

## **Frontiers of Post-Keynesian and other heterodox economics: *Essays in Honour of Geoff Harcourt***

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*Capital Controversy, Post-Keynesian Economics and the History of Economics: Essays in Honour of Geoff Harcourt*, Volume 1 Pp. xxviii + 497. *Markets, Unemployment and economic policy: Essays in Honour of Geoff Harcourt*, Volume 2 Pp. xxi + 553. Editors: Philip Arestis, Gabriel Palma and Malcolm Sawyer Routledge, London and New York, 1997

### **Preamble**

These Volumes comprise the first two of what has turned out to be a strangely divided project. In mid-1994, I received an invitation to contribute a paper to a *Festschrift* in honour of Australia's finest scholar of economic theory and political economy, Geoffrey Harcourt, on the occasion of his sixty fifth birthday. The hoped for date of publication and presentation was, therefore, in time for 27 June 1996. About eight months later, I learnt that because of the mass response from potential contributors, the tribute would comprise three volumes: two by scholars at large, edited by the trio of scholars cited above, and a third volume of contributions from those, who like myself, were privileged to have had Geoff as a Doctoral Degree supervisor, to be edited by Claudio Sardonì and Peter Kriesler. In 1997, the present two Volumes appeared in splendid isolation from the belatedly published third Volume of the project (Sardonì and Kriesler, 1999). And, peculiarly, the present editors deign not to mention anything about the volume that was at the time yet to come. They open with a reference only to the two volumes of the project and readers receive no notification of a third fine volume that was to complete the triptych (Vol. 1, p. xxiii). A similar reference is to be found in Joe Isaac's 'Foreword' to the second volume (p. xiv). While this division of the project detracts from the impact of the *Festschrift* that would have been afforded by the simultaneous appearance of three such large Volumes dedicated to the one scholar, I am sure that it is ultimately, nonetheless, the totality of the tribute that will be clear to Geoff.

The scope and length of these two Volumes poses a difficult challenge for the reviewer. I should, therefore, enter two caveats about this review from the outset. First, in the space of a few pages, it will be impossible to give all contributors their due. I can but ask for the forbearance of those whose contributions do not receive the extent of explicit attention they deserve. Secondly, the review is largely expository. The reason for this is that the pursuit of a fair-minded and complete critical discussion is not possible across such a wide range of substantive contributions. The alternative would be to pick off selected targets, but this would mean supplying some justification for the selection. The potential for the unwarranted bias introduced by the particular predilections of the reviewer are obvious. I have chosen to avoid both difficulties in what follows, confining the evidence of the bias of my interests to the selection of some papers for minimal extended description. At the same time, though, other papers are selected for similar treatment on the ground that they address Geoff's own work more or less directly.

To begin with the architectonics of the Volumes. Each contains 39 papers covering themes more or less particular to the rubrics included in its title:

Volume 1: *Capital controversy, Post-Keynesian economics and the history of economic thought*;

Volume 2: *Markets, unemployment and economic policy*.

Both Volumes open with a common Editors' Introduction, along with a Tribute from Richard Goodwin, and close with a Bibliography of writings by Geoff Harcourt, including those forthcoming when the volumes went to press. Themes covered by the Volumes comprise, as would be expected, a very wide-ranging mixture from many areas of theoretical and applied economics, from economic methodology and from the history of economic thought. To a great extent, they reflect the scholarly achievements and concerns of the man to whom they pay tribute. The profile of contributors makes up a virtual 'Who's Who' of economists, mostly of those inclined to the heterodox in one sense or another. Included are Nobel Prize winners and, indicatively of Geoff's worldwide renown, contributors from no fewer than ten countries: Australia, Austria, Canada, Germany, Italy, Japan, New Zealand, Switzerland, the United Kingdom and the United States.

### **Tributes to Geoff and his economics**

As is appropriate on the occasion of the presentation of a *Festschrift*, each of the Volumes introduces us to the life and work of the scholar honoured through various forms of tribute. To this end, the Editors have prepared an Introduction designed to appear in both Volumes. They provide us with a compact but insightful description of Geoff's academic life and the pattern of his contributions over the years from his student days at the University of Melbourne, and as a Cambridge postgraduate student, to his 1982 permanent return to Cambridge University and beyond. Geoff now carries the honour of Professor Emeritus from Adelaide University, a status sufficient to warrant his ultimate appointment as Reader in the History of Economic Theory in Cambridge. As the Editors point out, Cambridge has a less than generous record in its professorial appointments, and Geoff joins company with many famous names who have been chosen to be denied this honour, for one unfathomable reason or another, including Piero Sraffa, Maurice Dobb, Richard Goodwin and Luigi Pasinetti (p. xxvii). Distinguished company, indeed! This aberrant vision by those in power in Cambridge can certainly have nothing to do with any lack of scholarly contributions or recognition by academia at large on the part of this group. The story of the denial in Geoff's case would curl your toes, so it is best left untold .... At the same time, though, he is able to take pride in his 1994 award of Officer in the General Division of the Order of Australia for 'service to economic theory and to the history of economic thought'. This citation was one in the nose for the mainstream at the time because so few economists had received such recognition.

