

practised. This tradition of briefless lawyers was continued by my father. As the eldest and favourite grandchild, my great-grandfather made him an offer he couldn't refuse. He would send my father to England to take the Bar exams if he gave up his desire to become an architect. My father regretted this 'deal' forever afterwards. But he indulged his undoubted talent for architecture by designing and constructing a large and beautiful joint family home (for my grandfather's sons and families) in Lahore in the late 1930s. This is where I was born. Later he built a large house in New Delhi. My great-grandfather was also an inveterate gambler and lost and made a number of small fortunes speculating in commodities and stock markets. The stock market has subsequently played a major part in the family's fortunes.

My mother came from a very old Delhi family who had lived in the old city (near the Red Fort) for nearly four to five hundred years. Like my father's family, hers were also 'Banias'. Her father owned a printing press, and her eldest brother (Sham Nath) was a nationalist Congressman who took part in Gandhi's non-cooperation movement against the Raj. Later after Independence, he was Mayor of Delhi, a member of Parliament and a Deputy Minister in the Central Cabinet. He lost his supposedly safe Old Delhi seat to the Jana Sangh on the issue of cow slaughter. He died at an early age thereafter – supposedly of jaundice, but many of us thought from the devastation of political defeat. He was one of my earliest supporters, took a keen interest in my progress and helped me in my earlier career.

The seemingly luxurious, idle and uncomplicated life of my parents till 1947 – with summers being spent in a house in the hill station Mussoorie, and winters in Lahore – was shattered by Independence and the partition of the country that followed. Until the bitter end, most of my family believed that Lahore would fall on the Indian side of the border. When it didn't, my family became refugees, losing all their property in the new state of Pakistan. Some of my earliest memories are of us wandering from one relative's house to another, and of various plans which came to nought to retrieve our moveable property from Lahore. One event in this context bears remembering. One of my father's closest friends in England when they were both studying for the Bar later became a very senior civil servant in the 'new' state of Pakistan, stationed near Lahore. My father wrote to him to ask if he would help us retrieve the moveable property we had left behind. He received no answer. He and my mother – whose family had always lived in close harmony with Muslims, as was the custom in the old city of Delhi – thereafter harboured a grudge against Muslims. But this story had an ironic twist. Towards the end of his life (he died in 1984), my father's Pakistani friend, having prospered, came to Delhi as his country's High Commissioner. In his first few weeks he sought out my father and explained to him why he had not answered his letter of so many years ago: it would have been too

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15. Deepak Lal (b. 1940)¹



15.1 EARLY LIFE, 1940–60

I was born in Lahore in 1940 into a 'zamindar' family whose fortunes had been made at the turn of the century by my great-grandfather, Shankar Lal – one of the early practitioners of the 'new' English law in Hissar (Haryana). He used his new-found wealth to buy a number of villages and to marry the sister of Sir Ganga Ram, an engineer knighted for his work in irrigating the Punjab. The family lived off the rents from these villages for the next two generations. He built a magnificent house (to accommodate his innumerable sons and grandchildren) which he named after himself – 'Shankerniwas'. Surprisingly I have never visited Hissar. But my wife did in 1973, with my father, and was amazed at the feudal obeisance still shown members of the family.

As a collaborator and defender of the Raj, my great-grandfather was very keen on providing an English education for his children, and two of his sons (my great uncles) went to England and were called to the Bar. Neither

¹ Lal (1993b), as revised by the editors. For further details of my intellectual development, see my earlier autobiographical essay (Lal 1990a). I have three volumes of selected essays, one in the series (Lal 1993a), Lal (1994) and most recently Lal (1999).

though the friend died a few weeks after the bloody border, or for the point of relating this story is both the thickness of an old friendship, when nationalities and ethnic groups are at war, and the long memories that are generated by perceived hurts and the complexity of relationships Muslim prejudice, I can at a distance still understand the appeal of these atavistic impulses. My essay on the subject (I at least) is an attempt to come to terms with these darker forces which have undoubtedly shaped our world and continue to influence it.

More importantly for my family, however, independence meant the abolition of 'zamindari' and hence the security it had taken for granted for two generations. A complete state of compensation (both for reforms of the new nationalist movement of Pakistan, and the land what we had lost as a result of the deprivations resulting from the shocks of 1947, their wealth was suddenly the family this illiquid wealth into more liquid form. He tried to convert and after all those years living in a diploma, but nothing came of it, was no obvious job he could turn to in the rich fraternity, there ambition was to finance a decent education already close to 40! His one Scrimping and saving, he succeeded in doing so.

I was packed off to the Doon School, Delhi, at the age of 11. This was a boarding school supposedly installed on Winchester, but which ostensibly placed more weight on brawn rather than brains. I did well in my studies and was remarkably happy, partly because a number of exceptional teachers were appointed to the rich world of drama, poetry and the arts to me. These have been lifelines ever since. Having won all the prizes in a whole range of academic subjects, the question was what subject I should specialize in at University.

My father had decided that my grandfather had made an error in putting his wealth in land rather than industry. In post-Independence India, many of our poorer relations who had put their savings into setting up small industries had suddenly become industrial tycoons. The examples of another (her brother) went into setting up his own tractor factory - were much on his mind. He decided that I should become an engineer, as that would provide the necessary background for setting up industries on my own. After completing my Cambridge National Certificate examination, I therefore went on to sit the intermediate examination, I therefore

one of the national engineering colleges. Though I did well in the intermediate examination, I balked at becoming an engineer. With the help of my maternal uncle Sham Nath, I persuaded my father to let me go to St Stephen's College in Delhi instead, to study mathematics. He agreed, but within two weeks I was bored stiff by mathematics. I wanted to understand the world. I decided to study history instead.

Also once I had turned my back on an engineering career, it was agreed that I should attempt to do what other initially 'poorer' members of the larger family had done - with great enhancement to their social status and relative incomes after Independence - to join the Mandarinate, the Indian Administrative Service, the successor to the fabled ICS (Indian Civil Service). History was considered to be an ideal subject to specialize in for the exams to get into the Services, and St Stephen's was then held to be the ideal training school for these exams. I therefore switched to history, completing the three-year course in two years, with some distinction. But I was still too young to sit for the administrative service exams. I had dreamt of going on to study at Oxford, as many of my contemporaries from the Doon School and St Stephen's had done or were planning to do. But given the financial straits the family had slipped into, there was no way in which I could expect my father to provide the finance. However, a friend of mine had obtained a loan scholarship to finance his studies from the J.N. Tata Endowment. Having obtained the top first in my BA exam, I thought I might stand a good chance of getting this scholarship - even though only a handful were given for the whole of India. So I applied to Christ Church and Jesus College, Oxford. Both accepted me, but the Tata Scholarship competition was some months away. Jesus agreed to hold my place to the next year; Christ Church didn't. I got the scholarship and went to Jesus.

