

CIRCLE Graduate South Asia Conference—October 4, 2023: Keynote “Understanding India: The Classical Political Economy Approach” by Alex M. Thomas

Dilshan Fernando (he/him):

Dr. Alex M. Thomas, who has kindly accepted our invitation to be here, is an assistant Professor of Economics at Azim Premji University, Bangalore, India. Dr. Thomas received his economics education from the universities of Madras, Hyderabad, and Sydney. He has published in both national and international journals, such as *Artha Vijnana*, *Economic & Political Weekly*, *European Journal of the History of Economic Thought*, *History of Economic Ideas*, *History of Economics Review*, *Journal of Interdisciplinary Economics*, and *the Review of Political Economy*.

He's currently a council member of the European Society of the History of Economic Thought and is working on a textbook on the history of economic thought. Dr. Thomas has given more than 100 invited lectures in the areas of the history of economic thought, classical political economy, heterodox economics, and teaching of economics in the last 8 years. Some of these lectures are available for reviewing on his Youtube channel. Dr. Thomas's talk today is titled, “Understanding India: The Classical Political Economy Approach.” Please welcome Dr. Alex M. Thomas. Over to you, Dr. Thomas.

Alex Thomas:

Thank you so much, Dilshan. And I'm extremely privileged to be here, and I think when Dilshan told me that more than 100 people are presenting, it was quite amazing. And you know, I'm quite surprised that a conference of this scale has been organized, and it was really exciting to see many of the papers that some of you are going to present.

Before I share my slides, I would like to particularly thank some people who have been instrumental in inviting me and me being here. So certainly, Professor Sharada Srinivasan, Dilshan Fernando for organizing everything, so thank you to both of you. And with these few words, I'm going to share my slides for today.

So as Dilshan mentioned, you know, when this conference came up, I was wondering what kind of presentation should I make, being a historian of economic thought-slash-political economist, who has some engagements with India? First of all, I must apologize for being very narrow in my talk, because I'm going to specifically talk about India and not about South Asia.

And I'm going to talk about one particular approach to understanding India. So, what is my approach? My approach is to follow this school of thought called classical political economy. And, at the outset, I want to emphasize that this is very distinct and very different from mainstream economics.

So, by mainstream economics, I'm referring to the economics that is taught in most economics departments. But also how other scholars—anthropologists, historians—understand economics, because that is the mainstream in economics. And in particular, that classical political economy has a different theory of price, has a different theory of income distribution, and a theory of economic growth which are somewhat used in other disciplines, too.

And as some of you might know, some of the key people who have worked in this tradition, who have contributed to this tradition include: the physiocrat Francois Quesnay, Adam Smith, David Ricardo, and Karl Marx. But also, I want to talk about the next generation of scholars who have revived the classical political economy approach.

Most notably, Piero Sraffa, Krishna Bharadwaj who actually helped set up the Center for Economic Studies and Planning at Jawaharal Nehru University in Delhi, and Pier Angelo Gari. So, people who work in this tradition are inspired, not just by the political economists who are writing such as Smith and Ricardo, but also the subsequent or the next generation of classical political economists.

In my own work over the last decade or so, I have engaged with classical political economy as a distinct framework for understanding our surroundings. And I found it to be superior to what is there in mainstream economics. And some of this I have elaborated as a framework and applied to the context, especially in my book, *Macroeconomics: An Introduction*, and in a book review which is published in *Economic & Political Weekly*, and more from a history of economic thought angle to understand whether classical political economists had an understanding of demand constraints in the *Review of Political Economy*.

What I'm going to do in my presentation today, given that there is a diverse set of audience—especially graduate students—all of you who have very different theoretical backgrounds. I've decided to choose two case studies, or two simple examples, of why I think one, classical political economy is distinct, and, in my opinion, a better approach to understand certain economic issues.

Given the time constraints, I've decided to just focus on 2 issues. And the aim of my keynote lecture today is to actually get you to think about these economic issues, and whether the

existing frameworks are appropriate, or whether in your disciplines you've used some of these mainstream economic ideas.

