

## Evolution of an Economist

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**Note:** *On December 29, 2016, the Croatian Parliament has bestowed upon our esteemed emeritus professor of economics Soumitra Sharma, the highest State Prize for Life Time Achievement in Social Sciences (2015). Professor Sharma has been one-time teacher of many of us and the founding Editor-in-Chief of ZIREB. Accordingly, as a tribute, I have thought it appropriate and worthwhile to evaluate and present to the readers his lifetime achievement in economics.*

– Editor ZIREB

Professor Soumitra Sharma started his professional career in India where he served as a lecturer in economics at the universities of Agra and Punjab (1960-1963), and had obtained a non-degree specialization at the London School of Economics and Political Science (1962). He joined the Economics Faculty, Zagreb (1968) and served (until 2002), first as an assistant professor and later as professor. He also acted as the Dean of the Faculty (2000-02). From 2002, until retirement in 2011, He served as professor at the University of Pula, where he currently retains the position of an emeritus professor. He has travelled widely and lectured around the world extensively. On Dec. 29, 2016, he has been awarded the Croatian Parliament's highest *State Prize for Life Time Achievement in Social Sciences* (2015).

In his autobiography Professor Sharma writes:

“In July 1958, the day I joined my M.A. class, I decided to become an economist preferably a good one. This was the moment, I knew where I was going and I was ready to realize my childhood dream – to become a professor. Perhaps, rare is the child, I suspect, who wants to grow up to become a professor. Against the wishes of my father, I aspired to become one. As he made me study economics, I decided to become a professor of economics. Luckily, my professor Ratanlal Goel (who

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created my interest in learning much of economics); my father Pyarelal Sharma (who being an economist himself forced me, against my will, to join M.A. economics class); and my alma mater, S. D. College at Muzaffarnagar in India did cast my life and career. I was hooked to economics passionately.”

(My Life Story, p. 31)

In his 57 years of academic career, professor Sharma came to know some great economists under whose shadow he learned economics, particularly to think logically and to respect facts. He loved their company but never thought that, as he says, “perhaps I would never come any close to economics as they did; or be known in economics; or make any dent in the science at all”. Although, Sharma made no innovations in theory, he did teach economics to the students as transparently as possibly he could; and did create an interest among the students and colleagues to think deep and recognize the realities of daily economic life. In our view, his contribution to economics has been to urge the inclusion in economic analysis those features that have tended to be overlooked after the WWII. Nonetheless, once considered, these would, as he always believed, bring about advancement in general thinking of economic theory. In following pages we will try to explain, why their recognition will lead to a progress in the way he thinks about economics and economic policy. We believe that the significance of his writings at one stage will be recognized widely. Naturally, we do believe him when he says that, “further research in these fields of economics will be crucial to the development of science in general.”

Sharma, in his lifetime, has covered a wide range of subjects in his writings (25 books and some 70 articles published worldwide). In his early years he mostly wrote on subjects that are popularly categorized as ‘development economics’ and ‘economic policy’. Though, he always maintained his interest in the ‘history of economic thought’ for it fascinated him as to how some grand ideas of economists came into being some five thousand years earlier. However, ‘history of civilizations’, ‘intertwining of philosophy, religion and economics’ did not evaporate from his mind altogether.

In his early years, one question that haunted him most was the relative importance of factors of economic development and whether or not, how successfully, through instruments of economic policy, it is possible to achieve a harmony among the self-conflicting or self-competing targets of national economic policy. He always felt that to understand the existing state of economics, methodological and philosophical questions are also important and thus need to be addressed. This sort of anxiety in his mind defined the field of his interest in economics.

However, to begin with, it is necessary to say something about the development of economics in general. During the two and a half century since the publication of *Wealth of Nations* the main activity of economists, he felt, has been to fill the gaps

in Adam Smith's system, to correct his errors and to make his analysis vastly more exact. A principal theme of the *Wealth of Nations* was that government regulation or centralized planning was not necessary to make an economic system function in an orderly way. The economy could be coordinated by a system of prices, *the invisible hand* and, furthermore, with beneficial results. Alfred Marshall solidified the idea and the Marginalists, by uncovering the conditions necessary if Adam Smith's, results are to be achieved. In this context, Sharma writes:

“In the real world, such conditions do not appear to be found. This neglect of reality of the economic system led to another feature of modern economics - the growing abstraction of the analysis, which did not seem to call for a detailed knowledge of the economic realities of the operational systems. This was what led simply to a blackboard economics where the firm, market and governments appear by name in the system.”

(My Life Story, p. 32-33)

The great depression of 1929-1933, severely dwindle the confidence of economists and the policy makers in Smith's economic ideology of *laissez faire* and thus gave way to the Keynesian doctrine. Sharma further writes,

“The real test of the validity, accuracy and applicability of any body of knowledge/science/theory can only be proved by its sustainability to the ‘fatigue test’, i.e. its deserving respect under severe conditions. While total stock of knowledge is accumulated, every science becomes a systematized record of its evolution. In each science, theories emerge and most are based upon certain fundamental laws and pre-suppositions. Scientists develop their own logic of interpretation of outcomes based on cause and effect relationship. Over a span of time, theories die, evolve and reincarnate. Economics is no exception to it.”