15.2 OXFORD ECONOMICS, INDIAN CIVIL SERVICE AND RETURN TO OXFORD, 1960-70

I loved Oxford. I read PPE with senior status; that is, I took the three-year degree in two. This was hard and cost me the first expected of me, which I missed by a whisker after a viva. I had also discovered Economics. I knew, now, that I would need to go on to do graduate work to become a professional economist. With no money and no hope of getting a studentship at the only graduate college for economists at Oxford at the time - Nuffield - this seemed an impossibility. I owe an immense debt both to Francis Seton, who was one of my PPE examiners and thought I should have got my first, and to Christopher Foster, my Economics tutor at Jesus. They succeeded in

getting me money to study for the B.Phil. at Jesus.

But meanwhile there was the thorny question of my parents' ambition for me to join the Indian mandarinat. I was set to take the examination for the central services in October 1962. I could see no way of avoiding this. But the thought of being imprisoned in a bureaucratic post in an Indian district frightened me. I opted to become a diplomat. My parents concurred. The only problem was that, by the early 1960s, the Indian Foreign Service was the first choice of most people who sat the administrative services examination; this meant that only those ranked within the first 15 out of the over 20,000 odd candidates who took the all-India examination could get in. Fortunately I got in, but (despite rather than because of my economics) I was judged by the examiners to have failed the elementary economics paper, even though I passed the more advanced paper with distinction!

Having finished one year (out of the two) required for the B.Phil. at Oxford, I now found myself back in India being trained for the Indian Foreign Service (IFS). This was a very instructive and by and large enjoyable year. The first six months were spent at the National Academy of Administration in Mussoorie, based on France's Ecole National d'Administration. I formed many lifelong friendships and also a network in the higher Indian bureaucracy which lasts to this day. But even then I was not a model civil servant. One of the requirements for recruits to the higher civil services was a hangover from the nineteenth century, when district officers had to know how to ride to be able to traverse their districts. As I do not get on well with horses, I balked at the compulsory riding that was part of the curriculum. Things were not helped by the fact that riding along with PT took place at an unearthly hour when – having given in to my natural metabolism since my days at St Stephen's – I was usually asleep. So I slept while others rode or did calisthenics. Naturally the authorities challenged me, but had no response to the obvious retort that they would find it difficult to explain to Parliament why an IFS officer had been fired for refusing to take part in an unnecessary Imperialist practice such as horseriding.

The most interesting part of this year was what was termed 'district training' when we were sent off to work with a district commissioner in some state or other for about three months. I was sent to the Dharwar district in Mysore state. I learned a great deal about village India, as well as the trials and tribulations of administration in a highly politicized economy. As an illustration, I was asked towards the end of my term in the district to adjudicate in a land dispute which involved a powerful local politician. Being naive, I adjudicated to the best of my lights and against him. The result was that a few days afterwards, when my term ended, I had to be provided with an armed escort to see me out of the district.

But I still had another year of the B.Phil. at Oxford to complete. The

Foreign Service very generously gave me leave to return to complete the degree, which I did with flying colours. I was supervised successively by Sir John Hicks, John Black and for the most part by Maurice Scott. I learned whatever Economics I know from them, and Maurice Scott has been a mentor and friend ever since. But I now had to take up my first Foreign Service post, which was as Third Secretary in Tokyo, with the requirement that I learn Japanese.

I set sail from Marseilles in July 1965 on a French boat in the luxury of a first-class cabin. It was a memorable journey, the last I took by sea. It was heightened by the penchant of the French sailors to make unscheduled stops of variable length en route, as their fancy and the local girls dictated. I visited most of the ports en route to Yokohama, including Saigon. The American build-up in the Vietnam War was just beginning, and in the week we spent there it was in clear evidence. As was the Vietcong terror. While walking in one of the most beautiful cities in the world, I suddenly found myself as the only pedestrian on my side of the street. When a terrifying explosion blew up a post office down the road, the reason became obvious!

Japan in the mid-1960s was still a Third World country but, to me, extremely exotic and romantic. I enrolled in Waseda University and to my surprise found that I became proficient in speaking Japanese fairly quickly, its structure being close to that of my mother tongue, Hindi. The problem was the writing – because of the Chinese characters. While performing my lowly duties as a Third Secretary, my direct contact with the Japanese, without an insurmountable language barrier, removed any feeling that I had stepped through some bamboo curtain. I have been baffled ever since by the perception of many people that the Japanese are inscrutable.

But within a few months it was clear to me that I would not be happy being a diplomat. I wanted to be an economist, preferably working for the Indian government. Sir John Hicks had kindly written to Professor R. Komiya at Tokyo University, when he heard I was going to Japan. This was to allow me to keep in touch with economics in the diplomatic wilderness. But then 'fortuna' again played a new card.

My old tutor at Jesus, Christopher Foster, was appointed to some high advisory post in the new Labour government. The College needed someone to do his teaching for a year while he was away (and making up his mind about resigning his Fellowship). Knowing of my desire to become an economist, he got the College to offer me a year's lectureship. With his help and that of my ambassador (Badrudin Tyabji), I was granted leave of absence for five years from the Foreign Service.

I returned to Oxford, jubilant for temporarily extricating myself from the diplomatic desert. But there was still the problem of getting a more permanent post as an economist. I was too raw to be able to get anything

decent in the Indian government, while the state of Indian universities did not commend themselves as a suitable haven. I needed time to think, write and build up some reputation. I tried unsuccessfully to get my B.Phil. thesis on export promotion in India published. Sir Roy Harrod, who was one of my examiners (and later a colleague and friend – see below), thought very highly of it, but there was no market for it then.

Chance again played its part. My B.Phil. supervisor, Maurice Scott, had taken leave from his Christ Church studentship to work on the famous Little-Scitovsky-Scott project at the OECD Development Center (which produced Little *et al.* 1970). He and Roy Harrod persuaded Christ Church to offer me a two-year lectureship. The following two years at the House were among my happiest. It had an extraordinary collection of dons whom I got to know. Apart from Roy Harrod, the others I remember with great affection are Hugh Lloyd Jones (now Sir Hugh) and Hugh Trevor Roper (now Lord Dacre). Conversations at High Table and in the senior common room at that time did live up to their hoary reputation – witty, urbane, wide-ranging and iconoclastic. I have been a convert to the evening salon ever since. Good food, good wine and worldly conversation form an essential part of the good life!

