

## A Reprise for Keynes

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Geoff C. Harcourt and Peter A. Riach (eds). *A Second Edition of The General Theory*, 2 volumes available together or individually. London: Routledge, January 1997, Vol. 1, 560 pp and xlix Vol. 2, 400 pp and xlix \$163 each or the set \$271. ISBN Hb 0-415-14942-8 and Hb 0-415-14943 or 0-415-08215 (set).

It took a fair degree of academic chutzpah to come up with these grandly-titled volumes. Be that as it may, their publication and book launch in several countries has, so to speak, raised little dust so far. Having attended the rather moving inaugural book launch held appropriately at King's College, Cambridge, I sought to publicise this noteworthy venture not least because of its Australian credentials in editorial team and a far swag of contributors but also because it seemed to me to mark the swansong of Keynesian economics at Cambridge, such is the growing hold of mainstream economics there.<sup>1</sup>

Harcourt and Riach got the idea from Keynes' well-known misgivings about the presentation aspects of the *General Theory* together with his comments to Hawtrey that he was, therefore, planning to write a sequel called "Footnotes to the *General Theory*". He told Hawtrey that he was '...thinking of producing ... what might be called footnotes to my previous book, dealing with various criticisms and various points which want carrying further.' He went on, 'Of course, in fact, the whole book wants re-writing and recasting' (Keynes 1937, xviii). It was to the latter task, not the former that the Harcourt-Riach volumes specifically address themselves to. Hypothetically the closest Keynes came to contributing to the venture was the introduction to the French edition of his magnum opus which was published in 1939 which reaffirmed the book's revolutionary message. Somewhat surprisingly it is not reproduced in these volumes. The title of Harcourt and Riach is provocative and sufficiently eye-catching – even if a little dubious for as Rod O'Donnell shows Keynes was not in the habit of writing second editions for anything, though revised editions were a possibility.

The fact is, as Tony Thirlwall argued recently, that *The General Theory* (hereafter *GT*) still sells and sells well; there's even a healthy secondary market for the tome. Calling their collaborative work a 'Second Edition' of the *General Theory* is much more however than just a clever marketing ploy – even if the second volume seems a little superfluous and self-indulgent. The title owes its place, its legitimacy to the fact that Harcourt and Riach liken their project to that of an unfinished symphony – Keynes had already drawn up a table of contents for the projected footnote work but a heart attack in 1937 prevented him from revising his working notes, that is, lecture notes that would constitute the new composition. Like two impresarios Harcourt and Riach assembled a Post-Keynesian orchestra 'of golden oldies and up and comers', to finish the 1937 symphony. Sadly since the 39 bundles of sheet music were not put through the rehearsal and screening that a conference would bestow there are some discordant notes aired here and there which the editors try, in vain, in the introduction to suppress. That is only a minor blemish compared with the major tragedy that awaits this work which is whatever the audience the enticing work attracts there will be few

neo-classicals prepared to go the distance; they developed tone deafness to Keynesian overtures long ago. Keynes presaged this claiming that while what he had to say was 'intrinsically easy,' it was, 'only to an audience of economists that it is difficult' (*Collected Works of JMK*, Vol. 14, p. 124). In that regard the market test facing this work will be how many reviews not just favourable ones it drags in. The fact that Keynes is back in business in the policy-making world will hardly matter. Yet his visage now crops up in the unlikeliest of places.<sup>2</sup> Even the IMF is now urging fiscal stimulus upon the beleaguered Asian tigers and eschewing somewhat their earlier advice of austerity. In this year alone we have had the Federal Reserve Board Chairman, Alan Greenspan, lecture about the dangers of deflation enveloping the global economy. There has even been a sighting of that rare bird – the liquidity trap – in recession-laden Japan. Wall Street and its cybernetic clones go through periodic 'corrections' lending proof to Keynes' strictures about the mayhem unregulated capital markets can wreak in an uncertainty-ridden, global monetary economy. One irony in the Harcourt-Riach orchestra is that two of the key players, Joe Stiglitz and Alan Blinder, were spirited away by President Clinton to do good works upon the American economy. And it shows. The Keynes-like results being chalked up there are not just due to flexible labour markets, technology and whatever else lies behind the 'new economy,' but also, to boot, good old-fashioned Keynesian economics. In Keynes' England however the lodestar for the Blair economic boom remains the flexible labour market. Period. Keynes barely rates a mention there though the economic commentator Will Hutton in *The Observer* and Anatole Kaletsky in *The Times* remind the chattering classes over breakfast that it's still all really in Keynes.

