

Isaac Kerstenetzky: social scientist

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When I began my studies of the Brazilian economy, I first turned to the country's national accounts, since I felt that the best way to get a general picture of an economy was to examine the national product and its components and how these changed over time. So when I first came to Brazil, I was naturally anxious to know more about the methodology behind the data, which were then estimated and published by the Fundação Getúlio Vargas. In the latter place I was referred to Isaac Kerstenetzky, one of the principal developers and interpreters of the national accounts.

My first meeting with Isaac was to be an important event in my life. Not only was he extremely helpful and patient in explaining the country's national accounts, but it did not take very long for me to discover that I was in the company of a very erudite and profound thinker, a man of infinite intellectual curiosity, who considered a country's national accounts, and economics in general, as only the starting point in understanding a society. I was fortunate to develop a professional and personal friendship, which would last until his passing. But to me Isaac was more than just a friend. He was my teacher, and through conversations and occasional collaboration on papers, he taught me how to think about socio-economic problems, how to relate economics to other disciplines and to regard elegant theoretical constructs and quantitative techniques with both respect and a proper dose of skepticism.

Isaac was well acquainted with the ways of producing quantitative information about a society. He was instrumental in developing a set of national accounts from the relative small amount of information available in the 1950s and early 1960s. He was also well versed in existing techniques of statistical analysis and he was the senior partner in a joint paper we wrote on Brazil's growth prospects, using the then new technique of the two-gap model.

Ever since I knew Isaac, he was interested in ways in which statistical information could ultimately help the policy-maker in planning the allocation of resources so as to maximize economic growth, subject to the constraints of an adequate concern for equity. It was fortunate for the country that he became president of IBGE, which enabled him to influence the development of new statistical information necessary for the country's policy-makers who were faced with an increasingly complex economy.

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Among his most important contributions at IBGE was the organization and the administration of the 1970 census, which was a vast improvement over the previously, semi-aborted 1960 census; the huge consumer budget study (Endef), which enormously increased the frontier of socio-economic analysis in Brazil; the Pnad surveys, providing periodic information on a whole host of socio-economic information; the expansion of the economic censuses in order to produce an input-output table which was usable for updating the national accounts system and for making more adequate sectoral impact studies; the computerization of the IBGE system, which made it possible to rapidly process the myriads of data being generated by the newly instituted information system, and he laid the groundwork for the transfer of national accounts from the Fundação Getulio Vargas to IBGE. In other words, under Isaac's leadership, Brazil's statistical information system made gigantic strides forward.

Also of importance during Isaac's tenure of the IBGE presidency was the attitude he tried to instill in the producers of information. He made an effort to have the consumers of data produced by the IBGE system make their needs known to him and his staff. This would help the latter develop a system of information which would be of maximum use to the nation.

Although Isaac made giant contributions to the country's informational system and was fascinated by techniques which could make the information generated useful to the economic planner, he was not a rigid believer in a planned economy. He felt that a vast system of socio-economic information, combined with appropriate quantitative techniques, could serve policy-makers in systems with different mixes of private and public enterprises. It could be used for systems where the State's direct participation in the economy was relatively small and where planning would be of an indicative type, or in systems where the participation of the state was relatively strong.

Isaac was an avid reader of books about the history of the socialist economies and political systems, especially the Soviet Union, and was profoundly skeptical (even prior to the current collapse of most socialist systems) of societies where the State was dominant. On the other hand, although he recognized the importance of markets in efficient allocation of resources, he also frequently warned of their limitations.

Isaac was one of those economists who was constantly wary of markets as the solution to all socio-economic problems. This is why he encouraged economists to study institutions and economic history. Markets do not function in a vacuum. They are affected by many institutional factors: the distribution of income, the degree of industrial concentration, the regulatory structure of the government, the type of relations which exist between private economic agents and their official regulators and/or their official financiers, the relations between the private domestic, multinational, and

state enterprise sectors; the political setting within which markets operate; etc.

Thus the need for institutional information made Isaac an advocate of interdisciplinary studies. If the allocation of resources is not explained only by markets, but also by the distribution of wealth and political power, by social behavior patterns and traditions, by the bureaucratic behavior pattern in state firms and agencies, etc., economists need to become acquainted with the work and techniques of analysts in other disciplines.

Isaac also firmly believed in the relativity of the social sciences. The major economic questions in vogue today might be neglected a few years from now. Economics does not function in a social and historical vacuum. He thus felt very strongly that besides learning analytical techniques, an economist needs a grounding in the history of economic thought and economic history. Only a person with such a background could become a creative and useful economist.

In the early 1970s at a dinner party Isaac had a conversation with a well-known foreign economist about the best way to educate an economist. He was asked by that person: "Isaac, if you could design the training program of an economist, how would you shape it?" Isaac reflected a moment and then replied: "I would teach the students the historical background to various significant periods. For instance, I would teach students about the political, social and economic factors that led to the industrial revolution. This would be followed by a systematic analysis of the classical economists. I would then teach them the historical events which led to the evolution of industrial capitalism in the mid-19th century; and then I would teach them the analysis of Marx. I would teach them the historical evolution of late 19th century capitalist economies and then would teach the neo-classical system. And so on, through the Keynesian, post-Keynesian, and new classical school. The student would thus learn about the interaction of the events of different periods and the type of perceptions this led in the formation of economic thought and analysis." The foreign economist shook his head and Isaac then asked: "Well, what would you teach." And the reply was: "Just drill them in demand and supply." This conversation was related to me second-hand. But after the final reply, Isaac just remained silent. But at that moment I can well imagine the look on the face of Isaac, who was always a gentle and gentlemanly person, a cynical and skeptical and yet benign smile.