The Editors also remind us of Mark Perlman's astute summing up of the four areas of contribution to be found in Geoff's academic writings (pp. xxvi-vii): first, 'works analysing contemporary economic theoretical problems'; secondly, 'works synthesizing states of debates in economic theory'; thirdly, 'works having a distinctly biographical flavour and pertaining to various contemporary economists'; and fourthly, 'works pertaining to economic and allied social policies' (Perlman, 1995, p. viii). This summary admirably indicates the scope and sorts of themes to be found amongst the papers in the Volumes under review, although as with Geoff's own output, the coverage of the papers exceeds anything that can be so neatly delimited. In the case of the present Volumes in

particular, the first area might be extended at least to include papers on methodological matters, the third to include the history of economic thought, and the fourth to include contributions covering economic systems and institutions, as well as those concerned with economic history.

There is also a brief but warm Tribute common to both Volumes from Richard Goodwin. He aptly makes much of Geoff's general accessibility to all who pursue a love of scholarship, without fear or favour, without ideological boundaries, and without paying any mind to the academic Astatus@ of the person concerned. The ideas of students and established scholars receive the same balanced consideration and honest response from Geoff. Goodwin also emphasises the extensive range of topics about which one can consult Geoff and be sure of a significant intellectual rate of return.

In Volume 1, we find a Foreword by Meghnad Desai expressively entitled 'Nice guys don't finish last; they are never finished'. He gives us a splendid overview of the range of Geoff's academic and extra-curricula concerns. But his main purpose is to remind readers that the economics establishment has managed to bypass much of the import of all three 'Cambridge revolutions' that began with Sraffa's devastating critical insights into the meaning of imperfect competition in 1926, Keynes's *General Theory* in 1936, and the Sraffa and Joan Robinson revisionism of 1956-60 concerning how we understand capital, production and accumulation (pp. xviii-ix). Geoff was, of course, a main contributor to the development of this last revisionist endeavour, but Desai concludes that it has not been possible to save the day from the onslaught of the long-run, the golden age and the economics of rationalist certainty.

Volume 2 sets out with an untitled Foreword by Joe Isaac, who was, in his varied and distinguished career, inter alia, a teacher of Geoff at Melbourne University (Geoff's contemporary, Peter Riach, tells us that Isaac introduced them as students to the works of Kalecki and Rothschild (Vol. 2, p. 345)). Isaac pays tribute to the 'high regard, esteem and affection with which ... [Geoff] is held by the international academic community', and to the personal qualities he displays: 'integrity, courage, generosity informality, a sense of humour, and extraordinary energy' (p. xiv). Isaac also takes the opportunity to emphasise the extensive scope of the themes within Geoff's contributions to economics, 'a remarkable achievement in an age of specialization' (p. xiv), and goes on to sympathize with his rejection of the mainstream fashion of free-market mechanism (as he puts it, Geoff 'has been warning, Cassandra-like, against it'), and with his rejection of 'the prevailing phobia about government intervention' (p. xiii).

As a further bonus, our appreciation of Geoff the man is amplified by Paper 1 of Volume 1 by his long-time friends John Hatch and Ray Petrides, entitled 'A Cambridge economist *but* an Australian patriot'. Here we have a description that Geoff applied to himself in the title of a 1995 paper 'Recollections and reflections of an Australian patriot and a Cambridge economist' and in his entry in *A Biographical Dictionary of Dissenting Economists* (Arestis and Sawyer, 1992, p. 232). The Hatch-Petrides paper delivers some special insights into the life and times of Geoff Harcourt in Australia, as its evocative section headings testify: 'the Melbourne years', 'Adelaide and Cambridge: the synthesis', and 'Adelaide - an Australian economist'. In the last of these sections we learn about Geoff's influence in establishing, and about his distinguished period as joint Editor of (from 1967), *Australian Economic Papers*, a journal which at that time could boast of a most catholic coverage of economic themes (see also the discussion below of John King's contribution to Volume 1). We learn here, too, of his official participation in the Economic Society of Australia and New Zealand, including a stint as its President. But perhaps the ultimate tribute paid to Geoff by these two authors is their well warranted claim that 'many an outstanding career in economics was launched by ...