Now, inflation. I think that the idea of inflation or the concept of inflation is extremely important, not just to the general public, but also to scholars. And I think that, unfortunately, the question of inflation has only been studied by economists. I think that other social scientists, especially sociologists, anthropologists—I think that there's a lot of collaboration that is possible between the tradition of classical political economy and other social sciences.

And I want to emphasize that what I'm going to talk about today is that there exists more than one theory of inflation. The first one, what I call the mainstream or the orthodox theory of inflation, is what most of us come across in our textbooks and in the popular discourse.

On-screen content

Slide reads: Monetarist (mainstream/orthodox): Excess money supply, Exogenous money, $M_d=f(i)$.

Alex Thomas:

This primarily arises from the monetarist school of thought which believes that inflation is caused by an excess money supply. Whereas the political economy framework, which is a heterodox theory of heterodox economics, argues that it's not quite like that. It's not that the money supply is being controlled by the central bank.

But what is actually being controlled by the central bank, or monetary policy, is the rate of interest. And here I want to raise a question to all of you. I'm not going to answer this question, which is that when a monetary policy committee is constituted, very often there are bureaucrats, and there are economists.

But my question is, should we not have a sociologist, or should we not have an anthropologist who has a more local and contextual understanding of crisis? Or, for that matter, should we not have a representative from the farming community? Should we not have a representative from the working class? Why is it that monetary policy is seen to be somewhat independent of many of the social issues that we talk about?

On-screen content

Slide reads: Political economy (heterodox): Endogenous money, Interest-setting monetary policy, $r > g$

Alex Thomas:

From a political economy framework, it is very clear that interest rate setting is an extremely political activity. And what I have listed here might be familiar to some of you. But Thomas Piketty's book, where he spoke about how it is important to think about the difference between the rate of return and the growth rate of the economy. So, in this context, even to discuss inequality, it is important that we talk about monetary policy.

On-screen content

Slide reads: Power: Mark-ups: Domestic, International. Distributional conflict.

Alex Thomas:

Within the political economy tradition, it is clear that to understand inflation, we need to know a little bit more about what kinds of power or economic power exist in the society. And this includes two kinds, and what I want to highlight is just two kinds. One is when firms put certain markups on their prices because they have more power. Now, this could be domestic or it could be international.

For instance, the OPEC can decide to increase prices because they have certain power. But there is also another kind of conflict which is there within the domestic economy which is between wages and the rate of profit. So, if profits are increased, and if wages remain the same, it is possible that prices can increase. To understand inflation within the political economy framework, it is very important that we pay attention to the input—output structure of the economy, which tells us the inter-sector relations in the Indian economy.

On-screen content

Slide shows a table labelled "Table 2.1. Intersectoral relations in the Indian macroeconomy" beside a picture of Thomas's book, *Macroeconomics: An Introduction*. The highlighted values read, "Primary-Primary 17%," "Secondary-Secondary 40%," "Tertiary-Tertiary 11.3%," and "Others-Others 6.8%."

Alex Thomas:

Right, so this is a table that I've taken from my book. But I just want—I mean, we don't have to pay so much attention to all the numbers in this table. What this tells us, the diagonal that I've highlighted, tells us how interrelated each of the sector is with itself. So, what is the relationship of the agricultural sector or the primary sector with itself? The secondary sector, or the manufacturing sector, with itself. The tertiary sector, or largely the service sector, with itself.

But what this also tells us, and I think that this kind of an intersectoral relations and having a lot of data of this kind, of an input-output kind, would have really helped us during the Covid crisis. Or, for that matter, any kind of crisis. Because it tells us that if there is some kind of a shock to one sector, depending on the inter linkages, or the intersectoral linkages, it can have a cascading effect. It can have an exponential effect on the economy as a whole.

But unfortunately, for instance in the Indian context, we have not really demanded that the government produce adequate input-output data. Whereas I think that input-output data is extremely important to understand these intersectoral relationships and therefore to make more meaningful price policy, which can then have an impact on inflation as well.

So, and also, I think that now what I've just put is a quantitative representation of intersectoral relations. I also believe that, as I mentioned earlier, because other social scientists can also contribute to our understanding of inflation. I think that sociologists, anthropologists can also contribute to our understanding of these intersectoral relations which are at a more local level.

