Journal of Post Keynesian Economics

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/mpke20

Notes from Anwar Shaikh

Anwar Shaikh

To cite this article: Anwar Shaikh (2021) Notes from Anwar Shaikh, Journal of Post Keynesian Economics, 44:1, 62-67, DOI: 10.1080/01603477.2020.1840283

To link to this article: https://doi.org/10.1080/01603477.2020.1840283

Published online: 15 Mar 2021.

Submit your article to this journal

Article views: 65

View related articles

View Crossmark data

Full Terms & Conditions of access and use can be found at
https://www.tandfonline.com/action/journalInformation?journalCode=mpke20

JOURNAL OF POST KEYNESIAN ECONOMICS
2021, VOL. 44, NO. 1, 62–67
https://doi.org/10.1080/01603477.2020.1840283

Notes from Anwar Shaikh

Anwar Shaikh

I want to thank Gennaro Zezza and Dimitri Papadimitriou for organizing this conference, which I think is very important. It honors someone who is hugely influential, and hopefully will continue to be more and more so.

I was lucky to meet Wynne in 1994, when I was fortunate to spend a year at the Levy Economics Institute. Hyman Minsky was also there, so it was a very good environment to talk about macro and economics.

Wynne became a dear friend. Really a mentor in macroeconomics, which I had sort of known abstractly but not the way he knew it. He also became a coauthor on one paper about which I will speak a bit later. I became his apprentice.

He was an utterly fascinating colleague whose history was gradually revealed in dribs and drabs. I did not know for a long time that he used to be a professional musician, that he had stage fright, and that he had a history with the infamous psychotherapist Masood Khan. I learned about the latter episode many years later, when he handed me an article he had written about it.

We shared many interests over the years: macroeconomics of course, but a particularly important interest for me was the enthusiastic investigation of patterns and messages hidden in data. He was able to see patterns and I had similar interests and so we spent many hours looking at data and saying "Oh look at that! look at this" and one of us or the other, more often Wynne, would show a pattern that was not obvious at all.

I give thanks to the Levy Institute, and Dimitri Papadimitriou most of all, for providing a home for Wynne and an important platform for his analysis. This is a very important intellectual intervention, and it proved its worth many times over. I also want to thank Dimitri for providing me with a similar space during difficult times in my own working life. The Levy Institute and Dimitri provided a warm and intellectually fertile environment for so many of us outside the standard box of Economics. Many conferences where we all met and where so many of the people who are listening now could come and talk and feel that we were in a place where we didn't have to fight for breath, so to speak.

Anwar Shaikh is at Department of Economics, New School for Social Research, New York City, NY, USA.
© 2021 Taylor & Francis Group, LLC

Working with Wynne was illuminating. As I said, he had a wonderful, intuitive, feel for empirical patterns. He could *see* macroeconomics in the manner that Ramanujan could see mathematics. It was something built-in. Like Joan Robinson he had a limited background in math, and he was therefore obliged to learn how to *think*—as she once said—which he did very well indeed.

Wynne was also not afraid to conclude that he had been wrong. I can remember conversations in person or on phone which begin with the phrase "Look here! I've been talking absolute nonsense!" and then the conversation would stop, there would be long silences, which I learned to simply wait out until he began to speak. And then he always had something very interesting to say.

Wynne and I did not always agree, particularly on issues like monopoly power, markups and growth dynamics. My own views were shaped by the classical tradition, by Joan Robinson, Piero Sraffa, Luigi Pasinetti, and I do not share the notion of monopoly power as a major factor in modern capitalism and have always argued against that. I do share the notion of full cost pricing, in which prices were cost determined in the tradition of Andrews, but I held, and I still hold to Sraffa and Pasinetti's views, drawn from Ricardo and Marx, that long run prices were determined by cost plus a unit profit that reflects a normal rate of profit—a competitive markup, so to speak. This, I would argue, is also what Andrews eventually arrived at, as I show in my book. Then the markup is endogenous in the long run, though in the short run prices do of course respond to demand and supply, as can be very easily shown empirically, and as Ricardo and Marx themselves argued.

