The Legacy of Wynne Godley, Wednesday, May 13, 2020
Welcome and Introduction
Remarks by Dimitri B. Papadimitriou

I want to welcome you to this virtual conference on the occasion of a decade since Wynne Godley's passing. I want to thank all the speakers for their willingness to either share their memories they have about and with Wynne or talk about Wynne's influence on their research. And finally, I would be remiss if I didn't express my sincere appreciation and thanks to Gennaro Zezza who conceived the idea of this gathering, arranged for the speakers and the conference program and all IT details.

Most of you know that Wynne was in residence at the Levy Institute for almost fifteen years returning to the U.K. in 2007. He was a forceful and often a critical voice in macroeconomics. His strong view and work, representative of a non-mainstream Keynesian approach to economics and economic policy was nevertheless confirmed time and time again as evidenced in the fortunes of the U.K., U.S. and Eurozone economies.

His writings reflecting the sharpness of his mind, the flair of the language and intellectual integrity have had a considerable impact on macroeconomics, and have aroused the interest of scholars, economic journalists and policymakers in both mainstream and alternative thought. In a review of Wynne's last book with Marc Lavoie (2007), Lance Taylor, of the New School, had this to say: "Wynne's important contributions are foxy—brilliant innovations …that feed into the architecture of his models" (2008, 1).

Wynne Alexander Hugh Godley was born in London in 1926, was the younger brother of a hereditary Labour peer, and went to school at Rugby and New College at Oxford. His education was influenced by two of his teachers, Isaiah Berlin and P.W.S. Andrews.

He pursued a career as an oboist, in the early 1950s, having studied at the Paris Conservatory earning his living as a performer at the St James' Theatre in London and subsequently as principal oboist for the BBC Welsh Orchestra. Eventually, he abandoned his professional career

as an artist, but never his love and interest in music practicing the oboe every morning while at the Levy Institute for almost a decade (1994–2004). He also served on the Board of Directors of the Royal Opera House.

When the stage fright became unbearable, Wynne turned to economics, landing an appointment as an economist at HM Treasury where he became a kind of a high-flier working out the exact percentage of the Wilson government's 1987 sterling devaluation. Recalling this event, Wynne once told me, that the work was top secret, and he was forced into isolation in an empty room with a pad, a pencil and a slide rule, and was told he could not come out before he had the answer. After 14 years at the Treasury and ultimately becoming its Chief Economic Forecaster, at the urging of Nicholas Kaldor, Wynne left the Treasury to become Director of the Department of Applied Economics and Fellow of King's College at Cambridge University.

In an autobiographical note (Arestis and Sawyer 2000), he tells the reader that his principle objective in leaving the Treasury for Cambridge was to carry out the same work in public that he did perforce in secrecy, and in so doing raise the level of the public discussion of economic policy. In Cambridge, he and Francis Cripps formed the Cambridge Economic Policy Group that developed a coherent macroeconomic accounting model, the now known "stock-flow consistent model" in which the accounting had no "black holes."

Although both Godley and Cripps were identified as the "New Cambridge School," they "preferred to talk of a new Cambridge model or a new Cambridge equation" (Maloney 2010, 3). They produced forecasts that questioned the viability of the Heath-Barber boom and the Thatcher–Howe policies of 1979–81 destined to generate the biggest postwar slump from which no recovery could occur without a "U- turn."

But the Group's doom-laden scenarios in the early 1980s upset the Thatcher government that made sure the group's funding was cut off. Wynne remained disappointed and bitter for many years.

In a *Sunday Times* interview in 1992, this is how he put it: "What they did in 1982 was say there is only one way to forecast. I wasn't doing things that I knew to be wrong." At the end, his forecasts confirmed the boom was unsustainable and the economy was heading for deep trouble.

Wynne's intellectual achievements were considerable not only in macroeconomic forecasting, but also in many other areas including his work on pricing with Ken Coutts; profits, public expenditures, inflation with Ken Coutts and Graham Gudgin; employment, the macroeconomic textbooks with Francis Cripps (1983) and Marc Lavoie (2007); the more than fifty or so articles in peer-reviewed journals and many columns in the *Observer*, the *New Statesman & Society*, and elsewhere.