[Geoff's] willing and unstinting sacrifice of time and effort to guide the work of others' (p. 1).

All of these Tributes provide a rich insight into the makeup and achievements of the man these Volumes honour. But along the way, some of the other contributors allow us to share their experiences with and their appreciation of Geoff as friend and colleague. Paul Dalziel makes the point that although Geoff has spent long periods away from Australia, and although he has always been a devoted Cambridge man, he has never lost touch with the economic and social problems of his native homeland (Vol. 1, p. 24). As a worthy, if more light-hearted reflection of this patriotism, Heinz Kurz and Neri Salvadori make reference to the pervasive accompaniment to live performances of Geoff's economics provided by his references to Australian Rules football. They make clear their initial puzzlement at what such references were intended to convey, but go on to offer a suggested solution in the guise of John Locke's measure of civilization. Their idea is that the state of civilization can be assessed by investigating a nation's choice of football rules (Vol. 1, pp. 425f.). This rendered Australia the cradle of civilization: hence the title of their paper, 'In the beginning all the world was Australia ...'. However, it is likely that even with this insight, our two European authors would still be puzzled by Christopher Gregory's summation of Geoff's character mix: 'Geoff Harcourt, Scholar, Gentleman, Joker and Citizen of the World - but, alas, no longer a resident of Oz - is a wizard when it comes to wielding the weapons of a theoretical critique. He has kicked a few Behinds, many Six-pointers, and taken some superb High Marks; he is having a great game and it's only in its sixty-fifth minute' (Vol. 1, p. 337). There is no shame in being so puzzled, though, as many Australians that live in 'foreign States' from a football perspective would be in a similar position (although the recent changes to a more ecumenical distribution between States of football codes in Australia, along with the concurrent decision to share brands of beer, has made this less of an issue).

Michael Lawlor recalls that Geoff's economics provides us with an example of the older Cambridge tradition where moral philosophy, along with openly-stated political convictions, guided people from Marshall to Keynes to Joan Robinson (Vol. 1, p.235). In this connection, Geoff's contemporary Peter Riach gives us some insight into how the Cambridge links were forged. Riach reports that in the 1950s, when they were both undergraduates at the University of Melbourne, the Faculty of Economics and Commerce had close ties with Cambridge. Consequently, they were set reading that included the work of the main Cambridge economists (Marshall, Robertson, Keynes, Austin Robinson, Joan Robinson, Shove, Dobb, Kaldor and Sraffa), as well as being exposed to the work of others prominent at the time (including Harrod and Kalecki) (Vol. 2, pp. 344f.). This was, as Riach notes, an era 'before paradigms, when pluralism was taken for granted' (345).

On a more substantive note, no lesser figure in the Post-Keynesian world than Paul Davidson makes some profoundly telling points about the qualities of Geoff's economics. Geoff's concern, he records, is with 'theory as a means of understanding the economic world in which we live'. And, even though one of Geoff's special talents has been in 'synthesizing debates in economic theory and offering the fair-minded reader a vision of how ... to resolve the controversy ...', the revelations were always argued so as to ensure that it was clear how 'to use the resolution to gain insights about the real world' (Vol. 1, p. 249). These are sentiments reiterated by Stephen Pratten. He notes that Geoff's critical realism is apparent in his contributions to clarifying the fundamental beliefs that underpin Post-Keynesian economics and in accounting for the controversies with which it has been beset (Vol. 1, pp. 291ff.). And further to this theme, Hans Jensen draws attention to the dual contribution that Geoff has made to the corpus of Post-

Keynesian economics: first, in providing original analytical contributions to its development, and secondly, by acting as *‘the historian of post-Keynesian economics’*. There is a sense, though, in which Geoff’s originality is obscured by what Jensen refers to as his *‘ingrained propensity to acknowledge his intellectual debt to other economists ...’*. Those familiar with Geoff’s writings can but agree that he is *‘a much more innovative scholar than one would suspect on the basis of a first reading of his theoretical and doctrine-historical publications’* (Vol. 1, p. 271, original emphasis).