My own 2016 book called *Capitalism: Competition, Conflict, Crises* lays out the implication of such an approach for economic theory and for the empirical patterns of developed countries, particularly the U.S. Lately I have extended the argument to historical issues of macroeconomics and stimulus policies (and failures) in developed countries but also in developing countries such as Brazil.

Almost half of my book is devoted to the data, which is a deep interest that I shared with Wynne. Now, Wynne and I could talk about somethings, but not about our theoretical differences. He could be surprisingly peremptory in his refusal to discuss the latter. I can still remember if I would raise an issue that he did not want to talk about, he would shake his head and turn away: the discussion was over.

I learned many important things from Wynne. Many of the people speaking have mentioned those things, and I want to do the same.

I learned about the importance of inventory stocks and their relation to demand and supply. I learned about the importance of financial and commodity relations to flows of money and counter flows of commodities that take place in any economy. I learned about the importance of stock-flow consistency as a theoretical and empirical tool. But here, as Claudio dos Santos has emphasized, stock-flow consistency is something that can be applied to every model, not just to Post Keynesian ones. There seems to be a distressing trend implying that Post Keynesian economics and stock-flow consistency are one and the same. That is understandable, since it comes from Wynne. But it is clearly wrong. Many of us have been doing this for a long time and it is not hard to show that this is actually part of economic tradition going very far back. Marx, for instance, was very impressed by Quesnay's treatment of the joint flows of commodities and money, of finance and money, in his wonderful diagrammatic representation of stock-flow relations. Marx himself, in Volume II, lays out in his scheme of reproduction a very important illustration of the relations between commodity flows and money counterflows, both stocks and flows. This is not a well-known part of the treatment in Marx because Engels separates the two parts: one that Marx wrote much earlier on the balance conditions, basically conditions for macroeconomic sectoral balances; and then the second one about money and commodity flows that he wrote many years later. When I was teaching these issues over the many years in which I taught a course called "Advanced Political Economy"—which Claudio remembers well, I'm sure—I used to act out the money and commodity flows. I made little shapes out of paper to represent money and commodities and economic departments I (capital goods) and II (consumer goods), And then I would literally act out Marx's illustrations of commodity flows and money counter flows, by moving these shapes around. In those days, perhaps even nowadays, blackboards were made of metal, so you could glue a magnet on the back of each shape, stick it to the blackboard and move it to visualize the flows that Marx describes. I hope students found this as illuminating as I did. I have never been able to formalize this in some way, even though I think it is very important to do so. It has many overlaps with Godley's own approach.

I was greatly influenced by the wonderful Godley-Cripps book. I returned to this issue in a subsequent paper, in a book dedicated to Godley's work, in which I connected their work with the empirical work by Ruggles and Ruggles in the U.S. As I noted, both sets of authors were concerned with the relation between sectors and expenditures. In the Godley-Cripps book there were two important points that were hugely influential for me: inventory changes as reflections of imbalances in aggregate demand and supply; and link between desired stock-flow ratios and the corresponding endogeneity of the savings rate. In the Godley-Cripps book, the savings rate adjusts to make the stock-flow ratio equal to the desired one, and I think this is a fundamental notion. I think it has not been sufficiently appreciated in Wynne's own tradition, where is it is common to assume a fixed savings rate out of net income, or out of labor and capital incomes separately.

In my work the endogeneity of the savings rate plays a big role, because it permits a fusion of the Classical and Harrodian emphasis on normal capacity utilization with Joan Robinson's emphasis on the role of profitability in Keynes' own theory of investment. This provides a basis for a consistent extension of the classical approach to the theory of effective demand. In my own analysis, the role of net profitability in investment place a large role in explaining why macroeconomic stimulus was so successful in expanding the Nazi economy in the 1930s (a policy that Kalecki calls the first practical application of Keynesian economics), and subsequently in other countries during World War II. Yet the latter effort at stimulus in the postwar period gave way to stagnation coupled with inflation—the Great Stagflation. As we know, this failure played an important role in the subsequent return of the neoclassical economics of Friedman and Phelps. I will not go into that argument here, only to say that it is in my book and in papers available on my homepage anwarshaikhecon.org.

