where he served as the Director of the Institute of Economic Research over many years (1949-1956; 1965-1967). He was subsequently elected to the Presidency of Hitotsubashi University in April 1972, in which capacity he served until March 1975. In August 1977, he was inaugurated as the President of the International Economic Association, a position he held for three years. As a matter of fact, his busy life could have been even busier if he did not decline the request to become the Minister of Education in Mr. Takeo Miki's Cabinet, or to stand as the Socialist Party's candidate for the Governor of Tokyo. It is no wonder that even his long career was not long enough to give final answers to some of the fascinating problems he originally posed.

Before talking about his academic accomplishment, the essence of which may be found in his *Collected Works*, let us have a brief look at his early personal history. Then the reader will understand why I said that there were many storms in his life.

2. Shigeto was born in Tokyo on March 6, 1912. In 1917, his family moved to Nagoya. His health was always a serious concern, which forced him to miss some of the early years of elementary education. When Shigeto was in the second year at a middle high school, his father asked a native English speaker to teach Shigeto English grammar and conversation once a week at home. His extraordinary command of English originates in this tutorial at home. In 1929, Shigeto entered a high school under the old system, but he could never complete his high school education in Nagoya. Although he had excelled...
in many frontiers including an English Speaking Society as well as track and field meets, he was expelled from the high school for his radical political involvement which led to his arrest on December 2, 1930. The processing of his arrest and expulsion was very harsh, as he was not allowed to continue higher education in Japan.

Shigeto’s father quickly acted so that he could pursue higher education in America. In January 1931, Shigeto arrived at Lawrence College in Appleton, Wisconsin. After spending two fruitful years in Lawrence College, he made a decision to transfer to Harvard College for his final undergraduate years, and then to Harvard University. It was at Harvard that Shigeto encountered his life-long teachers of the highest academic caliber such as Frank Taussig, Joseph Schumpeter, and Wassily Leontief. He also developed close friendship with young and brilliant scholars such as Paul Samuelson, Paul Sweezy, and Robert Triffin. In his characteristic parlance, Samuelson recollected this period as follows:3 “Harvard did much for us. But ... we did much for Harvard too. And Tsuru in particular brought to that rather complacent citadel of mainstream economics, a knowledge of and an interest in Marxian economics. ... Paul Sweezy’s The Theory of Capitalist Development, which still serves as one of the best expositions of Marxian economics for economists trained in mainstream lines, was written at Harvard in this period. Tsuru’s appendix to the book, relating the steady and expanded reproduction tableau of Marx to Quesnay’s tableau economique and to Leontief-Keynes’ circular flows, occupies a permanent place in the history of economic doctrines.”

Herbert Norman was a Canadian historian with whom Shigeto developed a close friendship at Harvard. Norman was born in September 1909 in Japan. His parents were Methodist missionaries stationed in Japan since 1901. After completing his MA in Ancient History at Trinity College, Cambridge University, Norman came to Harvard in 1935, where he met Shigeto. They found a common interest in the development of the modern state in Meiji Japan. Norman completed his MA and Ph.D in Japanese History at Harvard and he returned to Japan in 1940 as an employee of Canadian External Affairs. His next encounter with Shigeto was under an extraordinary circumstance.

In the meantime, Shigeto also completed his Ph.D. Dissertation on “Business Cycle Theories and Their Application to Japan” in June 1940. The empirical part of his Dissertation was soon published in the Review of Economic Statistics.4 Sweezy’s book was

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published in 1942 with Shigeto’s afore-mentioned appendix entitled “On Reproduction Schemes.” Shigeto could find a teaching job at Harvard, and he was entrusted to take responsibility for a seminar on Marxian Economics with Sweezy. Thus, everything was nice and smooth for Shigeto and his wife, Masako, whom he married in June 1939. An unprecedented calamity was about to fall on the whole world, however, which disrupted Tsuru’s blossoming career substantially.

It was on December 7, 1941 in American time that a war broke out between America and Japan. According to Shigeto’s own recollection in his *Autobiography*, he soon arrived at a personal conviction that Japan could not possibly win this war against America. This conviction was partly based on his conversation with Harry Dexter White (1892-1948) whom he knew since his old days in Lawrence College. It was Shigeto’s personal conviction to this effect that urged him to return to Japan in order to contribute to the resurgence of his mother country after the inevitable defeat. The opportunity to fulfill this desire came abruptly. It was on June 1, 1942 that he received a telegraph from the State Department which offered Mr. and Mrs. Tsuru to be part of a war repatriation between America and Japan. There were only five days before they had to entrust themselves to the authorities in charge, so that Shigeto had to dispose of almost all books and documents in a hurry. He put aside all books on the Japanese economic history for Norman to pick up later on. Samuelson was another recipient of his books, who told me about this episode as follows: 6 “During the war, Shigeto was evacuated to Japan. When he had to dispose of his books, I was the lucky recipient of his copy of the 1932 edition of Pigou’s *Economics of Welfare*, which I read carefully.”