### **Sampling the Volumes: Volume 1**

In Volume 1, carrying the summary title *‘Capital controversy, Post-Keynesian economics and the history of economic thought’*, we find four papers that deal more or less directly with Geoff’s own work. In the first of these, a contribution entitled *‘Thoughts inspired by reading an atypical paper by Harcourt’* from Robert Solow, he expresses his desire to steer clear of the *‘Cambridge controversies’* in which he and Geoff were two of the main adversaries. He opts instead for a rethinking of the critical issues raised by Geoff about a paper co-authored in 1963 by Solow with Arrow, Chenery and Minhas (ACMS). Geoff focused his attack in a 1966 paper on the neoclassical notion in CES production functions of continuous substitutability of capital and labour inputs. Geoff was concerned to expose the biases in the elasticities of substitution that are present in the ACMS analysis as a consequence of its avoiding the fixed and vintage nature of capital inputs and their technology. Solow accepts Geoff’s results as a matter of principle, while pointing out that he has never doubted the veracity of vintage capital models. It is just that they are *‘hard to handle’*, although his position on such matters now is that *‘mere messiness is not a good reason for neglecting whatever insights the vintage structure confers ...’* (Vol. 1, p. 423). Most readers of these Volumes would utter *‘amen!’* to this concession.

Heinz Kurz and Neri Salvadori entitle their paper *‘In the beginning all the world was Australia ...’*, and its message concerns the contrast between Geoff’s Cambridge-oriented *‘Australian’* economics and what has become the dominant *‘Americanization of economics’* (Vol. 1, p. 426). In particular, the authors set out to show that recent (mid-1980s to mid-1990s) so-called *‘new growth models’* (NGMs) are rather an anachronism, for all that is *‘new’* is their use of algebra to express complex endogenous growth ideas that stem from the classicals. The result is, they say, that *‘the old wine of classical vintage has been put in neoclassical bottles and sometimes even oxidized to neoclassical vinegar’* (pp. 426f.). The irony revealed is that whereas the perspective taken on the growth theory problematic is classical, the fallacies introduced into the NGMs are a legacy of neoclassical difficulties left unresolved in the 1960s (p. 440).

Geoff has always concerned himself with the historical origins of the contemporary economic ideas with which he has been concerned. John Davis takes up this aspect of his work in a contribution entitled *‘Harcourt as a historian of economic thought’*, with emphasis on Geoff’s chronicling of the founding of Post-Keynesian economics. In four substantive sections Davis tells us, from this perspective, the history of the Cambridge capital controversies, about the revival classical political economy in modern guise, about the emergence of Post-Keynesianism and about Joan Robinson’s *‘circle’*.

Mark Perlman, in a paper entitled *‘Economics and social conscience: the Harcourt case’*, tackles a difficult subject: the status of Geoff’s writings among mainstream economists. His primary concern is with what he calls the *‘Harcourt problem’*, the problem of why Geoff’s *‘creative and systemic influence has been so regularly overlooked by the “mainstream”*’. Specifically he asks: *‘Is it his failing or theirs; what*

does he offer that they do not appreciate?’ (Vol.1, p. 456). Perlman argues that Geoff’s approach to economic ideas and analysis is always premised upon a fundamental humanist and communitarian social conscience, a premise he traces to the tradition of Cambridge intellectualism that flows from the Christian socialist outlook on life. In this respect, Geoff is inevitably out of step with contemporary rationalist scientism and free-market individualism, and thus the mainstream personalities are likely to feel themselves immune to and isolated from the critical impact of a ‘Cambridge’ world-view. It is not, it seems, a matter of ‘failing’ that is at issue here. It is rather that mainstream economists are inculcated into an approach to the problematic of economics that simply does not allow them to appreciate the sorts of things that, at one time, the majority of Cambridge economists valued. It is the legacy of these values in Geoff’s work that ensures he is out of line with and thus underappreciated by many of his contemporary economists.

Several papers in this first Volume are directed at critically summing up the state of play in particular, usually controversial, specialized fields of economic theory and thought. As such, they home in on one of Geoff’s own areas of particular interest and special insight.

Geoffrey Hodgson, in a contribution entitled ‘The fate of the Cambridge capital controversies’, seeks out what has become of the devastating critique of the fundamentals of neoclassical economics launched by Sraffa and Joan Robinson, and then further developed by Geoff and others in such cogent detail. Hodgson is puzzled, as we all might well be, by why such analytical anachronisms as aggregate production functions and homogeneous ‘capital’ nevertheless persist in mainstream economics. The puzzlement is accentuated by the fact that this persistence runs counter to the fact that some prominents from the ‘other Cambridge’ ultimately conceded much to the critique (Vol. 1, pp. 95f.). For Hodgson, the forces at work in excluding the consequences of the critique from modern analytical practice have a strong institutional orientation (pp. 104f.). The substance of the critique, and most of its later developments, simply failed to penetrate the conservative, entrenched and institutionalized neoclassical realm of American academia. In this realm, the competitive equilibrium microeconomics of *homo oeconomicus* went its own way. It underwent its own internal critiques and revisions. But the resulting analytical developments were able to proceed and be given recognized status in isolation from the concerns that troubled those from the original Cambridge. A case in point in Hodgson’s paper is further examined by Harald Hagemann in his contribution entitled ‘The rate-of-return debate: an afterglow’. The critical focus here is likewise on the problems of neoclassical aggregate theory, especially the intellectual machinations that surrounded Solow’s introduction of the idea of a social rate of return on saving as a ‘surrogate’ means of bypassing the Cambridge critique of aggregate capital.