Hugh Lloyd Jones shared my passion for modern novels and was also a friend and great admirer of Robert Graves. One of the great joys of this period were group holidays which I took with various friends. On one to Majorca organized by my old Jesus friend, Robert Skidelsky, we lived in a house found for us by Robert Graves. But he was keener on the girls in our party than on fraternizing with the boys, so I did not get to know him too well. But I do remember how he had us riveted describing his search for a hallucinogenic mushroom which he thought was the source of the drug 'soma' used by the ancient Brahmins in India. He believed that these mushrooms were to be found in the dung of the *Bos Indicus*, which explained why Indian cows were sacred! Unconvinced by this, many years later I was to produce my own explanation for the sacred cow in *The Hindu equilibrium* (Lal 1989a; b).

With my two years at Christ Church coming to an end, I needed another job. Fortunately (as described in Lal 1990a), I had become involved in the shadow pricing exercises that Ian Little and Maurice Scott had set up around the Little and Mirrlees *Manual* (1969), as it came to be called. I was elected to a Research Fellowship at Nuffield College, Oxford, where I wrote my first book *Wells and welfare* (Lal 1972). I have a special affection for this book. Research on it took me back to the adjoining district in Western India where I had done my district training during my first year in the Indian Foreign Service. Also, I learned about agronomy, hydrology, geology and meteorology!

Nuffield was altogether a greyer place than Christ Church. But once Maurice Scott and Max Corden took up Fellowships there, it was intellectually lively – with Ian Little the leader of a band of followers who were to be part of the neo-classical resurgence in development economics. In my last year at Nuffield, Wilfred Beckerman had moved (as Professor and Head of Department) to University College London (UCL) from Balliol. He asked me to give a course of lectures on economic development at UCL. Later in the year he offered me a Lectureship in his department, from October 1970, and I accepted – with relief, having been turned down in the previous months for a couple of Oxford tutorial fellowships I had put in for. One of these was at my old College Jesus, where I met Partha Dasgupta (another candidate for the fellowship) for the first time, and who has been a good friend since. We were both turned down, but in retrospect this probably did both of us much good as the life of an Oxford tutor can be stifling. I was happy to move on as the provincialism of Oxford had become more oppressive during my last years there. A season in my life had come to an end.

15.3 ON BECOMING ESTABLISHED, UCL, 1970–8

The Lectureship at UCL, which offered tenure till retirement age, finally allowed me to cast off the Indian Foreign Service, from which I resigned. But I was still not planning to be an academic. I hoped that, after a few years teaching and publishing and building a reputation, I would return to India to work as an economist for the government. This happened in 1973 when Lovraj Kumar, who had been appointed to set up a project evaluation division in the Indian Planning Commission, asked me to come and work for him as a full-time consultant. This was a turning point in many ways in my life. The intellectual reappraisal it led to is described in Lal (1990a), but the personal one was equally important.

Soon after moving to London, I met an American sociologist on a Ford Foundation fellowship at the London School of Economics; Barbara Ballis, as she was then known, came from a modest Jewish background in New York. Her father was of Polish origin while her mother was a first generation immigrant from Russia. She had studied at Brandeis, St Louis and Berkeley and, like others of our generation, was a radical. When we got married in December 1971, her mother was on her way to visit various members of her family in the Soviet Union whom she had not seen since the 1930s. She sent us a card from Moscow, in early January, saying that while she had seen one brother, she was sorry to have missed the other one as he was holidaying in

Siberia!

Soon after we got married, my wife got a lectureship at Goldsmith's College in the University of London. Then came the offer from the Planning Commission. We took leave from our respective colleges and went off to India for a year, she to finish a dissertation on a Chicago sociologist called Robert E. Park; me to save India!

We arrived at the beginning of the major inflation which resulted from the first oil price rise in late 1973. I was still a socialist (Lal 1990a) and believed that inherited wealth was immoral. I decided that we must live on my Planning Commission salary, which was near the top of the civil service scale. Even though we lived in the house my father had built in New Delhi, we soon found that my civil service salary was inadequate, first to meet the relative luxuries of life and then, as salaries remained frozen but prices rose, to meet even basic requirements such as petrol for the car, meat and vegetables. Pride took a fall before penury, when I finally decided to give up my principles and sell some shares to supplement my salary.

But despite this enforced simple living, we had a very happy time, making lots of new friends and catching up with old ones. The most notable were Dharma and Lovraj Kumar who have provided a second home for us in Delhi, besides running the best salon in India! But the impossibility of our living on an Indian civil servant's salary, together with the clouds on the political horizon – which led in 1975 to the imposition of the Emergency by Mrs Gandhi – convinced me that our future no longer lay in India. We returned to London and the academic life.

Since 1967 when Esra Bannathan asked me to come and write a report for the United Nations Economic Commission on Asia and the Far East (Lal 1990a), I have had a string of consultancies with international agencies. Besides allowing me to travel to nearly every developing country over the last 20 years, these have provided an opportunity to learn about development problems at first hand.

Esra had got in touch with me through Nicholas Kaldor, whose youngest daughter was a pupil of mine at Oxford and a close friend. I got to know the Kaldors fairly well and through them met the remaining Cambridge greats – Joan Robinson and Richard Kahn; I even caught a glimpse of Piero Sraffa. But even in my earlier professional incarnation, I found the Cambridge group unappealing, and the only impression I made on at least one of them was unfavourable. At one seminar being attended by Joan Robinson, I made some innocuous statement about rates of return to capital. Whereupon there was a hiss and Mrs Robinson screeched, 'You make my blood boil'. Much to his credit Amartya Sen (whom we had got to know when he took up a chair at the London School of Economics in the early 1970s) immediately shot up and said, 'but, Joan, it's all in *The accumulation of capital* (Robinson 1956)

and proceeded to cite chapter and verse. He later explained to me that he was probably the only one who had read *The accumulation of capital* thoroughly, as he had been made to proof-read it as a graduate student of Mrs Robinson's!

As part of the 'shadow pricing' circus at Nuffield, we had many visitors, the most notable being Al Harberger. He had the clearest and toughest mind of anyone I had hitherto met. We got on very well and spent many hours arguing late into the night. He has been a friend and mentor ever since and, in a marvellous turn in the wheel of fortune, we find ourselves as colleagues at UCLA after all these years. My 'Shadow prices and political economy' (Lal 1987a) is an attempt to sort out the arguments on shadow pricing that I have had with him intermittently since his Nuffield visit.

As the World Bank was (and probably still is) the largest potential user of 'shadow pricing', I became (through the good offices of David Henderson and Shlomo Reutlinger) one of the earliest salesmen of the Little and Mirrlees method to the Bank. It is difficult in retrospect to understand the passions that alternative methods of project appraisal aroused. I wrote a small book, *Methods of project analysis* (Lal 1974), which tried to sort out the differences and also to relate the various methods to standard trade theory. This book seemed timely and brought me some modicum of fame.