I learned with Wynne, through him, about the importance of finance in macroeconomic relations. This led to our joint paper, which was on the important implications of the inadequate treatment of financial flows in the neoclassical models. As I think Ken mentioned, Wynne could be extremely persuasive, bribing and threatening at the same time, in order to formalize an idea that he had. His constant pushing and occasional threats evidently worked because I did finally finish the paper. In the process, I learned a tremendous amount about how macroeconomics was conceived by neoclassical economics, how it was conceived by Wynne, and how it should be conceived following Wynne's lead.

In our paper we ended with the following hope: "it should be noted that our main concern here has been to examine internal consistency of the standard neoclassical macro model. Although we do not advocate this model, it is our hope that our colleagues in the neoclassical tradition will recognize it as a consistent exposition of their own framework and modify their own claims accordingly." Let us say that this hope was not entirely fulfilled. The present economic orthodoxy is a branch of the profession that has not been even altered by the Great Depression of 2008, so it is not surprising that our small paper did not even cause a ripple.

Another important thing I came to realize from my conversations with Wynne was that the three balances approach should be understood as an ex-ante relation, which only becomes ex-post through the mutual adjustment of the underlying variables. Then the three balances imply a dynamic of ex-ante process, which is how I understood Keynes on ex-ante savings, ex-ante investment and the processes that makes them equal ex-post. From this point of view, the ex-ante three balances approach highlighted the difference between Walras' Law and what I call Keynes' Law. Clower's important contribution falls in this domain.

Through Wynne, and subsequently through Gennaro Zezza during my time as part of the Levy Institute macro-modelling team, I learned from very best. As someone trained as an engineer, the connection between theory and practice is extremely important to me, has always been very important, and being able to work on an important and complicated model was a wonderful learning experience. Gennaro was specially influential on my thinking, and we have been good friends ever since.

Claudio dos Santos' emphasis on stock-flow consistency in macro models, particularly small illustrative models, has become deservedly influential. The starting point of small models should be the three balances viewed as ex-ante, and their related financial accounts, because then we can compare how different schools of thought fill out this basic framework. I learned this idea from Wynne when we worked on our joint paper, which was a critique of the basic structure of the standard neoclassical macro model. It was by looking at a small model that we were able to identify a significant gap in the argument and show that the putative separation between the real sector and the financial sector was not valid.

Juan Jacobo, also a New School Ph.D like Claudio, has recently produced a powerful application of a small basic model to U.S. data, a model based on the classical principles using tools that incorporate fast and slow time scales, both operating simultaneously. This replaces the traditional separation between short-run and long-run equilibria and does away with steady-states. I have always believed that, as with ocean and air currents, everything is moving at the same time and we need to be able to distinguish their distinctive flow speeds rather than confining into steady-state equilibria boxes

I remember very fondly the long walks that Wynne and I would take around the beautiful grounds of the Levy Institute. With Wynne always leading the way since I have zero sense of direction and can get lost even walking around a building. And as we walked, we admired the beauty of the place, the beautiful view of the Hudson River. And we talked, about this and that, I don't recall what specifically. It was such a wonderful experience to be in the company of comrade with whom I had a deep personal and intellectual connection, one that was so easy and so rewarding. I had never experienced anything like that before, and I miss it still.

So, in the end I want to say that Wynne was, as everybody acknowledged here, a remarkable thinker, an eccentric person with great talents that were hidden until he let you see them, and also someone whose work and whose ideas—even though I didn't necessarily share all of them—taught me a great deal. This conference is a wonderful tribute to him, I see that many people are attending—in the 80 s—and I hope those of you who didn't know him will take away the lesson that he was someone whose work you should know and from whom you could learn a great deal. Thank you.