A Swedish merchant ship, *Gripsholm*, carried 1,500 repatriated Japanese to Lourenço Marques in Portuguese East Africa, where they were exchanged for those who were likewise repatriated from Japan. Among those who embarked on *Gripsholm* were a mathematician returning from Princeton, Shizuo Kakutani, and a seven years old boy who later became an econometrician with worldwide reputation, Takeshi Amemiya. They then embarked on a Japanese merchant ship, *Asama Maru*, which came back to Japan in August 1942.

When the two sides of repatriated people passed each other in Lourenço Marques, 

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7 This place is now known as Maputo in Mozambique.
Shigeto found Norman on the other side. According to Shigeto’s Autobiography, he could find brief seconds to tell that Norman could receive Shigeto’s books on the Japanese economic history at Harvard. Nobody knew that this would lead to a terrible tragedy much later.

It occurred in 1956 during Shigeto’s visit to Harvard, where he taught two courses, one on Comparative Economic Development and the other on Socialism, the latter being jointly taught with Jan Tinbergen. Shigeto was summoned to the U.S. Upper House to make a statement. Despite an official statement by the Canadian Government to the contrary, Norman was under suspicion of having been acting in his diplomatic activities according to his sympathy to communism. In Shigeto’s own perception, the purpose of the summon was to question him of his relationship with Norman with the purpose of substantiating this suspicion. As a background of this surmise, there was a radio news to the effect that Norman tried to retrieve some “secret documents” which Shigeto had left behind at the time of his repatriation. Shigeto thought that he could clear this cloud by his sincere statement, but the purpose of this summon turned out to be more about Shigeto’s own implication in communism. To make matters even worse, Norman committed suicide in Cairo on April 4, 1957, just a few days after Shigeto’s statement. Against his intention to help Norman out of his trouble, Shigeto was harshly accused by the Japanese mass media as if he had provided a self-defensive confession in the hearing at the cost of his close friends. It is a little relief that the accusation against Norman was subsequently proved to be groundless. Shigeto’s cool attitude in the midst of this awful experience was exemplary, and one cannot but be impressed by the strength of his will.

3. Tsuru’s academic contributions to economics are numerous and range over many areas, but there are three areas of research which naturally distinguish themselves.

The first area is the critical examination of the methodology of economic aggregates. The quintessence of Tsuru’s work in this area is contained in his book in Japanese, National Income and Reproduction Schemes, Yuhikaku, 1951, which was later republished in the second volume of the Collected Works. In Tsuru’s self-evaluation, this book is his major work in the age of pilgrimage in theoretical economics. Tsuru’s teacher at Harvard, Joseph Schumpeter, is known for his scepticism against Keynes’ use of economic aggregates, and he instructed young Tsuru to examine the methodology of Keynes’ aggregative concepts vis-à-vis that of Marx. This book as a whole may be construed as Tsuru’s belated progress report submitted to Schumpeter. The essence of this book may be crystallized as follows. Any aggregative concept can play an active role in economic
analysis if and only if it has a theoretical significance of its own. In other words, an aggregative concept is meaningful if and only if it can play an indispensable role as a building block of an objective economic law, which accomplishes itself without being affected by any tampering from outside. It is worthwhile to recollect that the use of aggregative concepts by classical authors such as François Quesnay, Nassau William Senior, John Stuart Mill, and Karl Marx was precisely in this sense. In sharp contrast, the use made of aggregative concepts by John Maynard Keynes was not as a moment of an objective economic law, but as a moment of state control of the working of an economic system. To substantiate this claim, Tsuru cites a passage from Keynes’ *General Theory*:\(^8\) “Our final task might be to select those variables which can be deliberately controlled or managed by central authority in the kind of system in which we actually live.” According to Tsuru, this change of stance in the use of economic aggregates was brought about by the systemic dysfunctioning of competitive market mechanism in the 1930s. To the extent that the barometric function of prices became less reliable as the market imperfections became conspicuous, Keynes’ use of economic aggregates had to be accepted as a means to complement the unsatisfactory performance of market mechanisms. This leads us to a serious question. In the case of traditional microeconomic theory, there is the basic principle of constrained optimization which enables us to derive the basic functional relationships — such as demand and supply functions — among economic variables. What, then, is the basic principle which underlies the statistical functional relationships — such as the statistical consumption function — among statistical aggregates? Tsuru posed this important question, but he left this ground without settling it. All he did was to call the reader’s attention to what we now know under the name of microeconomic foundations of macroeconomics.