Now I want to move to the theories of economic growth. Again, as I mentioned earlier, we often think that there is only one kind of theory of growth, or theory of economic growth, which is the mainstream or the orthodox theory of economic growth. And this can be broadly classified as a supply-side theory of growth.

What it tells us, and it is interesting because the commonsensical understanding of economic growth often comes from what is mainstream in economics. Which, I mean sometimes if I ask students in class, they tell me that it is technological progress that causes economic growth. And this is a very, very common idea that is also employed in other disciplines. So, the supply-side theory of growth essentially argues that it is a growth in technology and labor that contributes to economic growth.

There is also another kind of tendency within these growth theories. They believe that there is a tendency to the full employment of labor. There is another kind of paradigm of economic growth which is called demand-led growth theory. This arises from the heterodox tradition in economics or the political economy tradition in economics. And what is interesting is that this paradigm does not believe that an increase or an improvement in technology always necessarily causes economic growth.

This group argues that the impact of technological progress on growth is contingent. So, it is not always a necessary implication. And maybe I'll just make one more point here, for instance— and one way to reason this is that if there is technological progress, and it leads to large scale

unemployment of labor because of the introduction of machines. This means that people have less incomes, or these people are unable to demand products in the economy, leading to a reduction in demand, and therefore leading to a reduction in output, and employment, and therefore economic growth. So that's the kind of link that we are talking about.

What demand-led growth theory also highlights is that autonomous expenditures are important. Specifically, it includes private research and development. It could be government spending in general, but I've written particularly on schools and hospitals. So, it's not necessary that it has to be in schools and hospitals, but it can be government spending in general, and also exports.

So, all these autonomous expenditures contribute to economic growth. Again, these are fundamentally two different paradigms, two different ways of understanding economic growth. Now, one might ask the question, why is this important? One especially is what kind of policies we want to have to improve economic growth. And depending on the theory that we are exposed to we might ask for certain kind of policies and advocate a certain kind of politics.

On-screen content

Graph titled "Figure 7.1 Divergence between the growth in the productivity and remuneration of India's workers." The Y-axis shows productivity and wages (1983=1), from 0-7. The X-axis shows years from 1983-2016. There is a solid line to show labour productivity, a dotted line to show production worker's wage rate, and a third line to show manager's compensation.

Alex Thomas:

So, if you take a look at this simple graph, what it tells us is that if you look at labor productivity, labor productivity has been growing. But this has not resulted in a proportionate growth in the workers wage rate. Right, so as you can see, it's more or less stagnant. And managers' compensation has grown much more than the production or the workers wage rate.

So, in other words, it is not enough for social scientists to say that an increase in productivity will generate an increase in wages, because the link between productivity and wages is not automatic. And I can ask a few more questions— how is productivity defined? In many occupations, it is extremely difficult to have a clear definition of productivity, and especially those of us who are studying or teaching in universities know that it's extremely difficult to quantify the amount of work that we do.

Right, so then how do we talk about productivity, really? And this is the case in most of the service industry. So even the measurement of productivity, I would argue, is a political matter and it's not straightforward. So, I've spoken about why different theories of economic growth

have different implications for growth policy. Now, I want to talk a little bit about the implication of this on other disciplines.

On-screen content

Slide shows the covers of three books: *Why Nations Fail* by Daron Acemoglu and James A. Robinson, *The Economic History of India 1857-1947* by Tirthankar Roy, and *Growth: From Microorganisms to Megacities* by Vaclav Smil.

Alex Thomas:

Historians especially study economic growth. Right? So, what I've done here is, this is just a sample of 3 books which are historical in nature, and they've tried to study economic history. Loosely speaking, right? And I've taken a look at these books, and what comes across very clearly is that all of them adopt the supply side theory of growth.

All of them adopt the mainstream growth theory. And there is no recognition of the fact that there is another paradigm called demand-led growth theory which exists, right? And so, therefore because your theory looks for technological progress for labor, the kind of data that they look for in colonial archives or historical archives are also in relation to the theory that you have.

So, it would be interesting to see if one follows the demand-led growth theory-paradigm, as a historian, what kind of data would you look for in the archive? What kind of data would you collect? And would that change the historical narrative or not? And so, this also demonstrates that what is mainstream in one discipline sort of flows into other disciplines too. And often uncritically.