(My Life Story, p. 33)

Since ancient times, philosophers have devoted attention to the economic well-being of the society. They have devoted attention to the then existing economic and social problems and devised principles and policies. Economics, as we all know it in its modern context, stems from the grafting of ideas and laws generated by the Classical economists. Since then, though the times have changed, the fundamental economic problems have not. Economics since Adam Smith has come a long way. It has evolved, become sophisticated, technical and professional. In its process of evolution as a modern science, it, as such, in the past, has been put to test and its successes were acclaimed while failures invited serious criticisms. This is exactly what is happening now.

In the 1950s when Sharma was educated, it was under the shadow of a growing influence of Keynes on economic thinking of professors and students alike. Their fancy for Keynesian policies was overwhelming. It was this fact that he too was advised and motivated to study economics in Cambridge tradition and thus to read Keynes', *A Treatise on Money* (1930) and *The General Theory of Employment, Interest and Money* (1936); Marshall's, *Principles of Economics* (1889); Schumpeter's, *A Theory of Business Cycle* (1931); Hick's, *Value and Capital* (1939); and Gide & Rist's, *A History of Economic Doctrines* (1913).

One day, sometimes in autumn 2014, professor Sharma, over a coffee conversation, on our direct question as to why his so much fascination with Keynesian theory, and how did the Keynesians, he met in his academic career, influenced his thinking of economics. After a short pause he offered us the following reasons:

- first that in India, in his student days, Economics was taught in Cambridge tradition as laid down by Marshall, Pigou and Keynes. Mention of Marx and his ideas were more or less in context to the history of economic thought. In those days Nehru, the then Indian Prime Minister was much influenced by the Russian planning model, and as India was developing its own 'mixed economy model', frequent academic discussions were being held on the 'socialistic pattern of Indian society', he too fell under the spell of these discussions. He did not read or possess physically the *Das Kapital* (which the Soviets were distributing massively and free), but, as it was fashionable in his student days, he did join youth group on development planning.
- second, his father, who himself was an M.A. in Economics, had passed on to him a 1938 print of the *General Theory* of which he had only, at times, turned pages during 1958-62.
- third, during 1960-62, he did teach the M.A. economics class – a course on 'economic thought', and thus could not skip Keynes and the Keynesians, even if he wanted to.
- fourth, during his stay at the LSE, though the idea of 'specializing in economics of socialism' had inspired him to listen to the people like G.D.H. Cole, Peter Wiles, Jozef Pajestka and other visiting Marxian economists, but he could hardly remain immune to the then dominant orthodoxy of Keynes in Britain.
- fifth, at the time of his arrival in Zagreb in 1963, Keynes was not a 'taboo' in the country. Neither anybody tried to 'brain wash' him, nor did hinder his initial thoughts of his formation years to develop or prohibited him to read any 'western literature'. Moreover, at the EFZ in early 1964, he met professor Savka Dabčević-Kučar who had her doctoral thesis written on Keynes. Thus, he claims, he had no fears or suspicions in his mind to follow his own stream of economic literature.

- finally, in the years that followed he kept in touch with the academia that was bred under the Keynesian shadow and those who reformed their approach.

As far as the other half of the question, i.e. his communication with the known Keynesians, is concerned, he told us that he had been in close contact with the followers of Keynes – the older generation of academics like Hicks, Meier, Modigliani, North, Singer, Solow, Streeten and Tobin; and so with his own generation of Keynesians like Arestis, Chick, McCombie, Sawyer, Stiglitz and Thirlwall and others. Since, he had been very close to them and kept meeting them frequently, read their works, edited their contributions to his volumes, participated together with them in international conferences, etc. he could hardly be impaired of their influence. He tried to develop his own views but these were surely tainted in Keynesian colours. He claimed he has no regrets.

(Based on a conversation with professor Sharma in autumn, 2014)

Professor Sharma further explains that in his view, very few economists have found it easy to challenge the fact that Keynes's theory has been, as Paul Samuelson said, 'the most significant event in the twentieth century economic science', or that macroeconomics was his creation. Immediately after the publication of his book in 1936, Keynes's theory received a mixed reaction but soon it became the centrepiece of economic theory and policy. Over the last 80 years it has survived appreciations, interpretations, re-integrations, criticisms, re-examinations and reconstructions. While opponents have tried to convince that Keynes was fundamentally mistaken, the Keynesians themselves seem divided between those who regard the policy implications of his *General Theory* sound and valid and others who see it as a historic break from the mainstream classical and neoclassical doctrine. Keynes was trained in Marshallian tradition. Sharma reiterates that while economists of the last century were busy finding faults in government failures and in evils of monopoly power or too much government in economic affairs, preventing price mechanism from yielding maximum national output, for Keynes to write his *General Theory* was a long struggle and an escape from habitual modes of thought and expression, and from the idea of *laissez faire*. Keynes's whole life was a struggle to show that with regard to the general level of employment and output there was no visible hand directing social optimum. Sharma thinks that Keynes's *General Theory* was successful because by providing an alternative theory to the prevailing orthodoxy, it rationalized a sensible policy that had hitherto resisted on purely dogmatic grounds.

