Reflections on my Time with Ron

Life is a journey where along the way we encounter friends and foes and experience joy and sorrow, pleasure and pain, profit and loss - what we economists like to refer to as good and bad shocks. Invariably we are going to be subject to such shocks – what makes the difference is the way we prepare for and deal with bad shocks, and exploit the new opportunities that arise when good shocks happen.

Meeting Ron in the Buttery at the Sidgwick site beneath the Faculty of Economics and Politics in Cambridge back in October of 1968 turned out to be one of the good shocks in my life. I had arrived in Cambridge from Salford to do a PhD and was chatting with Ron over a coffee lamenting the poor state of graduate teaching, particularly the teaching of econometrics, in the Faculty. Ron often joked wondering why the econometrics training at Salford was so much better than at Cambridge.

To us the newly arrived PhD students Ron was an insider. Unlike most of us he was a continuing student, having obtained a First in the Economics Tripos in June of 1968 winning the prestigious Wrenbury Scholarship. We were both interested in doing a topic in applied econometrics and were rather concerned that there was no structured program whatsoever. We were assigned a supervisor and were told to get on with it. Ron was in fact the lucky one as he had David Champernowne (a renowned statistician and known for Champernowne constant) as his PhD supervisor. Not everyone was that lucky. Even so Ron informed me that he was in fact arranging to spend the academic year 1969-70 as a Kennedy Scholar at MIT, taking some PhD courses to improve his training. I had no idea that one could spend one year, which amounted to a third of the three-
year PhD course, away from Cambridge! But this information turned out to be crucial in my academic career, as I did likewise and was accepted as a visiting student at Harvard during the subsequent academic year working with Zvi Griliches who at the time was a leading applied econometrician and had been recently appointed as one of the co-editors of Econometrica (1969-1977). I learned a great deal writing referee reports for Zvi, although invariably I recommended rejection, a tendency I have noticed in young Turks as the Editor of JAE over the past 29 years!

Ron returned to Cambridge in the summer of 1970 to a Research Fellowship at Pembroke College, and I returned in the subsequent year as a Junior Research Officer in the Department of Applied Economics working with Wynne Godley who had just arrived from the Treasury to head the DAE. Ron and I continued our discussions but our research trajectories started to diverge – I was working on model selection and non-nested hypothesis testing which was rather theoretical whilst Ron remained true to his applied interest, and was somewhat diverted by university politics. Ron completed his PhD in the area of “Consumer Demand for Cars in the USA”, with Dick Stone (the Nobel laureate) as his internal examiner, and published his dissertation in 1975 by CUP.

We then lost contact after I left Cambridge in the summer of 1973 to work at the Central Bank of Iran. We only managed to reconnect when I returned to Trinity College at the end of 1978, by which time Ron had moved from Cambridge to Birkbeck as a Lecturer after having spent a year as a guest scholar at the Brookings Institute, Washington DC. From 1980 onwards Ron was promoted to a Readership in Applied Economics at Birkbeck and we started collaborating in earnest. Our collaboration led to two publications: one on ‘Testing for Structural Stability and Predictive Failure’, and
another on ‘Evaluation of Macroeconomic Models’, both published in 1985. We continued our conversations on the nature of econometric modelling and the use and abuse of models and wrote a number of other papers on the role of theory in econometrics.

Up to this point our discussions and conversations focussed mainly on time series modelling. But Ron, through his work on the effects of military expenditure, was familiar with the analysis of panel data and the importance of taking advantage of cross-country differences to better identify the effects of variables that do not show much variation over time. I had in fact experienced this problem at the Central Bank of Iran when I was asked to provide estimates of price elasticity of energy demand. But I had not realized that the problem could be overcome by the use of panel data. It was Ron who introduced me to some of the issues that he faced in his work involving panel data models. This turned out to be the second good shock in my career. I recall Ron posing the issue of why is it that estimates based on cross section data differ, often quite significantly, from estimates obtained using time series data. Up to that point all dynamic panel data models were estimated assuming the slopes were homogeneous and this was justified by arguing that random variations over the cross sectional units can all be absorbed in the errors in the form of heteroscedasticity. When Ron pointed this out to me my immediate reaction was that it cannot be true! And I duly started working with him on this topic while we were about to set off on holiday with three of our children to Devon in the hot summer of 1993. I recall sitting on the beach writing the derivations on sheets of paper that were often blown about by the sea breeze, and which I then posted to Ron. I learned later that when Ron opened the post sand was dripping from the envelopes over his desk!
This work turned out to be important for the development of the subject and helped us to collaborate further in a number of areas, addressing both theoretical and substantive empirical issues such as pooled mean group estimation, growth empirics, purchasing power parity, estimation of energy demand elasticity, and a number of topics in macroeconomic modelling. I am sure that without Ron’s crucial input none of this subsequent research would have been possible.

On a lighter note and unbeknown to Ron, I am also indebted to him for allowing me, on rare occasions, to stand up to my wife who has been known to accuse me of not having non-Iranian friends. She believes that when approached by any Iranian, especially someone from Shiraz where I was born, I will give them my full attention, but despite the fact that we have lived in Cambridge for so many years I do not have a close English friend. On such occasions it is with great pleasure that I can produce the indisputable evidence to her that Ron is a close friend and an Englishman. Thank you, Ron, for being my friend.

Our journey continues with new conversations and further collaborations. Ron is kind and tolerant and a true scholar. I could not have asked for a better friend and a collaborator.

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