"To Be Young Was Very Heaven": The Keynesian Revolution in America

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David C. Colander and Harry Landreth (eds), *The Coming of Keynesianism to America: Conversations with the Founders of Keynesian Economics*, 1996, Cheltenham UK, Edward Elgar, pp.244+xi, ISBN 1 85898 087 9.

This book contains interviews with 10 economists influential in the coming of Keynesianism to America. They are Robert Bryce, Evsey Domar, Kenneth Gailbraith, Abba Lerner, Richard Musgrave, Walter Salant, Paul Samuelson, Tibor Scitovsky, Paul Sweezy and Lorie Tarshis. In addition the interview with Lerner includes comments from Alvin Hansen, mainly about the national debt and functional finance, and the interview with Salant includes three comments from Raymond Goldsmith. There is also an interview with Leon Keyserling, an "outsider", who was involved in economic policy formulation during the presidencies of both Roosevelt and Truman. The editors provide an introduction of some 30 pages designed to give an intellectual and historical content for the interviews. The interview with Lerner was conducted by an unknown interviewer after a lecture in Boston in 1972. It survived because Lerner kept a tape recording of it. The other interviews were conducted by Colander, that with Domar in 1983, that with Keyserling in 1984 and the rest over the period 1985 to 1987.

The interviews are described as "friendly, not investigative" (p.viii).[1] It appears that the interviewees were encouraged to discuss the things that they wanted to talk about rather than to respond to a structured set of questions. The resulting informality gives a freshness which makes the book easy to read.

This characteristic has been carried over into the introductory essay. Although based on scholarship, the introduction is not overly scholarly in presentation, but tells a clear, uncluttered story. After noting the extent of interest in the Keynesian revolution as a paradigm shift, the editors set out the historical story, starting at Cambridge University in 1930 and finishing with the 1960 publication of *Keynes at Harvard:* a book which plumbed the depths of misinformation and misunderstanding in the ideological battle against Keynesianism. In the second half of the introduction the editors discuss the Keynesian revolution as three separate, though interconnected, revolutions: a theoretical revolution, a policy revolution and a pedagogical revolution. The only controversial part of the introduction are some remarks on the nature of the theoretical revolution which are discussed later. Two brief appendices accompany the introduction, one on the Keynesian revolution and the methodology of science and the other entitled 'The Second Coming of Keynes" which is, actually a very brief introduction to Colander's coordination failures interpretation of Keynesian economics. (See e.g. Colander, 1995).

Because of the unstructured nature of the interviews they vary greatly, both in length and topics covered. The shortest, only 10 pages in length, are those with Bryce and Musgrave. The longest, more than three times as long, are those with Lerner and Samuelson. A number of the interviews contain material of minor relevance to the title of the book. For example, a third of the interview with Samuelson is devoted to his time as an undergraduate at Chicago.

Despite this variety, some common threads run through the interviews. The most obvious is the youth of the Keynesian revolutionaries. Except for Lerner (born in 1903) and Galbraith (born in 1908), all the other revolutionaries giving major interviews were born in 1910 or later; that is they were 26 or younger when the *General Theory* was published. Hardly out of graduate school one might say, and that was precisely the case, at least for those who had progressed that far. Not surprisingly 5 out of the 10 had spent some time as students at Cambridge between 1931 and 1935. Another, Sweezy, had been one of a group of students at LSE who attended a series of seminars of Cambridge and LSE students led by Joan Robinson. Of the rest Samuelson and Musgrave were graduate students at Harvard in 1936. Domar was still an undergraduate at UCLA and Galbriath was a temporary junior faculty member at Harvard, having obtained his PhD from the University of California at Berkeley two years earlier.

Of course there is a selection bias in that older economists were less likely to be able to give interviews in the 1980s. However, most of those missing e.g. Dudley Dillard, Franco Modigliani, Arthur Smithies and James Tobin were still in their twenties or younger in 1936. The two notable exceptions are Alvin Hansen and Seymour Harris who both were 39. But these are the two exceptions that prove the rule. The Keynesian revolution in American was a revolution of the young, even more so than in England, where the revolutionaries tended to be in their thirties in 1936, rather than in their twenties.

In their introduction the editors give an explanation of the youth of the Keynesian revolutionaries. They distinguish between the deep structure of economic theory and the surface structure: "The deep structure is the formal complex core of the theory. The surface structure is the simple model or vision conveyed of that complex core to those who do not fully understand the complex theoretical core itself. Keynes's revolution was a surface revolution with an underdeveloped complex core". (p.13). They argue that for those imbued with the complex core of classical economics, Keynes's work left many issues, on which they were working, untouched. But young economists were interested in surface theory relevant to policy. Keynes did speak to the issues of the world around them and they embraced his work with enthusiasm.