As a student, as far as Sharma was concerned, the very fear of his eventually being unemployed after completing his education, made him read ferociously and learn a good deal. Initially, the *General Theory* was just another book on his 'must read list', but, as he says, he did not give much importance to it then. It was later in

his life that he found it useful in formulating part of his development thinking, particularly his stance on the role of investment policies. Indian government's insistence on Five Year Plans and Mahalanobis model (which is an advancement of the famous Harrod-Domar model) and the active role of the State in using monetary, fiscal and foreign trade policies to achieve the targets of development, attracted much of his attention, especially because he felt that consequently the efficiency of the economic system will depend to a considerable degree upon how the institutions will conduct their affairs. Professor Sharma claims that Harrod-Domar theory not only addresses to the determination of rate of growth but also sets in a dynamic context i.e. the growth path of an economy. The question, moreover, remains as to how to achieve it. Sharma turned his attention to the techniques of Jan Tinbergen in his (1931) work; and planning tools of Rudolf Bićanić (1967) – both of whom had played a decisive role in providing a direction to his life.

As a young lecturer, Sharma went to the London School of Economics in 1962 for specializing in planning techniques. By sheer stroke of luck, Peter Wiles (a famous socialist British economist) was appointed his supervisor. Thanks to him for he introduced young Sharma to Jan Tinbergen and Rudolf Bićanić. At the LSE among many things, he learned that some great names in Keynesian economics had worked there. He got interested to learn more about the members of the, so called, 'Cambridge Circus' and 'Keynesian Revolutionists'. As far as Keynesians were concerned, he learned that few like Sir John Hicks, Joan Robinson, James Meade, Paul Samuelson and Alvin Hansen first felt the shock wave when Keynes invented his macroeconomics<sup>1</sup>.

At the end of his specialization in 1962, Sharma was asked to present his *An Essay on Economic Growth* that later appeared in India in 1964. In it was visible a clear impact of his association with the people whom he met at the LSE and evidently their writings. It was his first serious writing on the subject. He was then only twenty-one years of age and could never have imagined that these ideas would become over next 50 years a major element in his evolution as an economist. Each next phase of his life afterwards was part of his pre-designed strategy. Sharma claims that towards the end of his career, he finds himself, by design, ending-up with a collection of works, a sizable *opus* that fits perfectly to form the structure of his academic career.

Now, we go into some details about the genesis of his writings because it displays the interaction between the state of economics thinking in general and his own background and training. In 1971, Sharma joined the Economics Faculty Zagreb (EFZ), on a full-time basis. Being the newest addition to the Department of National Economy, he was asked to teach two major courses that were obligatory for all the students: 'Yugoslav Economics' and the 'Theory and Policy of Development', and that too at Zagreb, Split and Dubrovnik. He kept shuttling from one place to other teaching and had had a fairly busy schedule. There were two young children and social engagements that left him very little time for any serious writing. As he was trained in an

Anglo-Saxon climate of post-war India, he was made to believe that for a professorship one needs to write 2-3 books of a very high standard that should coincide with one's 45 years of age. These books must reflect one's maturity of thought. Furthermore, when Sharma joined the EFZ, he was made to understand that according to the statutory rules of the university, for one's promotion to an associate professorship a minimum requirement is 1 book + 5 published articles and at least 10 years of teaching experience; and for the professorship another 2 books + 5 articles and another 5 years of teaching experience.

Somehow, until 1976, Sharma had only a few articles and *An Essay on Economic Growth* published. So, when the time for his further promotion came, the Head of the Department, Professor Vladimir Farkaš told Sharma that he should write a textbook for the students else his promotion is out of question. So hurriedly Sharma published a textbook, *Teorija i politika privrednog razvoja za zemlje u razvoju* (1977). Consequently, in 1977, he was promoted to an associate professorship. The book was a concise textbook on development economics and was well received by the students. It proved to be good platform for his next book *Strategy of Development for Developing Countries* (1983). It was promoted at the eve of non-aligned nation's (NAM) 1983 meeting. In 1984/1985, appeared his two part study (with B. Tepeš), *Strategija razvoja* (125 pages) and *Strukturni model razvoja nesvrstanih zemalja i uklapanje Jugoslavije i Hrvatske u međunarodnu strategiju razvoja* (31 pages model). Taking into consideration his overall work till then, the panel recommended his promotion to a professorship, and in December 1983, Sharma was appointed to the post of professor of economics, bringing his childhood dream, as he says, to come true.

Now, Sharma turned his attention to build-up his professional reputation abroad. He travelled widely and lectured at prestigious universities in the US, China, and Japan. In 1986, upon an invitation from the American Academy of Sciences, Washington DC, he visited and lectured at Berkeley, Princeton, and Columbia. In 1988, as guest professor of the Chinese Academy of Sciences, he lectured at Beijing, Shanghai and Jinan universities. In 1989, the Japanese Economist's Association hosted him to lecture at Niigata, Chiba, Kyoto, and Fukuoka universities. He participated in seminar lecturers at MIT with Robert Solow (1993) and with James Tobin at Yale (1994). During spring semesters of 1995-1999 he regularly taught a course on development economics with G. M. Meier at the Graduate School Business School of Stanford University.

He also got deeply engaged in research work, organized international seminars and conferences, edited books and wrote extensively in Croatian and English languages. Thus, years 1986-2002 were perhaps the most productive period of his intellectual life as these resulted in publication of 14 volumes and 25 papers. As far as edited volumes are concerned we must cite his *Economic Development and World Debt* (1989); *Growth & External Debt Management* (1989); *Privredni razvoj i međunarodni dugovi* (1989); *Development Policy* (1992); *Macroeconomic Management* (1995);

*Restructuring in Eastern Europe: Microeconomics of Transition Process* (1997); and *John Maynard Keynes: Keynesianism in 21st Century* (1998). Two monographic books: *A Story of Development* (1990) and *Svjetska privreda* (1990) along with two textbooks: *Osnove ekonomike nacionalne privrede* (1991) and *Narodno gospodarstvo* (in co-authorship) (1993); two short economics lexicons for the students – *Osnovni pojmovi u makroekonomiji* (1993) and *Macroeconomic Concepts* (1994) were published in Zagreb.