During my last year in Oxford, the battle lines between the 'old' and 'new' development economics were drawn between two institutions – Nuffield (with Ian Little as its head) and Queen Elizabeth House (QEH), where Paul Streeten reigned. I admired both and both became friends. But increasingly (see Lal 1990a), though my heart still remained with the QEH brigade, my head was siding with the Nuffield troops. To maintain some link with Oxford after I had left for London, Paul Streeten agreed to house a research project funded by the Overseas Development Administration at QEH. This applied the Little and Mirrlees methods to foreign investments in Kenya and India. A book called *Appraising foreign investment in developing countries* (Lal 1975) was the outcome.

In the late 1960s and early 1970s the International Labour Organization (ILO) had begun a series of country missions which surveyed a particular country and put together a report detailing a programme to tackle issues related to poverty and employment. Gus Ranis from Yale led the ILO mission to the Philippines. Ajit Bhalla at the ILO was simultaneously organizing a study of capital-labour substitution in road construction. He got me to join the Ranis mission to estimate shadow prices for the Philippines. I found the Philippines fascinating; though in Asia, it did not seem to be of Asia. I later went back (see below) on a study of its labour markets (see Lal 1986) and got the first inkling of its difference from, say, Korea. It was really a Latin American economy masquerading as an Asian one! This difference in

typology, based in part upon differing resource endowments and in polity, is an important leitmotiv running through many of the essays collected in my Edward Elgar volume.

As the ILO mission reported directly to the President, we were invited to a reception with President Marcos and First Lady Imelda. This was after the first of many referenda that Marcos held to justify his rule after suppressing democracy. They had won about a 98 per cent affirmative vote. One of the mission members standing next to me congratulated Mrs Marcos on this stupendous victory. Without batting an eyelid she replied, 'We are investigating the No's'!

The cost-benefit study of capital-labour substitution I did in collaboration with ILO engineers was published as a book called *Men or machines* (Lal 1978a). This study was noteworthy in that the engineers actually built the road with alternative technologies. The study nicely complemented my earlier one of small-scale irrigation in India – in marrying engineering with economics. But from both I learnt that the engineering mind was very rigid and thought implicitly in terms of given standards and fixed input-output coefficients. This 'kinky' mind set is inexorably at odds with the economist's way of looking at the world, which is in terms of trade-offs. I was glad I had not become an engineer.

After returning from India, I spent nearly a year turning the papers I had written on estimating shadow prices for the Indian Planning Commission into a book called *Prices for planning* (Lal 1980a). This marked the end of one particular phase of my professional life. During it I had also produced estimates of shadow prices for Korea, Jamaica and Sri Lanka. This provided excellent training both in understanding an economy and in utilizing data. Whether the actual estimates were of much use to anyone is doubtful.

But by 1976 it was clear that it was time to get off this bandwagon. Chance again ruled. At a dinner at Nuffield I met Angus Maddison (who was then at the OECD); he asked me to spend the summer in Paris writing a report on macroeconomic policy in developed countries. This was a marvellous opportunity to learn about an area which, due to my obsession with shadow prices, I had neglected. The slim book that resulted, *Unemployment and wage inflation in industrial economies* (Lal 1977), is not one I am now proud of. It is much too Keynesian. I returned to its themes in a paper I find much more acceptable now, again written at the instigation of Angus Maddison (see Lal 1982). But it was not till Shankar Acharya, who had joined the Indian Institute of Public Finance in Delhi from the World Bank, asked me to give some lectures on macroeconomics that I finally caught up with the rational expectations revolution and all that. But by then (see Lal 1990a), my world view had also changed.

15.4 WORLD BANK, 1978–80, 1983–7

One consequence of the OECD work was that it sparked my interest in labour markets. When Mark Leiserson suggested in 1978 that I join his employment and rural development division at the World Bank to set up a research project on wage and employment trends and structures in developing countries, I agreed with alacrity. I was also getting a bit restless in London, and the gypsy in me welcomed a change of scene.

We went to Washington via Canberra! Max Corden had asked me to come as a visiting fellow to the Australian National University. Apart from writing my piece on the international monetary system (Lal 1980b), I also wrote another on the international economic order (Lal 1978b) and made many new friends in Australia, notably Heinz Arndt.

The two years at the World Bank proved a very productive period. Besides the study of the Philippines (Lal 1986), they also generated two books: *Labour and poverty in Kenya* (Lal and Collier 1986), and Volume 2 of *The Hindu equilibrium*, called *Aspects of Indian labour* (Lal 1989b). These formed part of the general questioning by the 'neo-classical resurgence' of the assumptions of surplus labour and segmented labour markets which underlay much of the 'old' development economics. The study on India also led me to crystallize various ideas about the causes of Indian stagnation which had been germinating in my mind for a long time.

The first draft of volume 1 of *The Hindu equilibrium* (Lal 1989a) was written in white heat over a period of three months in 1981. Polishing it into its final form took another five years. But among all my books, this was the most fun to write.

From the start of my academic career I had also indulged in pamphleteering. This allowed me to keep in touch with those who sell ideas to politicians and the public. An important forum was provided in the 1970s by the Trade Policy Research Centre (TPRC), set up by Harry Johnson and Hugh Corbett. I became involved with the TPRC in the mid-1970s, becoming a research associate after Martin Wolf left the World Bank to succeed the late Harry Johnson as the TPRC's Research Director. The TPRC was a unique forum for promoting the case for free trade; my writings for them, as well as participation in their numerous conferences (which brought politicians, bureaucrats, journalists and academics together), were important in keeping me in the real world. I first met Peter Bauer at one of these conferences. He has since become a close friend and an important intellectual influence.

By the early 1980s my views were much more congruent with those of the Institute of Economic Affairs (IEA) than with the Fabian Society, for whom in the 1970s I had written two pamphlets (Lal 1973; 1978b). When Martin

Wassell, the editorial manager of the IEA, suggested in 1982 that I write a Hobart paperback for them on development issues, I agreed. For before leaving for the World Bank in 1978, David Henderson – who greatly to my benefit had taken up a chair at University College in London in the mid-1970s – and I had decided to do a book on the political economy of the world economy. I considered that putting together my thoughts on the debates on development, in which willy-nilly I had been at least a witness and often a participant over the previous decade and a half, would be a help in writing the bigger book. This became *The poverty of 'development economics'* (Lal 1983; 1997a). Much to my surprise, it became an instant success – both reviled and applauded.

Nothing came of the bigger book as in 1983, at Anne Krueger's invitation, I returned to the World Bank, first as an economic adviser and then the research administrator in her vice-presidency. David Henderson meanwhile left UCL to become head of the economics directorate at the OECD. But he did put down some of what would have gone into our joint book in his excellent Reith lectures published as *Innocence and design* (Henderson 1986).