Tsuru’s second major area of research is comparative economic systems and institutions. His work in this area may be represented by Tsuru, S., ed., *Has Capitalism Changed? An International Symposium on the Nature of Contemporary Capitalism*, Iwanami-Shoten, 1961. This is a collection of papers by John Strachey, Paul Sweezy, Charles Bettelheim, Maurice Dobb, John Kenneth Galbraith, Paul Baran and others, each one trying to answer the questions posed by Tsuru on the recent changes in American capitalism, their theoretical implications, and the transition path towards socialism. It is often mentioned as the most important postwar work on the comparative analysis of capitalism versus socialism. Compared with the *socialist planning controversy* in the

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1930s,\(^9\) which was fought between Ludwig von Mises, Friedrich von Hayek and Lionel Robbins, on the one hand, and Oscar Lange, Maurice Dobb and Paul Sweezy, on the other, and focussed on the theoretical possibility of rational economic planning under socialism, there are two conspicuous differences which are worth pointing out. The first is that the Tsuru Symposium consisted solely of scholars who were critical to capitalism to begin with, whereas the socialist planning controversy in the 1930s was fought between the two camps with sharply contrasting stances towards capitalism versus socialism. The second is that the controversy in the 1930s was focussed on the theoretical possibility of rational socialist planning, whereas the Tsuru Symposium was focussed on the concrete reality of American capitalism and its transition towards socialism. These features are intrinsic in Tsuru’s approach to comparative economic systems and institutions.

Tsuru’s third major area of research is environmental disruption and the design of economic policies to cope with this problem. His work in this area may be represented by his two books, viz., Tsuru, S., *The Political Economy of Environmental Disruption*, Iwanami-Shoten, 1972, in Japanese, and Tsuru, S., *The Political Economy of the Environment: The Case of Japan*, Athlone Press, 1999, but his strong concern about environmental disruption dates back at least as far as 1950. In an essay entitled “Reflection of an Economist,” which was originally published in 1950 and republished in his *Collected Works*, Tsuru maintained that if an economist cannot meet the challenge of environmental disruption, he should not be called an economist, who studies real economic problems; he should rather be called a scholar on economics, who preaches or interprets a doctrine of economics established by somebody else. Faithful to his own words, Tsuru started his serious effort to face environmental disruption in 1963. The first step of his strenuous effort was to organize a study group on environmental disruption, which originally consisted only of seven members, and investigate the actual circumstances of such notorious pollution cases as the Yokkaichi asthma case and the Minamata disease case. This study group eventually grew into the Society for Environmental Economics and Policy Studies, whose membership now exceeds 1,200. There are also many policy proposals by Tsuru’s group which were successfully incorporated into actual policies and institutions in Japan. Another notable feature of Tsuru’s study on environmental disruption is that he is free from the dogmatism which prematurely and blindly imputes the cause of environmental disruption to the capitalist economic regime. Indeed, Tsuru’s *The Political Economy of*

Environmental Disruption started from the pollution of Lake Baikal under the USSR regime. It was a scientific analysis of the causal link between environmental disruption and underlying economic regime rather than the dogmatic faith in the cause of socialism that led Tsuru to go beyond the market mechanism in his search for effective measures against environmental disruption.

In closing this part, I cannot do without a mention to Tsuru’s expositional ingenuity, which he amply exhibited in lectures as well as writings. This ingenuity was best exhibited in his introductory expositions for novices and the man in the street. The best example can be found in his small book called Economics Without Tears, Kodansha, 1974, in Japanese. A phrase which naturally came to my mind when I first read it was the following:10 “What oft was thought but ne’er so well expressed.” It is no wonder that this book occupies the central place in the first volume of Tsuru’s Collected Works.

4. What lies at the heart of Tsuru’s work may be best crystallized by his favorite passage from John Ruskin:11 “There is no wealth but life.” It was his strong concern about human well-being that led Tsuru to criticize the use of national income as an index of well-being. It was also the same concern that led him to emphasize the relevance of the Fisherian stock concept rather than the Keynesian flow concept. Although he was critical of many aspects of capitalist economic regimes and retained his faith in the idealized socialist economic regime, his strong desire to contribute to the promotion of human well-being prohibited him from shutting his eyes from environmental disruptions in the Soviet Union. I cannot but think that he was a life-long practitioner of welfare economics along the line of Arthur Pigou whose manifest reads as follows:12 “The complicated analyses which economists endeavour to carry through are not mere gymnastic. They are instruments for the bettering of human life. The misery and squalor that surround us, the injurious luxury of some wealthy families, the terrible uncertainty overshadowing many families of the poor — these are evils too plain to be ignored. By the knowledge that our science seeks it is possible that they may be restrained. Out of the darkness light!” To succeed Tsuru as the torch bearer is the responsibility of any economist, at least of Japan, who cares about the promotion of human well-being.

10 Pope, A., Essay on Criticism, 1732-34, Part ii, Lines 97-98.