As a result of disorganized private life, extensive travel and hard work, he was now physically exhausted and had developed a serious heart problem. In 1999 an open-heart surgery was performed upon him. As usual, the post-operative advice of the doctors was to go slow and lead a peaceful life. However, contrary to the advice, his colleagues and friends somehow seduced him to run for the office of the Dean of the faculty, which he did. He won the election to become the Dean of the largest faculty of economics in the country – the EFZ. Contrary to his expectations, it proved to be a demanding office. In spite of the heavy pressure of operational pressure, he kept himself busy in writing. He compiled his selected writings in a single volume, *Economics Does Matter: about Economics and Economists*, (2002).

Now, Sharma was set for the next phase of his life. He had already completed 61 years of his age and a couple of years were left for a possible retirement. Unexpectedly, to the great surprise of everybody, in September 2002, he left Zagreb faculty. He decided to leave it in favour of a small, relatively young institution at Pula. While joining Pula, he made conditional that due to the health reasons, he would not undertake a heavy teaching load but rather keep him busy in research, writing and training younger faculty. The university gracefully allowed him to do what he wanted.

Sharma stayed at Pula until his retirement in 2011, and since then he enjoys the position of an emeritus professor, teaching occasionally. During his stay period at Pula, he produced 5 books and 14 papers. Most of his time during 2002-2011 he devoted to the study ancient history, philosophy and religion. The result was that first he wrote in co-authorship with Marinko Škare, the *Essays in Economic Philosophy* (2006) and later his *Reflections on the Philosophical Foundations of Economics* (2010). As for his B.A. he had opted for philosophy, history and economics, these two books reflected his old passion for the subjects and were a synthesis of his acquired knowledge of all the three disciplines. Next, in co-authorship with Daniel Tomić he produced two textbooks on microeconomics and macro policies: *Mikroekonomska analiza tržišne moći i strateškog ponašanja poduzeća* (2011), *Ekonomska politika i makroekonomski management* (2012). Nevertheless, the epitome of his work was the volume *Economics in an Awkward Corner* (2015) published by the University of Pula – an edited collection of his published work of past 12 years into a single volume. The volume, with a lengthy introductory note by Marinko Škare and Daniel Tomić, was presented to the readers.

If, we are to analyse the past period and say what did Sharma write, that represents originality of his economic thought, we could highlight some of his theoretical approaches as under:

Sharma's initial intellectual enchantment was with the factors that lead to the state of socio-economic underdevelopment. In 1960s, the theories propounded by Ragner Nurkse, Arthur Lewis, Walt Rostow, Raul Prebisch and Hans Singer fascinated him. He consumed a sizable literature to satisfy his appetite for knowledge. Poverty, illiteracy, poor sanitation and health condition in India always haunted his mind. It was this fact that led him to write two books on underdevelopment (1977 and 1983). The 1983 book was an eight-chapter book, loaded with his thoughts on causes of underdevelopment, models and policy issues. Here for the first time Sharma proposed a simple growth model in line with the Harrod-Domar's fitted to the underdeveloped economies (such as India) with marginal rates of savings. He formulated his model with two sectors based on investments ( $I_1+I_2$ ) in two sectors (agriculture and industry) as key to economic growth because the growth of output in primary sector  $\Delta Q_2$  will depend upon the enhancement of employment of the primary sector  $\Delta L_2$ , an increase in employment in industrial sector  $\Delta L_1$  and growth of demand for raw materials for industrial sector  $\Delta S_1$ . With underlying assumption of linearity, the constructed model states that  $Q_2 = l_1 \cdot \Delta L_1 + l_2 \cdot \Delta L_2 + s_1 \cdot \Delta S_1$ . Such an approach, Sharma thought was best suited to the underdeveloped economies. The model was *de facto* an extension of Harrod-Domar approach and was in line with the Keynesian theory.

Sharma's infatuation with the subject lasted practically for over three decades with a shifting emphasis on various development issues. It was in later 1980s that he got interested in the role of the State in economic development. One of the factors that prompted him was the fact that he was very close to Jakov Sirotković – his patron and Ph.D. supervisor, an academic, a development planner and a high ranking politician in former Yugoslavia – who dealt with day to day development problem of the country and contributed in designing concrete policies of the government. Not only this by now, Sharma had, also been in very close contacts with Hans Singer, Jan Tinbergen and Rudolf Bićanić. This initial circle, he further enlarged by associating himself with other famous development economists, particularly with Paul Streeten, Gustav Ranis, Gerald Meier and Jagdish Bhagwati.

In the second half of 1980s Sharma's close association with many famous economists around the world gave him an excellent opportunity to travel and teach around the world. Visual experience, personal contacts and extensive reading slowly changed his focus to economic policies. While the enchantment with the so-called development economics slowly evaporated, a passion to find solution to the State's 'dilemma of targets, policy instruments and macro-management' took him over. Since when, he organized in 1987 an international conference on sovereign foreign debts, and learned the ways as to how various governments had handled the situation, he be-

came convinced that governments are not only responsible but also hold the key to sound economic policies that he termed “macroeconomic management”. For a couple of years, he thought about it. Issues of short- and long-term equilibrium, choice of target and policies kept coming and finally he came up with his macro-management idea (with a detailed elaboration of the model is provided in his 1995 edited volume).