Two contributions to Volume 1 are devoted to Post-Keynesian economics per se. Stephen Pratten takes up the search for the common identifying characteristics of this paradigm. As he grants in his paper, ‘Coherence in Post-Keynesian economic’, this endeavour is not favoured by all adherents. Geoff is one he nominates as among those who see Post-Keynesian diversity as inevitable, if not as a merit. And, as an example of what Pratten is up against, elsewhere in Volume 1 we find Omar Hamouda writing that he and Geoff concluded that ‘there is no unified post-Keynesian general theory acceptable to all, but rather a group of fragmented pieces that cannot be integrated into a coherent whole’ (p. 226). But, Pratten insists on defending the position that the common thread can be read as philosophical and that this enables a methodological and substantive diversity to be maintained. His suggestion is that Post-Keynesianism has its foundations in critical realism and he goes on to pursue the methodological

metatheoretical characteristics of its analyses that could be consistent with such a grounding. What Pratten ultimately finds is that the demands of critical realism cannot be met in all corners of what is currently designated Post-Keynesian economics. Consequently, he ventures to recommend that if the merits of the philosophy warrant a fundamental status in the paradigm, this ‘may also necessitate a certain amount of redrawing of the boundaries’ (Vol. 1, p. 294). Those slated to be cut out may well be inclined to favour the present diversity.

John King’s title, ‘Notes on the history of Post-Keynesian economics in Australia’, indicates the direction of his inquiries. His paper is partly based upon interviews with a number of Australian academic economists. King opens with the idea that the foundations for the acceptance of Keynes’s *General Theory* had been laid by a number of early Cambridge men who had influenced the direction that economics took here after 1936. As King points out, the original penetration of Keynesianism was assisted by the fact that ‘Australia had no Pigou, no Hayek, no Viner, no Haberler’, and there was ‘no bastion of pre-Keynesian economics in Australia’, to impede and convolute the message (Vol. 1, pp.299, 300). By the 1950s, much economics teaching in Australia was Keynesian of a quite ‘pure’ sort, largely uncluttered by the neoclassical confusions emerging in the USA. It was then Geoff who led the effort to maintain wide acceptance of the economics of Keynes in Australian academia during the 1960s and 1970s. An early manifestation of this effort was the publication of the macroeconomics textbook *Economic Activity* (1967), with Geoff, Peter Karmel and Bob Wallace listed as its joint authors. The book originated with Karmel’s 1950s Adelaide lectures, drew upon the monetary economics lectures of Wallace, but was largely drafted by Geoff. In spite of its fine and lucid, albeit not always easy, exposition of Keynes’s macroeconomics (Keynesian macroeconomics without IS-LM!), the text found little favour beyond Adelaide and Cambridge. Its influence was spread more by means of those with an Adelaide education carrying its particular messages to other places.

King cites as perhaps the key means of achieving the maintenance of Keynesianism in Australia Geoff’s editorial influence on the content of the Adelaide-based journal *Australian Economic Papers* from its foundation in 1963. He became its joint Editor (with Keith Hancock) from 1967 onwards, and went on to oversee the publication of a wide range of national and international contributions from heterodox economists, including some from those working towards Post-Keynesianism as we know it today. It is unfortunate that since Geoff’s departure as Editor, the journal has been unable to retain its heterodox status and by the late 1980s had become just another mainstream outlet. Perhaps this is but a reflection of the increasing tendency of Australian economics towards a predominance of orthodoxy in its substantive curriculum, with the Post-Keynesians in particular remaining as an ‘embattled minority’ in present-day academia (p. 307).