During his sabbatical year, Godley came to the Levy Economics Institute as a visiting distinguished scholar in 1991. After a year's stay, he returned to Cambridge and upon his retirement in 1993, came back to the Levy Institute. During the 1992–93 year in Cambridge, he enjoyed a period of very considerable success, mainly because both the strategic forecasts he had been making for years and also his short-term forecasts had come to pass and he was, at last, recognized by the British establishment as a maverick economist who had won the forecasting game hands down. While in Cambridge, he was named one of the "six wise men" to advise the Chancellor of the Exchequer.

He and his wife, Kitty, eventually made their home in Rhinebeck in Upstate New York in what Kitty thought was an acceptable, but poor rendition of their true Cottage at Cavendish in the UK. Writing in January 1991 to Hyman Minsky, who introduced him to me, Godley considered it strange that as a professor in Cambridge, he felt the need to emigrate to be in an intellectually sympathetic environment. While in Cambridge, during the year between his stays at the Levy Institute, he was pleased to report that he continued to work on the US model he had begun constructing, and was ecstatic to announce in a letter he sent me "I have succeeded in the main task I had set for myself, which has been to remove all the secret skeletons from the secret cupboards in my US model."

"In its revised form," he went on, "there is no cheating at all—so I will not be ashamed to let other people look at it critically. I am very pleased because the process of strengthening its logical architecture has also improved the simulation properties of the model." "It now simulates the period 1971–1989 with a Root Mean Square error of only 1 per cent with endogenous inflation and without dummy variables."

Rereading the Godley papers, the older on the British economy and the later on the US, one cannot, but observe his flair for economic forecasting.

Not only did he forecast the scale and duration of Britain's early 1990s recession and the corresponding recessions in 2001–2 and 2007–9 in the US quite accurately and early on, but he wrote also about the future in a circumstantial way documenting, before they happen, the same reasons that were given by everyone to explain them after they had occurred. When the mainstream thought was vastly overoptimistic, Godley—the Cassandra of Cambridge as he had come to be known—recognized the coming of a chaotic and very difficult long-term future for both Britain and the US.

As Andrew Smithers once remarked in the Financial Times, "Cassandra was a sound analyst. Her forecasts were correct, she made no claims about their timing and her views were largely ignored. But what made her mad was a headline in the *Troy Times* that read: Queen Hecuba asks 'Why did no one warn us about the wooden horse?'"

In many of the Levy Institute's Strategic Analysis reports (1999, 2001, 2003, 2005, 2007a 2007b, 2008) he authored, he warned that unless the US takes action to increase exports and reduce imports, her large and growing trade deficit will produce structural imbalances that would become unsustainable and lead to long recessions and high unemployment. He also warned of the bias of the fiscal policy stance toward surplus and the explosion of private sector indebtedness that would also become unsustainable predicting what has come to be known as the Minsky crisis of 2007–8.

Even though he was often described as a doomsayer, he was distinguished for the accuracy of his pessimism. Godley foresaw the flaws of the Maastricht Treaty early on and the consequences in adopting a single currency with results that several countries of southern Europe have experienced and are currently enduring with COVID-19.

Writing in the *Observer* in 1997, he noted that "if a government stops having its own currency, it doesn't just give up 'control over monetary policy' as normally understood; its spending powers also become constrained in an entirely new way.

If a government does not have its own central bank on which it can draw cheques freely, its expenditure can be financed only by borrowing in the open market in competition with businesses, and this may prove excessively expensive or even impossible, particularly under conditions of extreme emergency."

Wynne's writings have made a distinctive contribution, effectively refuting the fashionable view that markets always know best and must never be tampered with. He thought that the most important part of modern economies is not millions of people working as free agents, but institutions such as governments, companies, banks, and trade unions which operate in a number of unique ways and cannot be fitted into a "dangerous and pernicious" theory of free choice. Since markets are not free nor do they clear in the relevant time, governments must take responsibility for social goals including high employment, a fair system to distribute income and ensuring that people who are ill or old or poor are cared for.

So this was Wynne Godley. Let me stop here and turn it over to Marc Lavoie.

Thank you very much and again welcome and enjoy the conference.