From the long-term policy point, Sharma saw it as a method of efficiently steering the economy through troubled economic waters. In this sense he saw it as a comprehensive set of policy measures designed by national government and/or international institutions to attain the set targets e.g. the best possible utilization of resources and production potential for a stable and sustained growth rate, remedying the existing the structural imbalances, ensuring an equitable distribution of income and wealth, and maintaining balance in external payment position of the country. From a short- or a medium-term perspective, he figured out that macroeconomic management is a synonym for macroeconomic stabilization or simply it implies a reduction in deep fluctuations of income, employment and prices by following techniques of demand management. Sharma, was convinced to believe that this integrated concept of policies that target the overall macroeconomic balance, could include the following:

- (i) Macro-economic stabilization implying the use of fiscal, monetary and other policies affecting national output, employment and prices;
- (ii) Resource allocation: adopting national priorities over short and long period ensuring choices in public and private goods;
- (iii) Regulatory framework for economic activity and markets; and
- (iv) The use of public resources to redistribute income and wealth to ensure social justice.

This newly invented Sharma’s own concept of policy-mix foresaw a policy-mix approach. He thought that the objective of macroeconomic stability, which was a key issue in any government’s policy is induced by the international policies, was to ensure the equilibrium in output, employment and prices. The problem that always haunted him was as to how successfully the three target points can simultaneously be achieved with fewer instruments. Though, he had thoroughly studied Tinbergen’s thesis and the criticisms by Henri Theil, Robert Lucas and Robert Mundell, he wanted to advance the matter a little further. Thus, later, he came up with an idea that he put forward in a rudimentary form that has come to become a popular theory<sup>2</sup>. What he wanted to know was as to how the States will macro-manage their policies in order to achieve it. It was only in 2012 that he came up with a geometric solution that simply meant the reduction of the area within the so-called ‘golden triangle’ to a minimum<sup>3</sup>.

While he was a guest professor of the American Academy of Sciences, Washington D.C., he made good use of the opportunity and along with others, Sharma

established contacts with experts in the international agencies. Though, his association with the IMF and World Bank officials made him learn how their monetarist policies work and the so called world economic stability is being maintained (in his opinion only artificially) by ‘structural financing’ and ‘stabilization programs’, that to his mind, neither ensured stability nor promoted growth in troubled countries. He was convinced that, unfortunately, the two institutions, in the past decades, at home and abroad, have failed bitterly. The more Sharma tried to learn about the IMF techniques, more he was convinced that monetarists led by Milton Friedman and President Ronald Regan have made a successful coup against the ‘Keynesian Orthodoxy’. What they did was to re-introduce in a new garb the old ‘Cambridge Equation’ by launching their monetary stability model that Sharma saw in the shape of three identities: the first,  $\Delta M = \Delta R + \Delta D$ , (here M is the quantity of money, R the net external value of domestic currency and D the net domestic assets cover of the banking system). The second identity is for the demand for money. It is nothing else but a change in the nominal amount of money ( $\Delta M_d$ ) in relation to a change in national income i.e. ( $\Delta kY$ ). Thus,  $\Delta M_d = k\Delta Y$ . Finally, the third one is an essential condition of equilibrium on the money market i.e.  $\Delta M_d = \Delta M$ . If we put all the three components of the model together, the equation becomes  $\Delta R = \Delta M - \Delta D = \Delta M_d - \Delta D$ .

The model thus defined, can easily be related to income and consumption and capital movement in an open economy. We know that the current account demonstrates changes in the net external demand for money from the banking system ( $\Delta R$ ) and net external indebtedness of those who are not the clients of the banks ( $\Delta FI$ ), i.e.  $CA = \Delta R - \Delta FI$ . Combining the above two equations we get  $CA + \Delta FI = \Delta M - \Delta D$ . Translated in terms of national income and consumption (absorption), the equation becomes  $Y - A + \Delta FI = \Delta M - \Delta D$ . In other words, the resources that people use (absorption) will surpass the total supply of resources (income) and foreign savings (changes in foreign debt). If we assume that  $M_d$  is a function of certain variables that are independent of  $\Delta D$ , and thus one can conclude that maximum of  $\Delta D$  will determine the  $\Delta R$ .

This entire exercise of the multilateral institutions Sharma called a ‘futile fire extinguishing exercise’. The policies, however, continued until the beginning of 21<sup>st</sup> century, leading to historical long current recession.

The period through 1986-2002, Sharma calls that of his ‘intellectual restlessness’ and soul searching. During this period he wrote substantially on variety of issues though this policy ‘dilemma’ always remained in his focus. This is also the period that he wrote few biographical papers on the economic thoughts of some famous 20th century economists (Robert Lucas, Douglass North, Joan Robinson, James Tobin, Hans Singer, Paul Streeten, Amartya Sen, and others).