I spent four years (1983–7) at the World Bank trying to help Anne Krueger restructure its research programme. I hope we had some success. But the World Bank is a strange animal with its own culture which does not take kindly to the alteration of its ways. Moreover, it resembles a medieval court, with barons constantly battling each other for the monarch's favour. It requires an essay of its own. Suffice to say that by the end of four years, I was ready to leave. The major success of this period was the establishment of two journals – the *World Bank Economic Review* and the *World Bank Research Observer* – as well as four large multi-country comparative studies on topics of importance to developing countries. These have now produced what are recognized to be important books on the development process. Besides five synthesis volumes (Michaely *et al.* 1991; Krueger 1992; Little *et al.* 1993; Schiff and Valdes 1994; and Lal and Myint 1996), over fifteen books covering specific country experiences have been published. During this period we also tried to widen the Bank's intellectual horizons. To my surprise, many well-known economists had never been associated with the Bank's research endeavours. These included old friends like Jagdish Bhagwati, and those who became new ones, notably Assar Lindbeck, Ron Findlay and Stan Wellisz. Washington also contained many notable economists, some of whom (like Gottfried Haberler) I had got to know during my 1978 stint at the Bank, and others (like Alan Walters) whom I had first met in London but who became a close friend during this period. Other new friends included Gordon Tullock and Jim Buchanan.

During this period I travelled widely and got to know Latin America and

many Latin American economists as well. The Latin American 'syndrome', whose first manifestations I had seen in the Philippines, was now transparent. My 'After the debt crisis' (Lal 1989c) tries to delineate this, while the work I have recently done on Brazil (Lal and Maxfield 1993) provides a more detailed study.

These differing typologies of developing countries, which had been emphasized in a different way by Chenery and Syrquin (1975) for instance, formed an important building block on the 21-country comparative study of the political economy of poverty, equity and growth that Hal Myint and I co-directed for nearly seven years for the World Bank: Lal and Myint (1996) is the synthesis volume, while Lal (1992a) presents some of its conclusions.

15.5 THE REPRESSED ECONOMY

As will have become evident, during the second half of my career I underwent something of an intellectual conversion such that by the late 1970s I no longer held to my Fabian conception of economic development and instead was developing the idea of repressed economies. Such an economy needs to be defined. One must first identify the standard production possibility frontier (PPF) of an economy which, assuming perfect competition and complete markets, describes the maximum combination of various goods an economy can produce with given resources and available technology. Because most economies are imperfect due to institutional and structural constraints, and because in an uncertain world there are also many missing markets, this PPF will only be of notional value. One must then distinguish the production feasibility frontier which is likely to lie within the PPF. A repressed economy is one which, due to irrational dirigism, is not operating even on its constrained feasibility frontier, but within it. As this inefficiency is caused by what are termed 'policy induced' distortions in the workings of the price mechanism, it is natural to ask why governments create these distortions, what are the consequences of their creation, and when (if ever) are they likely to be reduced or eliminated? It is thus the causes, consequences and reforms of repressed economies which constitute the subject matter of a major part of my recent work and of the essays collected in my Edward Elgar volume.

These essays fall into five parts. The first is primarily concerned with the question of why governments have repressed their economies, and why (and when) they are likely to liberalize them. Besides providing an intellectual biography of how – despite my upbringing – I came to adopt a position favouring markets over mandarins, Lal (1990a) also sets out why I no longer

find the technocratic public economics approach to public policy particularly useful. A recent cogent statement of the public economics viewpoint of the economic role of the state is contained in Stiglitz *et al.* (1989). But as two of the commentators (Perlman and North) in that volume note, this view is ahistorical, suffers from amnesia concerning the history of economic thought, is ideological insofar as it sets up egalitarianism as a self-evident objective of public policy, is institutionally impoverished and, most seriously, makes assumptions about the character of most governments which – to put it mildly – are not universally valid!

I find the alternative public choice viewpoint more instructive, but have found that it cannot be applied as it stands to developing countries. First, because it has been developed to deal with the political economy of a specific polity (the US) and, secondly, because it does not take account of extra-economic motives (such as nationalism) which have moved rulers in many countries, at least since the renaissance. The last half of Lal (1990a), and Lal (1985a), outline how rulers in all three worlds have at some time been moved by the desire to create 'nations' out of a myriad of groups within their territory. I have found the work of Heckscher (1955) particularly resonant in explaining how this motive had led to dirigiste policies in the present Third World, much as it did in the mercantilist states of Europe, and how mercantilism's internal contradictions led to economic liberalization (albeit for a brief period). Lal (1987b) takes up this theme, as does Lal (1992a).

The positive political economy models I have found most useful in understanding developing countries are based on a model of Leviathan developed by Findlay and Wilson (1987) and those which marry the so-called Ricardo-Viner model of trade theory (see Jones 1971) with those of pressure group type political behaviour (see Findlay and Wellisz 1982; Mayer 1984). Lal (1989e) applies these models to explain the industrialization policies of a number of Third World countries. My model of the predatory state is put forward in my *The Hindu equilibrium* (Lal 1989a, ch. 13.2). Combining the Findlay-Wilson model with the theory of contestable markets of industrial organization (Baumol *et al.* 1982), this was initially used to explain the rise and fall of successive revenue states in India over the millennia.

My 'The political economic of economic liberalization' (Lal 1989e) takes up another theme common to many of the subsequent essays: the incorporation of land and natural resources in the standard Heckscher-Ohlin (HO) model of an open economy. Krueger (1977) and Leamer (1987) pioneered this extension, Leamer's geometrical depiction of the model being a heuristic device I have found very useful, as can be seen in Lal (1992a) and Lal and Maxfield (1993). Ever since my work on the Philippines, I have felt that the standard HO model (with just two factors of production – labour and capital) was probably not the best way of understanding the behaviour and

outcomes in land-abundant countries such as those in Latin America and parts of Africa. Lal (1989c) shows how the three-factor, multi-commodity open economy Krueger-Leamer model can be used to explain the political economy as well as the seemingly peculiar outcomes in Latin American countries. This was written in the context of the multi-country comparative study I co-directed with Hla Myint for the World Bank, and it helped in generating a typology of the economies and politics of developing countries for that study.

Lal (1989e) also provides an outline of what I have come to call the 'crisis' theory of economic liberalization – namely that it is only when the state seems to be withering away under the twin burdens of a fiscal and balance of payments crisis that it seeks economic liberalization. It also provides a discussion of the sequencing of the resulting reforms, assuming that a simultaneous scrapping of all controls is not possible. Though the proposed sequencing has been contested, in particular by Edwards (1984) and McKinnon (1991), some (especially Sell 1988) have expressed support for my position. (See also Edwards 1992 and Funke 1992 for the most recent summaries of where the debate stands.)