The great danger in a project of this kind likened to an unfinished symphony is whether impresarios and composers can, of course, complete the work in a manner faithful to how the master would have wanted it especially in that the authors had purportedly only a fragment of a table of contents to work from. As mentioned Harcourt and Riach, in any case ditched this and sought to revamp the *GT*, in toto. Pulling out a 'new' piece of music written in the comforting idiom of another age might make for good showmanship but is it good ethics? Moreover in doing so they also set a dangerous literary precedent. Just as Schubert was not the only unfinished symphony – among which were Mahler, Elgar, Bruckner, Silbelius and Shostakovich – how many other economists one wonders passed away with unfinished manuscripts in their desk drawers. Harcourt and Riach's unauthorised reconstruction of 'what Keynes would have said' might just be the harbinger of similar ventures. Perhaps the age of 'what if' theorising by long-dead economists is on the cards. A parallel universe, a 'virtual' history of economic thought may not be far off.

It must be said that when it comes to the music of Keynes, Harcourt and Riach carry it off even if the work now comes in two long movements, two bulky volumes. They do a public service by reminding their audience – economists and the informed public – about the eternal wisdom of Keynes' ideas.

For there is no doubt that Keynes was in favour of a greater amplification of his great work. Even if his model was, as he held, '... extremely simple and should be obvious' (1937, cxiii) the message got lost in the transmission in need of an encore at least. This assumed ever greater weight within the prism of policy-making where, to quote Cairncross, there can be too much 'noise' (1996, 21); one reason why Keynes proposed a manual for policy-makers. On that note there may have even been some communication breakdown in the commissioning of this very project. Harcourt and Riach's two-part brief to the assembled cast of 42 players made for some confusion; they were firstly asked to conjure up what they thought Keynes would actually had written had he actually penned a revision of the *GT*. These renditions are all, but one, found in Volume 1. Secondly they were asked how they would extend Keynes' *GT* framework to dealing with economic problems today. Volume 1

forms the kernel of the project and follows the six book layout of the original though chapter headings and content are only broadly similar. The regimen and the agenda of the *GT* is all reworked and updated. It is therefore for the most part a virtual rewrite of the *GT*. Its companion volume appears somewhat discontinuous but its contents, entitled heading and overview, extension, method and new developments give its *raison d'être*.

Some authors interpreted the first assigned task 'as if' they were to actually be Keynes and rewrite the revised edition - a daunting task if ever there was one. Whether by accident or design it makes for magnificent theatre. Some cleverly accomplished the task by seamlessly weaving it into the script. Keynes' subsequent writings pertaining to the controversy the *GT* aroused or merely accessed his contemporaneous papers, most of which are sprinkled in the *Collected Works* edited by Moggridge and Robinson. Those mediums partaking in this literary séance awaiting 'messages' from the spirit of Keynes are John Brothwell (Chaps. 1 and 2 of the *GT*), William Darity, Jr and Warren Young (Chap. 2), Bob Clower (Chap. 3), Christopher Torr (the appendix on user cost); Victoria Chick (Chap. 10), Michael Lawler (Chap. 14), Jan Kregel (Chap. 17), John King (Chap. 23), Robert Skidelsky (Chap. 24), and, in Volume 2 James Tobin assigned to revise Chap. 18 apologetically offers up his rendering of Keynes as an introduction or fitting conclusion. Indeed Tobin is unique in striking out on his own whereas the others, bar one, stick closely to the master's prose for who we may well ask can match it. While Tobin might certainly not write like Keynes it is by far the most intelligible chapters to the interested layperson on the true meaning of Keynes remembering that they too are part of the intended audience. It also makes for a welcome respite from some of the more eclectic Post-Keynesian offerings found in the second volume. One man who can write like Keynes is his biographer, Robert Skidelsky who in Chap. 24 draws upon Keynes' growing social conservatism especially his purported disapproval of the welfare state because it impeded the euthanasia of the rentier. Whether writing as Keynes or themselves, contributors strengthen the intellectual gantry of the *GT* including, for example, the paragraphs on the difference between the entrepreneurial, co-operative and neutral economics whilst no longer conceding to orthodoxy on marginal productivity or perfect competition grounds. In that light, Robin Marris in one of the several, virtuoso pieces that straddle these volumes argues that fitted with imperfectly competitive framework or armour Keynes' model assures a greater resonance and robustness in this day and age.