Since his student days, issues in methodology and philosophy in economics had practically been a closed window for him for over four decades. After Sharma left Zagreb for Pula, the process of ‘soul searching’ forced him to open this closed win-

dow. In 1960s, he read L. Robbins's *An Essay on the Nature and Significance of Economics* earlier, but it did not mean him much then. It is only while writing textbooks, Sharma re-read it carefully. It incited some of his thoughts on issues of economics being a normative or a positive science, use of empirical and quantitative methods in economics and on making economics a reliable science. Some relevant literature on methodology and his writings on contemporary economic thought became his prime mover to write on Smith, Marshall and Keynes and on methodology and philosophy. In his writings, what he wanted was to seek an answer for the dilemma if religion, philosophy and economics have something in common? Can a symbiosis between them create a better society? What he learnt was that there is a 'holy trinity' an inseparable overlapping relationship of themes common to the three. Each stems out of the other. If religion is human belief in the existence of a 'Supreme Being'; philosophy, in its widest sense, at least to him, is a passion for the 'pursuit of wisdom, or of knowledge of things and their causes whether theoretical or practical'; and economics, a study of 'nature and causes of increasing wealth and economic welfare of the people'. Sharma further discovered that the general technique to study the works of economists and philosophers who develop, apply, and discuss the theory is not novel. In the course of such studies economic scientists rely heavily on the tentative results of contemporary philosophy of science and on initial judgments concerning the nature and worth of economic theory and economics as a discipline. Economists talk about their own work in many ways. They write, for example, about 'principles', 'models', 'theories', 'assumptions', and 'definitions' and make use of previous work by epistemologists and philosophers of science. Some critics of traditional philosophy of economic science might object that economists do not know enough to understand the structure or methods. There is some merit in it. It would help if we could begin with some well-established philosophical theses. Unfortunately, the same are currently unavailable. To Sharma's mind, an economist studying theory is in the same philosophical position as any empirical philosopher of science seeking knowledge of sciences. The only important difference is that philosophers can begin with relatively fewer doubts. The difficulties of an economist are much greater. But let us not forget that the manner by which we learn about knowledge acquisition in natural sciences, may not apply to economics. Even if it does, economists will probably have to find out much through their investigations.

As far as the said 'trinity' is concerned, Sharma rightly claims that it has closely existed throughout the history of mankind and it has definitely proved itself 'unholy' – only becoming a stumbling block in economic development of nations. It has helped contribute to myths, poverty, illiteracy, conflicts and extensive destruction.

Sharma asks himself, if so then how then the scientists in economics need to proceed, if they cannot simply import categories and theses concerning theories, laws etc. upon which they agree? He came to believe that economic thinkers, naturally, would have to trim, revise, and even invent philosophical categories in trying to

make sense of economic theory. However, the difficulties are aggravated because we know that discussions of economic issues are often biased and distorted because of their importance to interests of individuals and social groups. What the philosophy of economics must struggle for is to avoid becoming apologetics for any school of economics.

Marshall's *Principles*, Sir John Hicks' *Value and Capital*, and Keynes' *General Theory* were founding stones of Sharma's learning of macro and macroeconomic theory. This was further supplemented by the writings of Joan Robinson, Edward Chamberlain, Gottfried Haberler, Irving Fisher and some others. In 1990s his association particularly with Franco Modigliani, Robert Solow, and James Tobin inspired him to work on some ideas that have found way in his textbooks, biographical reviews and research papers.

In professor Sharma's view, it remains an undisputed fact that Alfred Marshall is a legendary figure in economic literature to who goes the credit that economics became an independent academic discipline in university education throughout the world. His unending enthusiasm in struggling for the cause – in the Cambridge University Senate and outside it – was well felt. It was his *Principles of Economics* (1890) that made the discipline a popular subject of study in the universities (from 1920s on) world over. Unfortunately, today, according to Sharma, just in less than a hundred years from its initiation, we are facing the crisis of economic science that is being loudly echoed in its criticisms viz. economics failed us; it is a useless and unreliable science; economists are incompetent people and poor specialists, etc. Since the financial crisis of 2007/08, a shadow of doubt in the efficiency of science and competence of professionals is being cast. The confidence of public, politicians and the professionals themselves has been badly shaken. It seems that economics and economists both have failed us?

Sharma reacts to such pessimism by asking professionals not to over-react to such criticisms. He reminds us that to the current financial crisis, depression, state of economic affairs and the current pessimism in economics, hopefully, J. M. Keynes would have, probably, once again reacted in the same way as he did by repeating to his students in his Madrid lecture of 1930. Keynes said:

“We are suffering just now from a bad attack of economic pessimism”.

... “I believe that this is a wildly mistaken interpretation of what is happening to us. We are suffering, not from the rheumatics of old age, but from the growing pains of over-rapid changes, from the painfulness of re-adjustment between one economic period and another. The increase of technical efficiency has been taking place faster than we can deal with the problem of labour absorption; the improvement in the standard of life has been a little too quick; the banking and monetary system of the world has been preventing the rate of interest from falling as fast as equilibrium requires.”

“The prevailing world depression is the enormous anomaly of unemployment in a world full of wants, the disastrous mistakes we have made blind us to what is going on under the surface to the true interpretation...of the trend of things. For I predict that both of the two opposed errors of pessimism which now make so much noise in the world will be proved wrong in our own time – the pessimism of the revolutionaries who think that things are so bad that nothing can save us but violent change, and the pessimism of the reactionaries who consider the balance of our economic and social life so precarious that we must risk no experiments.”  
 “... do not let us overestimate the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance. It should be a matter for specialists like dentistry.”