On-screen content:

Slide is titled "Anthropology: Theories & ethnography." The cover of *A handbook of Economic Anthropology*, by James G Carrier, is on screen. A quote from page 129 of the book reads, "The number of consumers each worker has to support is, then, one determinant of the level of marginal utility of the things (including wages) that workers produce."

Alex Thomas:

I mean, I don't have any significant engagement with anthropology, particularly economic anthropology, but this is just one sample. So, when I took a look at this *Handbook of Economic Anthropology* and there was an entry on labor, and I've provided a quotation here. What was interesting to me was that this entry on labor in a book on economic anthropology talks about the marginal product of labor, which is essentially a very mainstream concept.

And in some ways it does not talk about an alternative understanding or an alternative paradigm within economics which comes from the political economy paradigm, which has a very different understanding of labor. So again, to reiterate the point that within economics there's a certain mainstream, and this also flows into other disciplines, and often uncritically.

So, I want to consolidate some of the things that I've said so far and raise some further questions. When economists study the economy, they bring together economic theories. And today one notices a lot of work on data or certain kind of empirics. However, now there's also a lot of work which draws on personal experiences or group experiences or collective experiences.

And I think that knowledge formation, in economics, particularly, we need to bring in all these three together. It is important to pay attention to theories. It is important to engage with empirics. It's important to also document our experience through multiple methods. So, if I were to talk about inflation. What economic theory tells us, I mean, within theory is this abstract notion called the general price level.

But when we look at empirics, or when you want to actually compute inflation, we are going to look at certain kind of statistical pricing indices. It could be the Consumer Price Index, or something like the Wholesale Price Index. But it is important to keep in mind that there is no one-to-one simple correspondence between the theoretical notion of the general price level and the Consumer Price Index.

So, whenever we are theorizing or whenever we are using data to conform to theory, it is important especially, for I think all practitioners to be wary of certain jumps that we are making to make these claims. And the experience, or what is the experience of inflation. It is that what is our impact on our purchasing power. And for pedagogy and for research, I think a meaningful combination of theories, empirics, and experience is important.

And it is also in this context that I believe that economists and other social scientists can actually collaborate if one works within a political economy tradition. Talking about growth, what economic theory talks about is this aggregate notion called aggregate output. Now, just like the general price level, aggregate output is not observable to the naked eye. It is a construct. And then we theorize about it.

But in empirics, what we study is the gross domestic product, and this is also a statistical kind of artifact. Again, there is no necessary one-to-one correspondence between the theoretical construct and the empirical construct. And what we are interested in is, of course, our

experience, whether we are gainfully employed, whether we have adequate income. So again, how do we incorporate our experience into our classrooms, into our theories, and vice versa.

So, I believe that political economy in this manner is, I mean, if we do practice it cautiously and carefully, we can bring in both theories, empirics, and experience into our study. This I've taken from the index to my book, because very often there is, even within economics there's a lot of criticism against abstraction. Against economic theory. But I believe that some level of abstraction is necessary to make sense of the complex reality.

And within economics there have been various kinds of abstractions that people have undertaken, like the competitive economy, the dual economy, the informal economy, the peasant economy, the village economy. Now all these are abstractions at different levels, and I think that we need to be cautious enough to think that this is just one way to understand the society, but it does not explain everything. And none of these is, you know, fully satisfactory.

And especially in the context of India, because most people are dependent on agriculture, for a social scientist to make sense of India, it is extremely important that we pay attention to agriculture. And here I would say, especially the role of caste, the role of gender—but also the link between agriculture and inflation. How does power play a role in agriculture, social power? And all these can be, I mean we can know more about them, not just from economic studies, but I believe also from anthropological, sociological studies and other social sciences.

On-screen content

Slide shows the covers of four books: *Themes in Value and Distribution* by Krishna Bharadwaj, *Organizational Issues in Indian Agriculture* by K. N. Raj, *Annihilation of Caste* by Bhimrao Ramji Ambedkar, and *The Taming of Women* by P. Sivakami.