Clower's contribution upon taking the long period interpretation of the *GT*, itself inspired from Chapter 18, is so pathbreaking to warrant the editors agreeing with the author that there are grounds for a second Keynesian revolution. John Brothwell makes Keynes employment theory more unequivocal putting to an end the textbook fiction that Keynes was all about rigid money wages. Along with William Darity Jr and Warren Young, they rework and simplify Keynes cumbersome definition of unemployment. John King's rewrite of Keynes' musings upon underconsumption has him lavishing effusive praise on Hobson and Marx.

The respective contributions of John Cornwall and Paul Davidson's pining for the golden age of post-war Keynesianism argue for the restoration of fixed exchange rates together with a new form of international financial architecture along the lines Keynes proposed in 1944 would remove the deflationary bias that trade surplus, creditor nations exert upon the global economy. In his chapter on "Keynes in the Open Economy", written in 1996, Davidson effectively presages how beggar-thy-neighbour policies and export-led mercantilism of the Asian tigers would eventually break down through a mismatch between accumulation and consumption. Surely the last living link to Keynes' and indeed one of his brightest pupils, Brian Reddaway, entreats the reader with his 60 years of economic wisdom. The first man to review the book (it appeared in the *Economic Record* in June 1936) now

believes that the *GT* suffered because it did not include prices in its title thereby making it easier to overthrow Keynesianism in the seventies. He goes on to pen a lucid denunciation of the deflationist fetish for zero inflation brought about by the monetarist dream of independent central banks. Another veteran theorist R.M. Goodwin embellishes the first volume with a short piece written not long before his death on dynamising Keynes' income determination theory.

The second volume devotes five pieces on Keynes' philosophy and method with O'Donnell leading by disproving the notion that the Cambridge don was hostile to econometrics and mathematics in economics. Some of these chapters make for heavy going, food and drink however for the specialist. For the history of economic thought aficionados Claudio Sardonì attempts an ultimately futile reconciliation with these two odd bedfellows, Marx and Keynes. Just as difficult to reconcile given their respective oeuvre are Keynes and Schumpeter and the latter's jealousy of the former's influence did not help matters. Alessandro Vercelli draws upon the work of these two masters to garnish a critique of mainstream economics to fashion a new economics for a complex monetary economy. Peter Kriesler lends detailed enacting proof to Joan Robinson's contention that Kaleck's theoretical framework was ever more versatile and robust than Keynes'. True but only Keynes as composer and maestro could orchestrate an intellectual revolution in the minds of those who mattered.

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### Notes

1. 'Keynes disciples tune up,' *The Australian Higher Education Supplement*, February 1997.
  2. 'A modern finish to Keynes' Symphony,' *The Australian Financial Review*, 3 March 1997.
- Colleen Ryan 'In a global crisis call Keynes,' *Australian Financial Review*, 27 June 1998.

### References

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- J.M. Keynes (1936) *The General Theory of Employment, Interest and Money*, Macmillan.
- D. Moggridge and A. Robinson (1971-89) *Collected Works of John Maynard Keynes*, Vol. 14.