

STANFORD UNIVERSITY
STANFORD, CALIFORNIA 94305-2060

OFFICE OF THE PRESIDENT

MEMORIAL RESOLUTION

EDWARD S. SHAW

(1908-1994)

Edward S. Shaw, Professor Emeritus of Economics, died on June 15, 1994, at the age of 85. He was born in Albuquerque, New Mexico in 1908 and spent his boyhood in Kennewick, Washington. Shaw's life at Stanford, which began as an undergraduate in 1925, spanned 69 years. As he once said, "I loved it and stayed on."

Here at Stanford, Shaw earned his bachelor's, master's and doctor's degrees. He began teaching in 1929, while still a graduate student. After postgraduate work in England, at Cambridge and the London School of Economics, he was named full professor in 1941. Since that time, his only long absence was during his World War II service, first in the Office of Price Administration, later as a lieutenant in the Navy.

Shaw served as chairman of the Department on three occasions for a total of ten years. Together with his older colleague, Bernard Haley, Shaw worked to raise the level of the faculty and to establish a strong graduate program. We believe that their efforts brought to Stanford the economists who first made the Stanford Department a notable center of graduate work and economic research; their appointments were the base on which the modern department was built. If, as a recent national survey finds, the Stanford department has risen to first place among graduate programs we owe that position in its inception to the work of Haley and Shaw years ago.

As an administrator and a teacher Shaw held his colleagues, his students and himself to high levels of performance. Colleagues who failed to meet Shaw's standards were made to feel his displeasure. In Shaw's years, promotion in the Department was difficult and uncommon, but the most able young candidates responded to the challenge.

A student writes: "Ed Shaw was a brilliant and compelling teacher. He had a presence and a style that convinced students that what he had to say was both interesting and important. He blended the intricacies of fractional reserve banking and open market operations with the clash of political conflict. Undergraduates regarded his sequence of courses on monetary economics as the most challenging in the Department. He was a great teacher, welcoming to students and generous with his time."

Shaw wrote three important books that enlarged our understanding of the relation between money and economic activity and that helped form the basis for modern monetary policy. His early book, *Money, Income and Monetary Policy* (1947) first taught economists how to use the balance sheets of commercial banks, the Federal Reserve System and the Treasury to analyze the many factors that together govern the

level of bank reserves and money supply. His second book, *Money in a Theory of Finance* (with John Gurley, 1960), moved monetary analysis beyond its preoccupation with money supply itself. It showed how non-monetary financial institutions, savings and loan associations, insurance companies, pension funds and mutual funds, affected interest rates and stock prices, how they moved commodity price levels and the national product itself.

Shaw left a deep mark on the policies on which governments and international institutions rely to promote economic development. His third book, *Financial Deepening in Economic Development* (1973), showed how inflationary low-interest rate policies, for long popular with Third World governments and their Western advisors in fact reduced private saving and productive new investment in ways that virtually guaranteed that poor countries would stay poor. By personal effort, he carried his ideas into the counsels of a series of countries. He served as consultant to our own government, to the World Bank and to the central banks of Brazil, Colombia, Uruguay, Iran, Afghanistan, Malaysia, Ghana and Korea. His most notable success was in South Korea. His policy of raising the real interest rate on loans, when finally adopted, brought inflation under control and directed labor and capital to more productive uses. South Korea was launched on its spectacular course of rapid economic progress, which has now been sustained for two decades.

A collaborator has well described Shaw's performance with central bankers and officials of ministries of finance. "Since compromise was not in his vocabulary, he presented his points of view with such glaring clarity that only blatant prejudice or irrationality could withstand him." Shaw's ideas, though slow to take hold, now provide the standard operating guidelines of the World Bank, the International Monetary Fund and professional economists in developing countries the world over. This modest but determined man, whose name is little known outside academic circles, made a difference for the good to the lives of people in many countries. He lived largely withdrawn from people, yet his colleagues were his friends, and he enjoyed their respect and trust.

Moses Abramovitz
Alain Enthoven
John Gurley
Tibor Scitovsky