In Volume 1, the papers that are oriented toward the history of economic thought are devoted to either the work of particular economists of the past or to the development of particular themes. Not unexpectedly, the dominant historical content has J. M. Keynes and issues inspired by his work as the focus. Robert Dixon elicits Keynes’s macro-theory of profits; Christopher Bliss writes on Keynes and a group he labels as ‘anti-neoclassic’; Bernard Corry gives us an historical perspective on Keynes’s use of the term ‘involuntary unemployment’; Omar Hamouda examines the implications of putting variable prices into Keynes’s *General Theory*; Michael Lawlor traces Keynes’s thought on financial market processes, with an emphasis on the speculative dimension, from the *Treatise to The General Theory*; Paul Davidson contributes a paper with the intriguing title ‘Did Keynes reverse the Marshallian speeds of adjustment?: using Harcourt’s

method to resolve theoretical controversies and to gain an insight into the real world'; and Hans Jensen informs us about Keynes's perceptions of the 'working class'. Still on the theme of Keynes, William Darity Jr examines the conflicting attitudes towards the methodology and substance of classical political economy held by Marx, Keynes and Sraffa, attitudes that led them to provide 'markedly different and largely irreconcilable views on the weaknesses of neoclassicism' (Vol. 1, p. 169).

Marx appears in Paul Samuelson's contributed piece, where we are treated to more of his special brand of critical deconstruction of the work of Marx: this time claiming to reveal all about the sources of 'sterility' in Marx's theories. On other economists, we have Avi Cohen and Helmar Drost writing on the correspondence of Böhm-Bawerk and J. B. Clark; Lilia Costabile linking the Post-Keynesian approach to growth and cycles to the work of D. H. Robertson; and Andrea Maneschi resurrecting the outstanding but so often neglected contributions to economics of Wilfred Salter, and giving him the well-deserved appellation 'Australian Economist Extraordinary' in the paper's title (Vol. 1, p. 352); Phyllis Deane reminding us of the profound contributions to economics of Keynes's father J. N. Keynes; Alessandro Roncaglia tracing the idea of a market economy to its roots in the work of Adam Smith; and John Eatwell taking up the distinction drawn especially by Joan Robinson in an original paper with the same title as Eatwell's, 'History versus equilibrium'.

On general themes in the history of economic thought, Peter Groenewegen provides some insights into the history of treating fixed capital as a problem of joint production; Christopher Gregory takes up Geoff's 'social science imperialism' theme and relates it to the economics of land pricing; Maria Marcuzzo provides some insight into the history of the notion of the short-period; John Whitaker explores 'The limitations of the economic point of view'; and Sheila Dow exposes some of the obscure links between economics as a value-ridden discipline and religion. In addition to these papers on the history of economic thought proper, Volume 1 also includes some papers dealing with more general historical themes pertinent to economics: Heinz Arndt tells us of the varied involvement of Keynes in the life and political activities of Winston Churchill. They were, he notes, contemporaries and 'arguably the greatest British figures of this century' (Vol. 1, p. 273). Finally in this group of papers, Bob Coats chronicles and makes some pertinent critical commentary on the award of the Nobel Prize in Economics.

The remainder of the papers in Volume 1 deal with themes in economic theory that characterize the concerns of Cambridge (UK!) oriented economists and of adherents to Post-Keynesianism. Most contributors are 'insiders' in these respects, but a couple are only 'visitors' to these traditions. Papers here include those dealing with topics involving what remains of the capital controversy, the surplus in economic analysis, saving and its relationship to the meaning of capital, the dynamics of profit and rent in capital accumulation, uneven development and the rate of profit, and identifying the social burden of high interest rates.

## **Sampling the Volumes: Volume 2**

The Editors include in Volume 2 papers with a methodological and theoretical orientation, as well as papers concerned with specific national economic issues economic systems and aspects of policy. In this Volume, too, several contributors are concerned more or less directly with Geoff's own work. One of these is Ha-Joon Chang's paper entitled 'Markets, madness and many middle ways: some reflections on the institutional diversity of capitalism'. Here Chang takes up the ideas behind Geoff's most recent forays into the realm of economic policy; in particular, his search for

policies to curb the rise of free-market ‘madness’ that has gripped national and international economic activity. Chang uses Geoff’s suggestion that there must be some ‘middle-way’ to reach equity and stability and to avoid the waste of speculation under capitalism. That is, to steer a course between the extremes of current free-market dominance and all-pervasive central planning. The message of Chang’s contribution is government intervention and control, tempered by cooperation with large scale corporations as market leaders and what is left of the organized labour movement. He envisages a consciously coordinated economy which allows room to move for the entrepreneurial spirit. Examples from around the world where such ideas have been tried are cited as demonstrating that such ‘middle-way’ systems can succeed, albeit to varying degrees. But, concludes Chang, the need is for flexibility in policy to make due allowance for the required institutional diversity that characterizes the different types of capitalism that have evolved.

