Wynne Godley

The death on the 13 May at the age of 83 of Wynne Godley, formally the Honourable Wynne Alexander Hugh Godley, has deprived economics of a seriously questioning personality, one of a few whose intellectual legacy will continue to be argued over as our present economic and financial difficulties incubate more critical approaches to theory, policy and forecasting.

Wynne Godley’s work as an economist falls naturally into three phases. From 1956 to 1970, he worked at the Treasury, becoming Deputy Director of the Economic Section in 1967. In this period the post-War business cycle emerged, posing new challenges for policy and forecasting. Godley advised on key policy initiatives, such as the 1967 devaluation. His collaboration with Nicholas Kaldor on Selective Employment Tax impressed the Hungarian. Kaldor persuaded Godley to give up the Treasury and to move to Cambridge as Director of the Department of Applied Economics (DAE) and Fellow of King’s College.

The move to Cambridge initiated the second phase of Godley’s work. He established within the DAE the Cambridge Economic Policy Group (CEPG), which published an annual Cambridge Economic Policy Review. The Review rapidly acquired a reputation for gloomy forecasts which, in the economically turbulent decade of the 1970s (the ‘Barber boom’, followed by the 1974 crisis and then stagflation) proved to be largely correct. His suggested remedies, opposition to membership of the European Common Market and controls on imports of manufactured goods, were designed to protect Britain’s manufacturing capability which, like his friend Kaldor, he believed to be crucial to sustainable prosperity in this country. However, such policies were clearly out of tune with the Government’s increasing dependence on international capital inflows to fend off financial crisis.

The political shift to the right that followed the 1979 general election in the UK confirmed the trend of stagflation and economic instability. However, it also deprived Godley of important political patronage. The Economic and Social Research Council cut off funding for the CEPG. A sensitive man, Godley felt this very personally, as he also felt the sudden lack of interest in his work as academics and academic journals turned increasingly to exploring incidental insights and spurious econometrics.

Godley articulated his criticism of theory and policy in two books and a series of articles, usually co-authored, the two books with Francis Cripps and Marc Lavoie respectively. His criticism of theory and conventional econometrics boiled down to his argument that economic variables are either stocks or flows, and that these are related by accounting conventions in a ‘stock-flow consistency’. His deep understanding of the interrelationships between economic stocks and flows gave him his apparently uncanny ability to identify incorrect or missing data from actual statistics or forecasts. Implicit in this approach is also a fundamental critique of econometrics as practised by most applied economists. For, if all variables are related in stock-flow consistency then, with the possible, but unlikely, exception of parameters such as prices, there are no independent variables in the system and theory is required to determine leading variables. Committed to what came to be regarded as old-fashioned Keynesianism, he believed that expenditure led economic dynamics.

His situation changed with the fall of Margaret Thatcher, and the debacle over Britain’s membership of the Exchange Rate Mechanism. As in one-party states, forecasts could be questioned but current policy was beyond criticism. In 1992, by then retired, Godley was appointed to the Treasury’s Panel of Independent Forecasters, set up to meet criticism of the Conservative government’s disastrous record of forecasting. In 1995 he was lured to the Levy Economics Institute of Bard College in up-state New York to develop their work on forecasting. His pessimistic interpretation of growing macroeconomic imbalances fitted well with the Institute’s core analysis established by Hyman P Minsky.

Perhaps the most striking feature of Wynne Godley was that he was always more than just an economist. The younger son of the second Baron Kilbracken, Wynne Godley was also a distinguished oboist. After Rugby School, he studied Politics, Philosophy and Economics at New College Oxford, also a distinguished oboist. After Rugby School, he studied Politics, Philosophy and Economics at New College Oxford, where he found time to play duets with Hilary Behrens. He then studied for three years in the Paris Conservatoire before returning to England as a professional musician. He became principal oboe of the BBC Welsh Orchestra in 1951. In the classical and romantic orchestral repertoire the principal oboist is frequently required to play solo parts (for example, in the beautifully poignant slow movement of Bizet’s Symphony in C). Godley found such public exposure excruciating (he remained to the end of his life a deeply embarrassed public speaker). He abandoned his musical career to join the Metal Box Company as an economist. But he never abandoned music. In addition to the oboe, he played the piano with a rare sensitivity.

In 1955 Godley married Kathleen, the daughter of the sculptor Jacob Epstein. His father-in-law has left us an unusual monument to his daughter’s husband, the sculpture, for which Wynne Godley modelled, of St Michael the Archangel on the wall of Coventry Cathedral.

Wynne Godley leaves behind his wife Kitty; three daughters; a dwindling band of ageing musicians who remember his musical talent and his generosity, but did not understand his economics; increasing numbers of economists who appreciate the understated rigour of his analysis; and too few us who ever heard his music.

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