As an explanation of the youth of Keynes's first disciples, this is more than half right. The first exposition of a new way of looking at a set of economic problems is bound to have an underdeveloped (or at least badly explained) theoretical core. Many young economists did not only have less knowledge of the complex theoretical core of classical economics, they also had less emotional attachment to it.

However, the editors are on less sure ground when they characterise the ongoing Keynesian revolution as a surface revolution, or even a "pedagogical revolution .... built upon a simple model" (p.16). This was not true generally. If it was even half true in the United States, it says more about economics in that country than about the Keynesian revolution itself. The interviews certainly bring out the importance of Hansen's policy interests, of the seminar run by Hansen and Williams and of the links with Washington. Sweezy goes so far as to date the beginning of the Keynesian revolution to the impact of the 1937 recession. There was a very strong policy focus among the Keynesian revolutionaries and policy analysis is usually based on simplified theory. But this policy focus is not the whole story, even in the United States.

As both Lerner and Tarshis bring out, Keynes was a monetary economist, and the monetary economics in the *General Theory* is as much complex core theory as anything in classical economics. The editors remark that as it developed the Keynesian revolution "could have extended to core theory and connected to Robertson's and Hayek's work, but it did not" (p.14). In fact the developing Keynesian revolution quickly extended to core theory. Harrod started this with his 1936 book and was followed by many others such as Joan Robinson, Kaldor, Kahn, Hicks (even if not in ISLM) and, in the United States, Samuelson, Tobin and Minsky. In addition there were important, but now largely forgotten, articles, such as that of Machlup in the 1939 *Quarterly Journal of Economics* which is noteworthy for directly connecting Keynesian and Robertsonian concepts.

A second striking common thread running through the interviews is the political opposition to Keynesian ideas in the United States and the effects of this on universities, especially of course on university teaching. Some examples discussed are well known such as the largely successful campaign against Tarshis's text book. Others, such as the destruction of the economics department at the University of Illinios (p.188), are not. It is commonplace that vested interests fight policies, and even ideas, perceived to be inimical to those interests. It is not clear why United States businessmen and their allies in the academic world perceived Keynesianism as being so opposed to their interests. Keynes himself, of course, saw his work as setting out the way to save capitalism and Galbraith points out that many of the young Keynesian revolutionaries had been moving towards Marx and "found Keynes a very agreeable alternative" (p.137), especially since they all personally enjoyed the capitalist system.

Domar proffers an interesting explanation of the emotional depth of the hostility to Keynes in the American business world:

> "There is ... a deeper reason for the opposition to both Keynesian economics and functional finance. Both teach that there is no great virtue in saving; that, depending on economic conditions, savers can do more harm than good. Since most savings is done by corporations and upper-income groups, this denigration of saving undermines a major justification for the unequal distribution of income and wealth" (p.198).

Another thing brought out in many of the interviews is the key role played by Robert Bryce in bringing Keynesianism to America. Galbraith recalls Schumpeter's remark that "Keynes was Allah and Bryce was his Prophet" (p.137). Bryce, an engineering graduate from Toronto spent the academic years 1932-33 and 1933-34 studying economics at Cambridge, where he was lucky enough to be invited to be a member of Keynes private seminar or "Club". He stayed on for a third year as a research student and then gained a Commonwealth Fund Fellowship to study at Harvard for two years. He was supposed to be pursuing a research project and writing a thesis, which to some extent he did. However, as he said, he followed his own agenda (p.43). His first priority was to spread the gospel of Keynesian ideas. As well as participating in formal seminars for staff and graduate students, he and Paul Sweezy organised an informal seminar on Keynesian economics which met both before and after the publication of the *General Theory*. Somehow it seems fitting that he only took up economics in the first place because, graduating in 1932, he could not get a job as a engineer (p.40).

The editors do not claim that their book contains much that is not already familiar to Keynesian specialists, but it does make readily accessible in one place historical incidents and insights that non-specialists would never bother to track down in scattered sources. It also contains a wealth of appealing off the cuff remarks and judgements such as Tarshis's remark that there was a time when Hayek was too far to the left for Paul Sweezy (p.58), or Samuelson's summary of Chicago economics in the early 1930s: "In Chicago everybody knew the answer" (p.157). Some things never change! However, to this reviewer the most important merit of this book is simply that it is a good read which conveys the excitement of being a Keynesian at the end of the 1930s.

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Note

1. All page numbers refer to the book under review.

Reference

Colander, David (1995), "The Stories We Tell: A Reconsideration of AS/AD Analysis", *The Journal of Economic Perspectives*, Summer, pp.169-188.