While these essays set out general principles for the analysis of economic repression and liberalization, those in part II of Lal (1993a) provide broad surveys of the theories and evidence which have underpinned dirigiste policies, their consequences, as well as possible avenues for reform in several major areas of policy.

Lal (1980b) uses the so-called Australian model of balance of payments adjustment (Salter 1959) to argue for an international monetary system based on floating exchange rates. Since it was written there has been a flurry of interest in both the theory and practice of establishing some semi-fixed (adjustable peg) exchange rate system, the most notable example of this being the European Monetary System (EMS). On 'Black Wednesday' in September 1992, Britain had to leave the EMS because of the one-way gamble speculators faced with the increasingly overvalued and 'incredible' parity of the pound. Until then, it appeared that the 'quasi-fixers' had once again won the day. But the arguments against the adjustable peg system outlined in Lal (1980b) have gained further strength with these tribulations of the EMS. During the 1980s attempts were also made to manage exchange rates among the Group of Seven, through informal agreements such as the Louvre and Plaza accords. My Wincott Lecture (Lal 1990b) dealt in part with the arguments made in support of this international dirigism, and found them wanting.

A major concern in the past decade about the 'non-system' based on floating rates (which I commend in Lal 1980b) is that it is prone to speculative bubbles which lead to sustained divergences of exchange rates

from their economic 'fundamentals'. The best discussion of the ensuing literature on rational speculative bubbles, together with a critique, is in Mussa (1990). As he concludes: 'A rational speculative bubble implies not only that people are sometimes crazy, but that they are systematically, calculatingly, and fanatically insane ... I conclude, therefore, that rational speculative bubbles are empirically irrelevant and theoretically absurd' (Mussa 1990, pp. 13-14).

There have been two other complaints about the free floating system. First, that changes in exchange rates have been largely random and unpredictable. This reflects the fact that, in a free float, the exchange rate behaves like a stock market price – a forward-looking asset price. Not surprisingly, both will approximate a random walk.

More worrying is the observation that 'real' exchange rates (defined as the nominal exchange rate corrected for changes in the prices of goods in the foreign country relative to goods in the home country) also appear to follow the random walk of the nominal exchange rates. Over the long run, however, the 'real' exchange rate thus defined does appear to be bounded and to be related to economic fundamentals (see Huizinga 1987). To counter this worry, note that the 'real' exchange in this literature is what is termed the purchasing power parity (PPP) exchange rate in Lal (1985b). As that essay shows (in Appendix 1), movements in this 'real' exchange rate will not usually be the same as in the 'Australian' real exchange rate (the relative price of non-traded to traded goods). As it is the latter which is relevant for resource allocation and internal and external balance, we need to know whether this rate also follows a random walk. As few estimates exist for this rate for all the major 'free floating' countries in the world, it is not possible to judge whether it has been 'excessively' volatile. But even if such estimates were available, the excessiveness of the volatility would have to be judged against some norm. In an excellent theoretical and empirical discussion of the determinants of this 'correct' real exchange rate for developing countries, Edwards (1989) shows that both real and monetary factors will determine the 'equilibrium' real exchange rate; moreover, while changes in the equilibrium value will result from changes in real variables, 'monetary disturbances will normally generate departures of the actual from the equilibrium real exchange rate, or exchange rate misalignment' (Edwards 1989, p. 353). Any volatility in real exchange rates is therefore likely to be due to real and monetary shocks. Though there is evidence from a number of countries, both developed and developing, that real exchange rate volatility has increased since the breakdown of the Bretton Woods system (see Edwards 1989, table 1.1), it is moot whether this has been excessive. Since 1973 the world has been subjected to major real shocks – two oil price shocks, the breakdown and subsequent incorporation of the former Communist countries in Eastern

Europe into the world economy, German reunification, as well as the yo-yoing of capital flows to developing countries in the build-up and denouement of the 'debt crisis'. Add to these the monetary shocks administered by the authorities in the major economies and it is not surprising that real exchange rates have been more volatile in the more volatile world since 1973. To blame the exchange rate regime would be to shoot the messenger for his message!

Two other points need to be made about the analytical framework now commonly employed in international macroeconomics. The first follows from the use of the inappropriate PPP effective exchange rate as the 'real' exchange rate. This has led to a belief that deviations from PPP necessarily measure some misalignment from economic fundamentals. But since Keynes's *A tract on monetary reform* (Keynes 1923) it has been known that, whereas in the very long-run there may be a relationship between movements in nominal exchange rates and in the ratio of national price levels, in the more relevant short- to medium-run it is the real exchange rate defined as in the Australian model which is relevant for analysing problems of internal-cum-external balance in a small open economy. Moreover, as Edwards' work on exchange rates in developing countries confirms, movements in the PPP effective exchange rates cannot be taken as surrogates for the correct real exchange rate: 'Using a large cross-country data set, it was found that real exchange rates ... did not behave according to the ... PPP theory' (Edwards 1989, p. 353). It is therefore time to stop using the PPP rate in analysing policy questions.

The second common analytical practice is to use the so-called Mundell-Fleming model as the standard workhorse of international macroeconomics. In this model there are only two goods: the home country's goods and the foreign country's goods. Apart from linking the nominal exchange rate directly to PPP, this model also implies that the only form of balance of trade adjustment is through changes in a country's international terms of trade. This can be highly misleading, particularly for developing countries, many of whom in effect face given terms of trade; for them, balance of payments adjustment necessitates a change in the relative price of non-traded to traded goods – the real exchange rate. For all the above reasons and despite the vast expansion in the literature on exchange rates in the last decade (see Frenkel and Mussa 1985 and Mussa 1990 for valuable surveys), I still find that the Australian model retains a robustness that many of its new-fangled cousins lack.

Finally, as regards the appropriate international monetary system, I have not changed my mind from the position taken in Lal (1980b). This is despite the large intellectual effort to recreate some formal or informal quasi-fixed exchange rate system, as well as the practical attempts to impose one – either

globally (as in the Louvre and Plaza accords) or regionally (as with the European Monetary System). Here, oddly, classical liberals such as McKinnon (1988) have joined forces with dirigistes such as Williamson (1985). But I stand by the arguments against both given in Lal (1980b): (1) that the dirigiste view is based on ignoring the Hayekian worry that in a truly uncertain world, 'experts' cannot obtain the necessary information to devise their 'ideal' plans; and (2) that the hope of restoring the gold standard, however desirable, is not feasible because of the politics of the modern-day world. (Lal 1990b contains references to this continuing debate, as well as a discussion; see also Lal 1994.)