(J. M. Keynes, See his *Essays in Persuasion*, 1931)

Sharma insists that even today we all can well endorse the above statement of Keynes with a minor change in his vision of specialists i.e. “economists might one day be thought as humble competent people, on a level with dentists”. Sharma as early as 1980 writes:

“Pessimism in our science has a history. In last quarter century, on one hand, to no one’s surprise, the classical teaching of economics slowly started withering away even in the most prestigious universities and on the other in the US, Europe and Asia in 1990s and 2000s there was a strong surge in admissions to the Business Schools at the cost of Economics Departments. Sadly enough, economic science had long been ailing. As the doubts in the forecasting accuracy of economics grew, the interest of researchers in general economics gradually declined. Inside company research became popular. Moreover, the scepticism of 1980s grew and engulfed the entire economic forecasting activity. Many companies disbanded their forecasting units and independent forecasting; economic consultancies vanished. Economics as a science, came to be branded unreliable and the economists as poor. Naturally, after twenty or so years we are asking ourselves again as to what has happened to economics.”

“Since 1990s, the confidence of the multinational corporations in economic forecasts has been badly shaken, because even with the help of computerized models, the economists have failed to foresee the stagflation of the 1970s and the cyclical trends of the 1980s. The confidence did further deplete in the usefulness of Economics, as a science for the experts did not accurately predict the consumption pattern of the households or the firms. In the mid-1990s some big multinationals started firing their ‘crystal bowl watchers’.”

(‘Educating Economists’ *Ekonomiska misao i praksa*, 6(2): 669-687, Dubrovnik, 1996)

Sharma observes that the macroeconomic models of the 1930s were based on consumption and saving/investment equations. The year following the WWII, were the 'golden years' for such models. For two decades the world recorded high economic growth rates, but in the 1970s the high hopes were watered down when these models could not foresee the repercussions of the explosive hikes in oil prices. The mainframe computers were fed with 'known' and 'unknown' parameters to produce equations that could be used in justification of proposed growth policies. One worthy author of such models Lawrence Klein won a Nobel Prize for his model in 1980. These models were designed to simulate faster sustained economic growth of the developed western economies, which never came through.

Sharma strongly believes that in the wake of the current crisis, economics as a science has definitely failed us. In past quarter century it has provoked a lack of confidence in the validity of its theories. It is being said that few economic bubbles have burst more spectacularly than the reputation of economics as a science. In the wake of biggest economic shake-up in 100 years, its reputation as a science, has taken the beating. Economic turmoil has cast in doubt much of what we thought we knew about economics.

We should acknowledge that the discussions of economic issues are often biased and distorted because of their importance to interests of individuals and social groups. Economists can, however, address a broader audience and a wider spectrum of issues if they do not start by taking them, as the paradigm for what economics should be.

In Sharma's view history is a witness that, usually, the business cycles have been followed by the reassessments of the economic science. Deep recessions have been followed by negation of the existing orthodoxies giving way to the new. As more than over a century ago, as now, many of us feel that the glaring lack of consensus on fundamental principles compromised the scientific status of economics, and there are strong professional and public pressures to establish a new orthodoxy that could speak authoritatively on economic matters.

Another field of Sharma's interest has been international economics. His interest in the subject dates back to 1960s when he first read about Singer-Prebisch thesis. It was further deepened when the international debt problem dominated economic theory and policy in 1980s. The initiative by James Baker's plan to ease the pressure of the crises intensified his interest in learning about international balances of payment, foreign aid and debts, liberalization policies and the role of the global institutions in macroeconomic management of nations. The result was his (1990) book *Svjetska privreda*. He kept his interest alive by lecturing on international trade and financial issues at Vienna and Eisenstadt (Austria), Bathurst (NSW), Santiago de Chile (Chile) and Brioni (Croatia). Further, the depression in the world economy in the 1990s and the resulting economic crisis of 2007-2015 did attract his attention. He wrote a couple of articles on the subject relating these with the crisis of economic science and

the economists e.g. see his articles '*Economic Crisis – a Challenge to Governments and Entrepreneurs*', (2010); '*Deep Global Recessions and the Changing Economics*', (2011); '*Economics in an Uneasy World*', (2011); '*Did Economics and Economists Fail Us?*', (2013); and '*Economics in an Awkward Corner*', (2013).

Throughout his life, Sharma has tried to nourish a desire that economics as a science should one day enjoy its legitimate reputation like natural sciences, which he now realizes, is only a daydream. However, he is confident that improving the quality of economics education and enhancing the capabilities as well as the insight of the future economists can make progress in this direction. He has already expressed some of his views (in his articles e.g. in 2002, 2010, 2013). Here once again, we can reflect some of the same.

To start with, he asks himself, who is an economist in practice? What he does? Is he someone a social philosopher like Adam Smith or an analyst and teacher like Alfred Marshall or a dentist of Keynes's dream? Sharma observes that Keynes in his remark on the role of the future of economists was rather sceptic as he thought that "economists could manage to get themselves thought of a humble, complete people, on a level with dentists". If so, he said, "that would be splendid!" Alas, Sharma says, even after eighty years of this remark that has not happened. Today, economists have either been reduced to pure theorists – academics caged in prestigious university campuses, some receiving the Nobel Prize for their theoretical contributions, or the massive number holding graduate degrees in economics and business working for state or private employers doing routine work for which no higher education in economics is necessary.

