

A "Second Edition" of *The General Theory*

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Introduction

1996 is 60 years on from the publication of *The General Theory* of J.M. Keynes. There are definite signs that the profession is becoming interested again in the approaches, theories and policies which flow from his *magnum opus*, following the abortive attempts of the last 20 years or so to destroy Keynes and all his ways by conservative elements in the profession and body politic. In the advanced capitalist countries, mass unemployment has again emerged at a sustained and disgraceful problem, not least because so much of it was deliberately created by government actions in the first place. The need for a combination of policies and the creation of appropriate institutions with which to tackle this blight is at least being recognised even if the political will to act is still largely conspicuous by its absence. All this is the background to the present symposium.

Some years ago Peter Riach suggested to me that, following the example of unfinished musical compositions sometimes being finished by others after the deaths of the composers concerned, we ought to consider making a 'second edition' of *The General Theory*. We were also inspired by Keynes's letter to Ralph Hawtrey in August 1936 (C.W., XIV, 47) in which he mentioned that he was thinking of writing some footnotes to *The General Theory* once he had absorbed his own new ideas and the critics' reaction to them. His heart attack in 1937, the Second World War and his untimely death soon after the end of the war meant that he never did get to write those footnotes.

Peter and I therefore decided to approach a group of Keynes scholars ranging from the Golden Oldies to the up-and-coming to ask them to write chapters setting out what they thought Keynes might have written in, say, 1939 on particular aspects of *The General Theory* and then why have they done what they have on those aspects in the post War period. A Second Edition' of *The General Theory* will be published by Routledge in 1997. The present symposium gives, I hope, a tantalising preview of the coming attraction, containing, as it does, essays from two of the contributors to the book itself and one from a person who is *most* sympathetic to the project.

Sixty years on there inevitably need to be major changes to the foundations of the system set out in the original *General Theory*. The first is the necessity to have more explicitly imperfectly competitive microeconomic foundations. This is still a controversial issue. Both Paul Davidson and Jan Kregel are skeptical, to say the least, of the necessity for them in a theory of effective demand, not least because Keynes himself took as 'given' the degree of competition (*The General Theory* p.245). Robin Marris [1991, 1997] is an outstanding pioneer here. Secondly, endogenous money processes rather than a given money supply are seen to be more appropriate in the present environment (Sheila Dow [1997] is a notable innovator on this issue). Thirdly, the assumption of a constant *long-term* price level has to be replaced by the assumption of "rising prices for ever" as a reasonable (if not a rational) expectation. Arthur Brown [1997] and Brian Reddaway [1997] have written eminently sensible evaluations of the consequences of this assumption. Interestingly enough, Brown like Keynes is more wedded to the goal of attaining a constant general price level than Reddaway. Reddaway feels that there is enough flexibility and innovation in society's institutions and practices to allow adjustments to rising prices to be made, rather than having a single

overriding goal of a constant price level which almost certainly would unnecessarily damage both employment and growth. Finally the open economy aspects of the functioning of economies ought to be emphasised more explicitly and systematically than in the first edition and the design of international institutions and policies have to be rethought accordingly. Paul Davidson [1997] has made a notable start on all this.

In recent years the link between Keynes's philosophical contributions and his economics has been the subject of some outstanding research work. It relates to both the nature and method of theorising in a subject such as economics. A number of contributors to the volume have written about this issue. In the present symposium we have an essay by Rod O'Donnell who wrote the seminal work [1982,1989] on this aspect of Keynes's contributions. One consequence of the findings on method has been a rethinking of the nature and implications of uncertainty in the Keynesian system. This had led to a reappraisal of the possibility of ever fitting Keynes's ideas satisfactorily (or even at all) into the dominant neo-Walrasian framework of modern economics. Peter Howitt [1997] has contributed a courageous account of this and of his own change of mind, writing of Keynes's intuitive and innovative mind and of his refusal ever to be constrained by past intellectual capital, and certainly not by his own.

Finally, Keynes's intuitions still have to be related back to his predecessors - especially Marx, see Claudio Sardonì [1997] but also to other heretics' under the rubric of under-consumption. John King [1997] has summarised this admirably. Keynes's contributions also must be related to his contemporaries, most of all to Michal Kalecki, which Peter Kriesler [1997] has done, and to his successors. We have taken Axel Leijonhufvud as a foremost example. Bruce Littleboy [1997] looks back on the Keynes-Leijonhufvud saga nearly 30 years on from Leijonhufvud's great book, *Keynesian Economics and the Economics of Keynes* (1968). It is also fitting that Axel's own mentor, Bob Clower [1997] should have written a deeply thought-out evaluation of the nature of chapters 2 and 3 of *The General Theory* and that James Tobin [1997] has set out his own thoughts nearly 60 years on from his first encounter with *The General Theory* as a freshman at Harvard in the year it was published.

There are some of the themes and chapters to be found in our *G.T.*² volume. I now pass you on to the specific contributions of Rod O'Donnell, Peter Kriesler and Paul Dalziel in the present symposium. *Bon appétit!*

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