This last point provides a useful juncture to state briefly why I have not found a type of political economy recently proliferating in the journals to be particularly useful. This uses game theoretic models to build on the 'political business cycle' theories of Lindbeck (1976) and Nordhaus (1975), and hence to tackle the problems of credibility associated with the so-called problem of time inconsistency of many public policies. A very cogent and concise account of this branch of political economy is contained in Persson and Tabellini (1990), while Rodrik (1993) surveys the use of this analysis for developing countries. The trouble with this theory, as with most applications of game theory, is the multiplicity of equilibria. As Persson and Tabellini (1990, p. 54) write: 'from a practical point of view, a theory based on Nash equilibria has very low predictive power because it allows such a plethora of equilibria'. Thus I have not found this branch of theory very helpful in considering the political economy problems of developing countries. (See also Binmore 1990 and Kreps 1990 for insightful discussions concerning the limitations of game theory in dealing with many practical problems.)

In Lal and Rajapatirana (1987) we survey the debate about inward versus outward orientation as it stood in the mid-1980s. Aspects of the 'new' trade theory, as it has been called, are discussed in Lal (1992b), one of the conjectures of which is that the 'new' theory argument for an industrial-cum-trade policy (which shifts profits from foreign oligopolists to domestic ones) is a variant of the classical optimum tariff argument. This has since been confirmed in an elegant and important paper by Baldwin (1992). He incorporates most of this new theory into the framework of the famous Baldwin envelope he invented, showing how it fits into the modern theory of trade and welfare developed in the 1950s and 1960s; its empirical validation by a number of comparative historical studies (beginning with Little *et al.* 1970) provides a most persuasive case for an outward-oriented development policy.

More recently, however, a so-called 'market-governance' school on industrial and trade policy has made its voice heard. Starting with Johnson (1982) on Japan, Amsden (1989) on Korea and Wade (1990) on Taiwan, it

has argued that, far from being cases validating neo-classical beliefs about appropriate policy, these countries provide support for those who would want enlightened dirigism to promote strategic sectors by 'getting the prices wrong'! I have dealt with these arguments in detail in Lal (1993c) where I have tried to provide an alternative explanation of the undoubted industrial dirigism in these countries in terms of the problems of agency emphasized in the industrial organization literature, most cogently by Demsetz (1988).

The third part of my essays in the Elgar volume is concerned with the social aspects of development. Egalitarianism has been a potent motive behind the advocacy and practice of many forms of economic repression. The totalitarian planned economies of the Communist world marked the culmination of this trend towards repression in the name of equality. In the 1970s many international institutions took up the cause, regretting that past growth in developing countries had not improved the distribution of income or alleviated poverty. Lal (1976) surveys the ensuing literature and pinpoints the ethical issues which must underpin distributional concerns. I have subsequently returned to this issue, first in an essay in honour of Peter Bauer (Lal 1987c), then in an essay looking at social policy after socialism (Lal 1992c) and most recently in Lal (1998d).

One of the instruments favoured by socialists to legislate their Utopia has been the public ownership of the means of production. Lal (1980c) was written at a time when the case against public enterprises and in favour of privatization had not become self-evident, and when such enterprises were still ubiquitous in all three worlds. It takes a cool look at the ways in which the investment and pricing decisions of such enterprises could ideally be made in the context of the Little-Mirrlees shadow pricing framework, but also why in practice, because of incentive problems and the lack of an effective bankruptcy constraint, such enterprises were unlikely to be efficient.

This essay along with Lal (1987a) provides a link with my earlier work in the 1960s and 1970s on shadow pricing, with the latter my last word – I hope – on the debates on alternative methods of project evaluation which raged so passionately in the 1970s. Even though with the spread of privatization, the need for shadow pricing in the public sector has declined, the method remains essential in appraising and designing a whole host of public policies which form part of rational government intervention. The final essay (Lal 1989f) in part III integrates the Australian model of balance of payments adjustment, the Ricardo-Viner model of trade theory and a simple dynamic monetary model to provide a heuristic diagrammatic apparatus for analysing the various social effects of adjustment packages designed to reform repressed economies. It deals with the issues rhetorically identified with the slogan 'adjustment with a human face'.

The essays in the final two parts of the Elgar volume are empirical studies,

with those in part IV either global or multi-country and those in part V dealing with particular countries. Both demonstrate how the models and modes of analysis commended in previous parts can be practically applied – the bread and butter of applied economics.

Lal (1992a) has already been discussed in the context of the standard HO model but in addition it takes a brief but detached look at the 'new' growth theory. This is the work of mathematical economists who have sought to repair the purported lacunae – the exogeneity of the determinants of long-run growth – in the standard Solow–Swan model. The aim is laudable but the results are not, depending essentially upon arbitrary assumptions (see Stern 1991 for a judicious review). In various extensions, this tribe had added mathematical flesh and rediscovered various notions which were part of the old 'development economics' – like the need for a 'big push' in investment, low level 'development traps' and so on – in its search for new avenues of dirigisme. As these 'old' theories of development have been thoroughly scrutinized and found wanting – not least because of the experience of developing countries which have tried to implement them in the past (see Little 1982 for a survey) – their current popularity with the young can only be ascribed to that amnesia about the past (both theories and facts) which seems to have become a notable feature of training in American graduate schools. I have found an 'endogenous' growth model due to Scott (1989) much more useful in providing a more plausible account of the proximate sources of growth – the level and efficiency of investment (see also Riedel 1994). This model is outlined and applied in Lal (1990c) to a question raised by one of the 'new' growth theorists: why savings do not flow massively from developed countries with high stocks of capital per head to those with low ones, such as India. The answer of course is that, largely because of economic repression, the rate of return on investment is much lower in India than in the US!

Lal and van Wijnbergen (1985) was written when I worked on the World Bank's World Development Report of 1984, that is at the height of the debt crisis. It provides a novel link between the actions of public sectors in developed countries – with welfare state expenditures rising inexorably as universal entitlements rise with demographic pressures – and the world capital market. The actions of public agents in the West are shown to crowd out other investment globally and hence to damage the prospects of developing countries because of the higher real rates of interest that result!

The essays in part V all stand on their own. They deal with various specific issues concerning the causes, consequences and reform of economic repression in each respective country. Two of these, Lal and Collier (1984) on Kenya and Lal (1988) on India, are based on parts of larger book-length studies (Collier and Lal 1986 and Lal 1989a; b).