Alex Thomas:

What I've tried to do so far is to bring together— I mean, I've used the term theories and empirics before, now I'm using the term concept and context. Within the classical political economy tradition, the work of Krishna Bharadwaj is particularly important which highlights economic theory in the tradition of classical political economy.

If one wants to know more about the Indian context, especially that of agriculture, the work of K. N. Raj. To understand the role of caste as a division of laborers, not division of labor, the work of Ambedkar. And in my work, I've also highlighted the role of literature or the role of fiction to understand the context, for instance, Sivakami's work.

On-screen content

Slide shows an excerpt of the short story 'Homeland' in the collection *Vegetarians Only: Stories of Telugu Muslims* by Skybaaba (2016).

Alex Thomas:

And just to give a quick example before I move on to conclude is the role of remittance income which is often viewed in a favorable light within economic discussions. And this is an extract that I've taken from the work of Skybaaba. Where Skybaaba underscores the role of religion in trying to understand how we pay attention to remittance income and even the ability of people to migrate.

So, I believe that if within classical political economy it has enough openness to accommodate fiction which illustrates certain features of any society, I believe. And before the last slide where I conclude, I just want to make one quick note on criticism. I mean what is it that I'm trying to do within mainstream economics. There are internal critics, people like Sen, Stiglitz, Krugman, who are all very popular. They work within the mainstream paradigm, but they critique and expand the boundaries.

There are also external critics to mainstream economics, like Marx, Sraffa, Krishna Bharadwaj, who operate in a different theoretical paradigm. Which is what I mentioned, classical political economy. But I think that it's also important for social scientists to pay attention to criticism that is external to economists which comes from anthropologists, ecologists, sociologists, and others. I mean here, I've also just briefly mentioned how Marx criticizes even within political economy, what he calls scientific and vulgar political economy.

Now, to conclude. What I've said so far is that within economics especially, there are multiple paradigms. And what has existed since the time that political economy or economics has been a discipline is pluralism. That is, multiple paradigms existing together, but not monism. But unfortunately, we need to acknowledge that what we see today in economics research and teaching through journals, through rankings, through syllabi is that monism is what is dominant. Only one paradigm is taught, and most people research in this paradigm.

And, as I mentioned here and already mentioned, mainstream economic theories are also present in other disciplines because of it being the mainstream. And I've indicated to you just certain samples from history and anthropology. I also want to highlight this link between theories, empirics, and experience, because I believe that these three broad categories or ways of knowing have their roles, but also their limits.

I don't think everything can be understood by looking at experience, not everything can be understood by theories, not everything can be understood by empirics. Here I'm using empirics to denote more quantitative and qualitative studies. So, I think that research, as well as pedagogy and syllabi, needs to incorporate all three of them in some degree.

Classical political economy, to its credit, I think has a limited scope for pure theory. It is extremely open to history which makes it easy to contextualize and also collaborate with other disciplines. Whereas mainstream economics often is charged with being imperialistic because it imposes its methods on other disciplines. And it tries to explain many social events using the narrow method of supply and demand or cost-benefit analysis, whereas classical political economy is truly collaborative, relative to mainstream economics. Thank you so much.

[Dilshan Fernando \(he/him\)](#):

Thank you, Dr. Thomas, for your keynote talk with us. It was really interesting. I was caught up by your statement that you said that interest rate setting is an extremely political activity. Thank you so much. We will be moving into a Q&A session now. Please drop in your questions in the chat. Alternatively, you can raise your hand by using the raise your hand option here on Zoom, it's at the bottom of your screen. I will request people to read out their questions. Again, the raise your hand option is on the bottom of your screen towards the right-hand corner. And please feel free to drop your questions, comments in the chat.

There is one comment question, Dr. Thomas, by Dr. Sharada Srinivasan. That is, "A major critique of mainstream economists comes from feminists. Mainstream economics continues to this day ignoring unpaid care work performed largely by women. Care work subsidises bulk of the economic growth." Is there anything that you'd like to comment on that?

[Alex Thomas](#):

Yes, I would just like to comment that now, I mean, within economics, there is a sub-discipline, or a sub-group called feminist economics. But what I want to highlight there is I think that within that group, care work and unpaid care work is the topic of study. But the method or the approach that feminist economists take to this can be from different paradigms in economics. It can come from a very mainstream approach which might use certain methods of econometrics or certain cost-benefit analysis, or a utility maximizing framework. But it can also come from the political economy approach. I just wanted to highlight that even within the question of unpaid care work, the question can be addressed from different schools of thought.