One of Geoff’s early research interests, dating back to his doctoral thesis work on the relationship between historic and current-cost accounting, was in the interaction between economics and accounting. Two papers in Volume 2 demonstrate that this is a field in which research remains active, and is still concerned with themes that Geoff pursued, in particular, contrasting the measurement of income and of the rate of return on capital by economists and accountants. Geoff Meeks and Gay Meeks contribute a paper on ‘The accountant in a turbulent age: accounting conventions and the failure of healthy companies’. Their concern is with the extent to which the incomplete information provided to management by accountants can be shown to contribute to failures among otherwise economically viable companies. They show how the interface between legal requirements and accounting conventions can result in decisions that distort the market signals that should ‘select’ companies for survival or for failure. Geoff Whittington entitles his contribution to this field of research ‘The economic rate of return and the accountant’. He reports on the debates in the literature, spawned in part by Geoff’s 1965 paper ‘The accountant in a golden age’, dealing with the incongruity of the concepts of rate of return used by economists (internal rate of return) and accountants (accounting rate of return). Again, the crucial problem here is one of making correct economic decisions by means of accounting information, where such information is readily shown to be unsuitable for the purpose. Whittington reveals that while some progress has been made in bridging the void between accounting data and economic needs in this case, there remains a wide and unfortunate communications gap between US and UK researchers.

Bruce McFarlane offers a paper entitled ‘Socialism: goals and efficiency’, in which he reminds us of Geoff’s contributions to debates about ensuring compatibility between social and economic objectives, whatever may be the political regime: he has written on both the economic management of socialist systems and on the need for socialization in capitalist systems. McFarlane emphasises two key themes of Geoff’s work that have been instrumental in the success of this area of his research. One is his demand that socialism proper and ‘socialist’ intrusions into capitalism should give priority to the satisfaction of collectivist goals rather than to replicating market processes. The other is his concern with efficient investment strategies in key basic industries as fundamental to the optimum growth and development of any economic system.

The second Volume opens with two important papers on methodological issues in economics. One of these is by Tony Lawson, a Cambridge methodologist who has had close contacts with Geoff over recent years. Lawson has made a remarkable contribution to the development of a critical realist alternative to the mathematical formalism that dominates mainstream economics (see Lawson, 1997). His contribution is entitled

‘Horses for courses’, a reference to Geoff’s often stated idea that methodological choices should be made explicit and made for good reasons that relate to the nature of the object under investigation. Lawson’s endeavour is to ‘unpack’ the meaning and significance of what appears a self-evident aphorism. Most especially, the implication must go beyond entreating theorists to the adopt the potential instrumentalism of matching methods merely to analytical purposes or goals. For Lawson, it is rather that ‘the most compelling translation of Ahorses for courses@ in the scientific context pertains to the (usual) situation where the accepted goal is to illuminate (reveal/explain/understand) some feature of reality ...’. So it must be, then, that ‘where definite aspects of reality are to be illuminated, the methods and procedures followed [should] be fashioned to insights available concerning the nature of such material’ (Vol. 2, p. 3). That is, we should require what we know to be the realities of our objects of inquiry to dictate the methods appropriate, instead of following the current orthodoxy of allowing the demands of methodology to impose the form in which the object must be represented. In the human sciences, including economics, this means recognizing explicitly that all object phenomena are generated by individual or collective human action. Such action has a highly contingent nature that renders dubious any claims to necessary regularity and predictability. If such claims are to be made in analyses, they should be shown to have some explicable empirical status and not be merely presumed. The consequent demand of Lawson’s critical realism is that analyses should adopt methodological principles that give priority to maintaining the adequate representation of the real-world characteristics of situated and conditioned human agents and their actions. And this needs to be done irrespective of the consequences for the viability of the mathematical formalism, and for the rigour and elegance of the analyses.

Jochen Runde continues the theme of Lawson’s inquiry in a contribution entitled ‘Abstraction, idealization and economic theory’. He, too, takes up the ‘horses for courses’ idea, quoting Geoff directly to the effect that in matters of methodology, the ‘guiding principle’ must always be ‘the economics of the problem and its importance and relevance, not what economic problem can we fit to any fancy technique that we have come across’ (Vol. 2, p. 16). Runde’s own inquiry concerns the important but often neglected distinction in methodology between the two means of simplified representation of phenomena known as *abstraction* and *idealization*. In orthodox economics, he finds idealization used as a technique designed to ensure that object representations are such as to meet the demands of a preconceived method. In this case, the simplification involved in representing a phenomenon is not linked to any ontological rationale, and it as if the object has an actual, isolated existence in the form shown. By contrast, abstraction is a legitimate attempt to simplify the representation of an observed phenomenon without losing what are assessed to be its essential characteristics. The choice of non-essentials to be isolated temporarily has some explicable rationale, such as their being of no current or significant causal effect. Further to the distinction, Runde makes the point that while abstraction is consistent with the objectives of realism, idealization cannot be so because it involves the transformation of an object into something that is purposely isolated from reality. It is Runde’s argument that formalist economics has chosen the strategy of idealization in order to ensure that the hypothetico-deductive-nomological method is a viable means of constructing models, and to ensure that its object phenomena have the closed and regular existential form required for such a method to apply. But these are imposed characteristics, for the economic realm is not found to be closed or regular in reality. The only conclusion can be that the method of orthodox economics is certainly not the right ‘horse’ for the ‘course’ on which it is actually supposed to run.