Furthermore, according to Sharma, economics and economists have failed us because except a few, to his regret, the vast majority is neither well averse with real economics nor is able to use the acquired knowledge in appropriate manner. In his view, professional economists are tied to their desks doing some routine statistical analyses or designing models of little use and have reached nowhere close to Keynes's dream of "humble, competent people on a level with dentists", using their technical skill to solve pressing problems within a limited area of expertise.

Personally, Sharma strongly believes that fellow economists of the future must assume the role of mechanical engineers – knowledgeable, well equipped with plenty of analytical tools in their toolboxes, capable of fixing the defects in the economic system. He like Keynes wants them as "mathematician, historian, statesman, and philosopher: aloof; earthy; purposeful". Not every economist can possess all that, nor could they ever. Sharma says "thus the old aspiration to try is lost, so is the part of Marshall's original dream of economist seeking not merely to apply their ideas in a worldly way, but to produce both better ideas and, in the end a better world". Accordingly, Sharma sees his students to be well aware of economic doctrine, finance, economic history, mathematics and philosophy. Evidently, he remarks, "such a person would have to be an intellectual giant and could exist only in our minds."

However, he hopes, them to be talented in understanding the socio-psychological reactions of the people in face of the economic trends and capable of using appropriate analytical tools. To him, as the economic system by nature, like an old car, is prone to frequent breakdowns and cyclical fluctuations, therefore, their role as constructor and a repairer is of utmost priority.

Sharma feels that while the students will have to be gifted, the teachers would also have to be highly qualified and competent and curriculum tough. Moreover, Sharma wants us not to be misled by Keynes's remark that the study of economics does not seem to require any specialized gift of an unusually high order, instead Sharma would like to cite and agree with him when he writes in his essay on Marshall that "... the master economist must possess a rare combination of gifts"<sup>4</sup>.

The real question is should a well-trained economist deal with few areas or spread his investigation widely? Currently, as Kalmer and Colander claim, "a widely held criticism of modern American and European education of economics is that it has, unfortunately, become too narrow and too far from reality"<sup>5</sup>. The Economics Departments and Business Schools in universities are awarding degrees to generations of *fach idiots* – '*brilliant at esoteric mathematics yet innocent of actual economic life*'. Sharma endorses Paul Streeten's comment and favours being '*a broad-gauged economist who is vaguely right to be precisely wrong*'<sup>6</sup>

Professor Sharma strongly believes that it would perhaps be right to sacrifice some technical aspects of economics (including some of mathematics) in favour of disciplines like political science, logic, sociology, philosophy and history. His argument in support of such an attitude is the fact that philosophy consists of logic, epistemology, moral and political philosophy and as such a sound knowledge of logic and theory of knowledge will make an economist not only a good theorist but also teach him to distinguish between, on the one hand, tautology and deductions from them, and on the other, empirical facts and their relation. Economics, today, suffers from mistaken validity for truth and the easy transition to falsehood that lies at the alleged rigor and precision of mathematical economics. Conclusions may be valid but untrue. Similarly, a good education in moral and political philosophy would avoid or at least reduce the numerous hidden biases in economic reasoning. The knowledge of political institutions and processes makes the economist aware of the constraints and opportunities for getting policies right. Economists need to take their investigation into the political variables in economic policy, and supplement positive with normative political economy, because such knowledge is deeply neglected in modern economics education. It hardly needs any argument of defense. He sides with scholars who are saying worldwide that the '*specialist knows more and more about less and less until he knows everything about nothing*'<sup>7</sup>.

At the end, as the readers could notice from the above, professor Sharma has tried to cover extensively a broad field of economics that has been deductive in nature – from international issues to national and micro issues; from broad philosophy to

simple economic theory. Evidently, he firmly believes that much more in Economics is yet to be done and considers it as the duty of the younger generation that he has tried to educate and train over half a century.

## NOTES

<sup>1</sup> To which, A.C. Pigou went on to say that “Nobody before [Keynes] had brought all the relevant factors, real and monetary, at once together in a single formal scheme, through which their interplay could be coherently integrated”. Pigou’s further conclusion and so of most economists using standard economic theory was, and perhaps still is, that some kind of government action (usually the imposition of taxes) was required to restrain those whose actions had harmful effects on others (often termed negative externalities).

<sup>2</sup> M. Škare (2010), ‘Can there be a «golden triangle» of internal equilibrium?’, *Journal of Policy Modeling*, 32: 562-573; and Mubariz Hasanov (ed.) (2012), *Inflation, Deflation, Disinflation*, (New York: Nova Science Press Inc.).

<sup>3</sup> S. Sharma (2012), *Ekonomska politika i makroekonomski management*, (with D. Tomić), Textbook, Zagreb: Mikrorad.

<sup>4</sup> “Is it not intellectually regarded a very easy subject compared with the higher branches of philosophy and pure science? Yet good or even competent, economists are the rarest of the birds”. He further adds, He must reach a high standard in several different directions and must combine talents not often found together. .... He must be mathematician, historian, statesman, and philosopher in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purpose of the future. No part of human nature or their institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician.” (Keynes, J. M., ‘Alfred Marshall’ in his *Essays in Biography*, London: Macmillan (1972).)

<sup>5</sup> Klamer, Arjo and David Colander (1990). *The Making of an Economist*, Boulder: West View Press.

<sup>6</sup> Streeten, P. (1991). *American Economics Education*, Mimeo.

<sup>7</sup> *ibid.*