[Dilshan Fernando \(he/him\)](#):

We see somebody has unmuted. Please mute yourselves if you're not speaking right now. Okay, please go ahead.

Sharada Srinivasan:

Yeah, I kind of made this comment—I mean, I think it's a whole different conversation that we don't have time for. I think I made this comment in light of the names of people you mentioned as those critiquing mainstream economics, and they're all, of course, obviously men. So, I did want to acknowledge that criticism of mainstream economics isn't coming just from the likes of the names of people that you mentioned, including Amartya Sen, right?

But a lot of them, even the names that you mentioned have also benefited from the sort of feminist critiques of mainstream economics that have been put forward. So that's all I wanted to say. And I think it's important to also acknowledge some of the leading feminist economists who are critiquing mainstream economics, right? That's all I wanted to say.

Alex Thomas:

Yeah, thanks, Sharada. Sorry. So, I didn't understand the question. Yes, I agree. I agree. So, the reason I think that maybe I should have mentioned, you know, people like Phyllis Deane, who was one of the earlier people to talk about unpaid care work, and not including that in the counting of GDP.

But the reason that I did not include the feminist critique was particularly because most of them again, the mainstream within the critique of economics also looks at people like Sen and Krugman and Stiglitz, and it was just to make the point that they are also operating within the mainstream paradigm. And that was the thing. But I feel that I certainly must bring in the feminist critique, and maybe also include people who operate out of the political economy tradition as well as people who operate within the mainstream tradition. Yes, I agree.

Dilshan Fernando (he/him):

Okay, until we get more questions, I have a question, which I am keen to see what you have to say. Can you expand on the role of international financial institutions and the orthodoxy of their policies, such as the IMF, the World Bank, and lately China's Exim bank, and so on. On how one country's inflation and growth is determined. So, you talked about the domestic framework. How about the international financial frameworks?

Alex Thomas:

Yeah, so okay. I'm not an expert on what you just asked me. So, what I'll try to respond to is that on a more conceptual level. So, what I try to do in my book especially, is to look at the Indian context—what I think are the main drivers of inflation.

Now from the Reserve Bank of India or the mainstream approach, people argue that it's because of an increase in money supply often, or some kind of inflation expectations. But if drawing, if one goes from a political economy framework, to me, what is important is fuel prices and agricultural prices which are often determined by drought. So, the international angle will come in the fuel prices, for instance.

So, if OPEC, or if the countries that where we decide to import our fuel from increases its prices, that is one sort of simple channel through which it comes in. But you spoke about IMF and many other international organizations. So, one kind of, I mean, larger question I feel is, who gets to decide domestic policy?

And in the past, for instance, or even today, you have credit rating agencies which decide how much to rate each of the economies. But this is done by a small group of people. Although it is extremely political, it is often made to be highly technical. Technical, as in somewhat, I mean implying, apolitical in some sense, although I mean we don't agree with it. So, what my attempt has been to sort of politicize what we often think is technical, independent, apolitical.

And very often that whether it is credit rating, whether it is foreign exchange, whether it is international trade, whether it's inflation policy. All of them are political, because many of the theories that they might refer to also have a certain kind of political implication. I mean, whether it's explicit or implicit. So how do we, as social scientists—and maybe this kind of a response is coming from here, that we think: okay, the central bank has to be independent.

But is that really the case? As a sociologist, as an anthropologist? How do we engage critically with these political questions? And somehow, I think mainstream economics has created this, I would say a kind of illusion, perhaps, where certain things are not political enough. So that's where I think I'm coming from. I know I've not answered your question fully, but just given a sort of broad response to it.

[Dilshan Fernando \(he/him\)](#):

Thank you for that response. There's another question on the chat, so I'll read it out. The question is by Margaret Bolton Roberts. "Thanks for the presentation. I would like to ask about the idea of time. Rostov's modernization theory was critiqued for its teleological approach. Piketty's work is more suggestive of a circular temporal process, in that he sees as returning to a nineteenth century state where intergenerational transfers of wealth and rentier practices dominate. Do you have any thoughts on the aspects of temporal in the economic sense?"