The papers by Victoria Chick and Maurizio Caserta and by Amitava Krishna Dutt also give emphasis to the methodological theme of ‘horses for courses’. Chick and Caserta contribute a paper entitled ‘Provisional equilibrium and macroeconomic theory’ in which they distinguish two types of equilibrium that might apply in formulating macroeconomic theory: final equilibrium and provisional equilibrium. They argue that for the equilibrium ‘horse’ to be track ready for running in macroeconomics, it should be of the type they call provisional. Their rationale for this is that the economy is an open system that is constantly undergoing change induced by both endogenous and exogenous forces, a situation in which the idea of a final equilibrium makes no sense. They show that their preferred concept of equilibrium has appeared in various guises in economics of the past, and that for Post-Keynesianism today, it is the most suitable focus for model construction. Amitava Krishna Dutt’s paper also adopts the ‘horses for courses’ adage in the study of ‘Equilibrium, path dependence and hysteresis in post-Keynesian models’. The concern in this paper is properly to situate the use of both ‘history and equilibrium’ in Post-Keynesian analyses so as to show that they are compatible rather than in conflict. Using the examples of applying short- and long-period expectations in a short-period Post-Keynesian model, and the Kalecki-Steindl growth model with endogenous capacity utilization rates, Dutt shows that the historical dimension can be included in both cases. The former requires the technique of zero-roots and the latter requires the concept of hysteresis.

Contributions to Volume 2 that deal with institutional and policy issues are wide ranging in their scope and orientation. They include papers on the redistribution of income and wealth by Samuel Bowles and Herbert Gintis, and by Tony Atkinson; on ‘The fears of economists’ by Fred Gruen; on the inequities of private education by Paul Madden; on identifying problems of free-trade by Hugh Stretton; on the myths of free banking by Mervyn Lewis; on workers’ rights and economic flexibility by Ugo Pagano; on the economic and social impact of changing notions of unemployment by Frank Wilkinson; on expanding employment and reducing unemployment by Ajit Singh and by Ferdinando Targetti; on the constraints facing Keynesian macroeconomic policies by Malcolm Sawyer; on Post-Keynesian policies for the pursuit of ‘world prosperity’ by Philip Arestis; and on the constraints imposed on economic growth by the state of the balance of payments by John McCombie and Tony Thirlwall.

A number of papers in Volume 2 focus upon issues raised within specific economic systems and national economies. Included here are contributions from Catherine Waddams Price and Ruth Hancock on the economic and social impact of privatization in the UK; from Michael Kitson on the competitive weakness of the UK economy; from Peter Nolan on system reform in post-Stalinist China and Russia; from John Wells on defining and measuring unemployment in the UK; from Andy Cosh and Alan Hughes on corporate restructuring and regulation of competition in Europe; from Gabriel Palma on Kaldor and saving in Latin America; and from Jonathan Michie on economic policy in post-apartheid South Africa.

Papers in Volume 2 that deal with further themes in economic theory are again oriented toward the concerns of Cambridge (UK!) economists and Post-Keynesians. These contributions include the topics of corporate finance and capital accumulation, effective demand theory, income distribution and aggregate demand, Kalecki’s original macroeconomic model, production and the analysis of structural change, and the limits to relative price movements as the rate of profits changes in a Sraffian model. There are also several papers that take up themes in the economics of wages, employment and unemployment.

## Concluding remarks

Probably few will ever read all of the papers in these wonderful Volumes that honour one of Australia's greatest scholars. Most will read the tributes to Geoff and find them warm and genuine, without a hint of hagiography, as befits the qualities of the man himself. In these Volumes, readers will also find a coverage of themes that is almost encyclopaedic, taken from all corners of Geoff's extensive intellectual repertoire. Ultimately, though, most will probably feel that the papers are to be dipped into as and when their interest turns to a particular field or theme of economics. But, it is also to be hoped that the wide thematic content might also provide reference reading for students in advanced courses in economic theory and applied economics. For all Australian economics students who are serious about their discipline deserve to be made aware of the outstanding contributions made by Geoff Harcourt to the heterodox facets of its development.

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