It might be useful to take note of various events which have taken place since the essays on India and China were written. By 1990 India was suffering from the twin fiscal and balance of payments crisis which is identified in Lal (1987b) as leading to the withering away of the state, which in turn prompts economic liberalization. India fitted this pattern. A minority government installed a technocrat, Dr Manmohan Singh, as Minister of Finance. He began the dismantling of the mercantilist system of controls which had shackled the Indian economy. He also launched a fiscal programme seeking to overturn the many entitlements which had been created by past dirigisme and were the cause of the fiscal crisis. While there has been some success in the former area, the rescinding of the major entitlements – secure jobs in loss-making public sector enterprises – was not tackled in the early stages of the reform process. The government subsequently became embroiled in the passions aroused by the controversy surrounding the demolition of the mosque at Ayodhya and its replacement by a Hindu temple on the purported birthplace of the mythological Hindu 'god' Rama. The reform effort then stalled, and the continuing political instability since the fall of the Narasimha Rao government has not led to much further progress. But the conversion of the cultural nationalist Bhartiya Janta Party from its 'inward-looking' electoral platform to liberalization, once it was in power, suggests that there is no danger of a reversal of the reform process. A recent collection of my essays, *Unfinished business* (Lal 1999), brings this story up-to-date.

In China the major event since Lal (1990d) was written was Tiananmen Square and the government response. Since then, partly under the pressure of the demise of socialism in eastern Europe, the Chinese government seems to have decided to let capitalism rip in parts of the country: aside from the rural countryside, the areas around Guangdong and more recently Shanghai have been allowed to tread the capitalist road. But at the same time the Communist party has sought to maintain its political control over the people. The stupendous growth in those parts of the Chinese economy which have been freed from the dead hand of mandarins has meant that the share of the state industrial enterprises (whose reform is discussed in Lal 1990d) in the national economy is shrinking; *mutatis mutandis*, the reform programme outlined in the essay is much less relevant now. But as in India, the reform process is now stuttering. In Lal (1995a) I made a long-term comparison of India and China, showing how their repressed and liberalized phases have greater similarities than differences despite very different ideologies and politics. The major difference in growth rates is explicable entirely in terms of differences in savings rates.

Needless to say it is my practical experience in working in and on these and other developing countries which has led me to the views I now hold. It

may seem that since the 1980s' world-wide Age of Reform, the study of repressed economies may no longer be relevant. For as *The Economist* noted:

During the past ten years a great change has swept through the developing world: governments everywhere are turning against economic interventionism and putting their trust in market forces.... This bloodless revolution is a triumph for the relatively small group of economic thinkers who, for years, withstood the contempt of the development-economics establishment.... In the 1990s Lord Bauer and economists such as Anne Krueger, Bela Balassa, Deepak Lal and Ian Little are regarded – above all, in the third world itself – as largely vindicated. (Anon 1992, p. 127).

But unfortunately there are signs that regulation is replacing planning as the new dirigisme, a theme dealt with in my Shenoy memorial lecture (Lal 1998a), while the Greens now pose a grave danger to the liberal international economic order (Lal 1995b). Lal (1997b) critically examines the current dirigiste demands for 'ethical trading', while Lal (1998e) looks at classical liberal solutions to many of the supposed problems of public goods. It is not yet time for classical liberals to lay down their arms.

Since the Edward Elgar volume (Lal 1993a) I have also considerably broadened my canvass. In 1995 I was asked to deliver that year's Ohlin memorial lectures at the Stockholm School of Economics. This led to *Unintended consequences* (Lal 1998f) which provides an inter-disciplinary and cross-cultural account for the rise of the West. It takes up my interest in economic history again and extends it to the development of Eurasia over millennia. It also examines the question of whether modernization will necessarily lead to westernization, and finds that though the two were contingently linked in the West, they do not have to be in the rest of the world. The book also provides a novel analytical framework to incorporate 'culture' into economic analysis. This is more explicitly treated in terms of the transaction costs framework in a lecture I gave at Nemetria, Italy, in 1997 and which is published in my *Unfinished business* (Lal 1999). Lal (1998b; c) shows its relevance in the context of current concerns in India and Latin America. One hope of this new project is to show how the various social and human sciences which have been so egregiously put into separate boxes by academic specialisms can once again be unified. But now into my sixth decade I have to hope for forbearance from the Grim Reaper.

15.6 POSTSCRIPT

My experience at the World Bank had finally cured me of my desire to serve as an economic bureaucrat. Returning to London in 1987, I was finally reconciled to the fact that my vocation was that of an academic – albeit a worldly one! During the years I had been (intermittently) at UCL, I had been promoted first to a Readership (1979) and then to a personal chair (in 1984) in the University of London. We had acquired two children and a beautiful Lutyens house in the early 1980s; we had built up a large circle of friends including many outside the academy and were, I thought, set for the tranquil and civilized life of academics. Moreover, the IEA, the TPRC (until it collapsed) and the Centre for Policy Studies provided forums where ideas could be harnessed to public debates, listened to by politicians.

But I had not kept in touch with the depredations wrought on the universities, surprisingly by Conservative governments – culminating in Kenneth Baker's *de facto* nationalization in 1989. I wrote a pamphlet against this wanton destruction of one of the best university systems in the world (Lal 1989d) and suggested its privatization. Even more eloquent was the late Eli Kedourie (1988). To no avail. It was clear that another season in our lives was ending.

When the University of California at Los Angeles offered me the newly established James Coleman Chair in International Development Studies in 1990, it was an offer I could not refuse. But balking at educating our children (born in 1980 and 1981) in Los Angeles, we have kept them in boarding schools in England. So now my children usually live on a different continent and my mother and sister on another. I continue to wander the world. A gypsy at heart, I do not find this intolerable. Neither do my children. After all they have known nothing else. My wife, by contrast, though still hankering after rootedness, bears all this wandering with a wan smile. For her forbearance over the years my Edward Elgar volume is dedicated to her.

Finally, given the ever-changing hand dealt to me by 'fortuna', I cannot help but think of my great-grandfather – gambler, bon vivant, dynast, gypsy and collaborator of the British Raj. Wherever he has been reincarnated, I cannot help but feel that he would chuckle at what has become of his great-grandson.

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16. A. P. Thirlwall (b. 1941)¹



16.1 ECONOMICS EDUCATION AND EARLY CAREER, 1959-66

Having graduated in economics at the University of Leeds in 1962, I travelled to the US to become a teaching assistant and Master's student at the small liberal arts college, Clark University, in Worcester, Massachusetts, famous then for its geography department and, in the past, for its psychology department where Freud delivered his only American lectures. It was there that my interests in both development economics and a deeper understanding of Keynesian macroeconomics were first kindled. In October 1963, I returned from the US to start a Ph.D. in Cambridge (having been awarded a State Scholarship on graduation from Leeds). My initial research, under the supervision of Professor Alan Prest in Christ's College, was on the built-in flexibility of taxes and government transfers. It soon became apparent, however, that, if the work was to be done properly, a full-scale econometric model of the UK economy would have to be built, which was beyond my

¹ Thirlwall (1995b; 1997b), as revised by the editors. I have two volumes of selected essays in the series: the first, my writings in growth and development economics (Thirlwall 1995a); and the second, my macroeconomic essays (Thirlwall 1997a).