Alex Thomas:

Thank you for the question. I mean, I've spent a little bit of time thinking about certainly the question of time in economic theory. So, one distinction that is often made like you have also mentioned is that between a linear kind of notion of time and a circular notion of time. But in the case of, certainly what I'm characterizing as mainstream economics, their notion of time is more linear. Whereas, because of the idea of reproduction, and a certain kind of circularity that is found in the work of classical political economists, one can see that there is a circular aspect to the way they conceptualize the economy.

There is a circular aspect to the way they conceptualize the economy. But within economics there is another kind of question of time, which has been—Joan Robinson has raised this question of logical time and historical time, where she criticized the mainstream economists for talking about demand and supply. Everything is in logical time. Whereas events are actually happening in historical time. So, this distinction between abstraction and history. And I think I want to tie it to what I mentioned in the context of theory, empirics, and experience.

I think that theories deal with logical time. It could be a kind of linear time, or it could be circular, but both are of an abstract, logical nature. But when we are talking about empirics, we are able to bring in time series information. We are able to bring in historical time in a particular way. But I would say that alone is not enough, and we would also need to bring in our experience some way into the picture.

I mean, I don't know how that has an impact on time, I mean, at this moment. But I think that we need to have multiple standpoints or multiple notions of time within our, I would say within our disciplinary understanding.

Dilshan Fernando (he/him):

Okay, thank you. I am mindful of time. Are there any more questions? Ben Bradshaw has a comment. "Thank you for offering a keynote that shows such regard for various ways of knowing. You were a wonderful model to emulate." Puneet? Please, make your question short.

Puneet Bhela:

My question is very quick. My question is coming from the fact—I'm not sure who said this good, but like the value is created in the mind. So, my question is like, what are your thoughts on value in terms of economic activity, being it domestic, international, or even welfare or quality of life. And the value being A in terms of dollars in terms of quantity, and then quality. Like, for example, country A and country B could be creating let's say, 12 billion dollars of activity or anything of the sort. But then one is creating more quantity and the other one is not so. How like value in the international trade and the quality and all that stuff.

Alex Thomas:

Thank you so much, Puneet. So, I'll respond to it again a bit more historically and theoretically. So, historically speaking, and even today. All economic theories, whether we are dealing with theories of growth, or investment, or income distribution necessarily have a theory of price or theory of value underlying it. Very often this is not made clear, but because, just to give a quick example, when we are talking about any kind of heterogeneous thing like the GDP, we need to know prices and quantities.

So only when we multiply prices and quantities, we get some kind of a value sum. So, you need to have, I mean, strictly speaking, in some kind of consistent accounting framework, we need to have a theory of price and a theory of quantity. Historically it has been that there is a value in use that is everything— I mean the commodities that have some kind of usefulness, how do we decide its exchange rate or exchange value?

One school of thought, let's say, when Ricardo was writing, one school of thought argued that to determine this relative price you have to look at utility. Whereas Ricardo disagreed with that and said, no, we have to look at the amount of labor that is used up, right? So, starting from the time Ricardo and Smith were writing till today, if you look at today, mainstream economics for them, value is in some sense determined by utility.

Now, utility is a very subjective term, but if you ask a Marxist, it would be determined by labor. Now, what I would think is that whatever our theories of price are, it could be value, it could be labor, could be something else. So, software has a different kind of theory of value or price. Then we convert it into a monetary magnitude. It could be rupees or dollars, right, but underlying all these various measures, the first question would be, or the first step is to look at, what is your foundational theory of value?

Dilshan Fernando (he/him):

Thank you so much. I think we have run beyond our permitted time. Thank you so much, Dr. Alex M. Thomas, for your keynote speech. It was really inspirational and informative. Thank you so much for being here. We will now take a roughly 4 min break. Breakout parallel sessions will begin at 9 am Toronto time. You can choose the breakout room that you wanna join at the bottom of your Zoom screen. Okay, so we will take a roughly 3 min break, and join back to the respective parallel sessions. Thanks for being here.

[End of transcript]