

The Economic Wisdom of G. C. Harcourt

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G. C. Harcourt, *Capitalism, Socialism and Post-Keynesianism: Selected Essays of G. C. Harcourt*, Edward Elgar, Aldershot, 1995. Pp. xii, 247. ISBN 1 85898 079 8. Price: Hardback £59.95

This book is the fifth in a diversely published series that makes available to a wide readership the essays of Geoffrey Harcourt. It is a very welcome addition to the economics literature by an scholar who has devoted a lifetime to pursuing and promoting economics as a human and potentially humane science. A science, that is, which gives priority to understanding and serving the needs of people rather than slavishly acquiescing to the tyranny of methodology or to the dictates of free-market ideology. Even Geoff Harcourt's most technical writings have been dedicated to redirecting theoretical economic inquiry to this more human purpose, especially in recognizing mathematics as 'a good servant but oh-so-bad a master' (p.216, cf. p.5).

Mark Perlman provides a fitting Preface to the book, telling us much about the qualities of Geoff Harcourt the man. He makes such observations as 'he is indefatigable, friendly and unusually courteous in a world where that virtue is rare ...', that he is one of the few in our profession who 'really can teach others what and how to teach', and that he joins Phyllis Deane in being one of two scholars who do not 'limit their smiles to their disciples' (pp.viii, x). For those of us who have had the privilege of being taught by Geoff Harcourt, and for all those who know him, these are the sorts of assessments that immediately ring true.

On Geoff Harcourt's work, Perlman neatly summarizes his multi-faceted contributions as appearing under four headings:

- a. works analysing contemporary economic theoretical problems,
- b. works synthesizing states of debates in economic theory,
- c. works having a distinctly biographical flavour and pertaining to various contemporary economists, and
- d. works pertaining to economic and allied social policies. (p.viii)

And, while I have always enjoyed reading and learnt much from all of these aspects of his work, I am inclined to agree with Perlman's judgement that 'Harcourt's *greatest* research contributions are the essays written under the second rubric, "works synthesizing states of debates in economic theory"' (p.ix, original emphasis).

Of this collection of essays, all but three have been previously published. One essay is from 1983, with the remainder appearing between 1990 and 1995. In them, the full range of Geoff Harcourt's scholarly contributions suggested by Perlman are apparent. The four Parts into which the papers are grouped are indicative of this: 'Policy' (three essays), 'Theory from an historical perspective' (seven essays), 'Intellectual biographies' (six essays) and 'General essays' (four essays).

In Part I on 'Policy' the first paper is entitled 'Markets, madness and a middle way (the second Donald Horne Address)' and dates from 1992. The argument here is for steering a 'middle way' between the extremes of laissez-faire in markets with a complete absence of policy interventions and central command and planning. The objective is a just and equitable

social-democratic capitalism in which interventionist policies chart socio-economic outcomes. Although the design is directed at conditions in Australia, the general message is clear for all modern capitalist economies. He draws on the thrust of Keynes's and Kalecki's teachings about the nature of modern capitalism and upon the ideas developed by present day PostKeynesians. It is a controversial piece, with what will appear to some as anachronistic elements. But the whole is more than the sum of its parts here and it is unreasonable to take such elements out of their total context. The elements of policy include the use of fiscal and monetary management to achieve high employment and optimal growth; an incomes policy along the lines of Australia's 'Accord' scheme in conjunction with conscious income distribution outcomes managed through social policy; a fixed foreign exchange rate regime and export promotion strategies to ensure external balance; nationalization of certain fundamental industries, especially the financial sector, within the framework of an industrial policy. In arguing his proposal, he takes a reasoned and well-balanced approach in which its strengths and limitations are given due attention. But the bottom line remains that free-markets just cannot deliver either a socially or economically optimal resolution for the dilemmas of a small open economy.

In the two subsequent papers, 'Macroeconomic policy for Australia in the 1990s' from 1993 and 'A "modest proposal" for taming speculators and putting the world on course to prosperity' from 1994, Geoff Harcourt develops further the themes of the first. The one from 1993, he tells us, was prompted by his being 'called a squib for not setting out systematically the detailed ingredients of a middle way in the Donald Horne Address ...'. One of his justifications for squibbing out was the duly modest and very correct one of thinking that 'as I had been away from Australia for nearly ten years, I thought it would have been a cheek to arrive home giving *detailed* advice as I stepped off the plane ...' (p.25, original emphasis). In these two essays, the focus is on the use and misuse of markets as the main institutional mediation for getting things done in capitalist economies. The notion of equilibrium, so beloved of mainstream economists, is questioned and the real-world structures and operations of markets are the centrepiece of the inquiry. The idea of 'taming' of speculators is in line with Keynes's astute observation in the *General Theory* that:

Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.²

As we know, the 1980s brought us just such a 'whirlpool' and the job was, indeed, 'ill-done'. The clear message for the 1990s is that we demand a financial system that is designed to serve the needs of productive enterprise and not an end in itself, not the plaything of paper cowboys (and cowgirls).

Part II consists of essays that deal with 'Theory from an historical perspective'. This is an area of research in which Geoff Harcourt is an acknowledged master. In 'The capital theory controversies' from 1994, he gives us a welcome update on the state of play between Cambridge, England, and the other Cambridge (and beyond) in the unresolved controversy over capital theory. The most fundamental issue, with all its methodological and substantive connotations and associations, is: *what is the meaning of capital?* It remains unresolved, and the reasons for the lack of resolution have changed little over the years since Geoff Harcourt brought it to world attention in his *Journal of Economic Literature* paper in 1969.³ This was the first in a line of contributions on the subject characterized by a clarity of argument that made the intricacies of the controversy accessible to all who cared enough to try to understand. However, it is apparent from this update that the old problem of 'there are none so deaf as those who will not listen' is still all too apparent. We in the Economic Theory class at the University of Adelaide had the very good fortune to have had no option in the matter

Two passages from the essay graphically express the present position and Geoff Harcourt's reaction to it. I quote them without further comment and leave readers to contemplate what they indicate about the state of our profession.

Aggregate production function models and accompanying marginal productivity results, together with the long-period method, are being applied in the work that reflects the new interest in growth theory of the late 1980s and early 1990s, associated, for example, with the contributions of Lucas and Romer. The intellectual dishonesty — or, at best, ignorance — which characterizes these developments is breathtaking in its audacity and arrogance, reflecting the ruthless use of power by mainstream economists in dominant positions in the profession. (p.41)

...

Thus the current position is an uneasy state of rest, under the foundations of which a time bomb is ticking away, planted by a small, powerless group of economists who are either ageing or dead. (p.45)

'Kahn and Keynes and the making of *The General Theory*' from 1994 is one of those papers that relates an 'insider' story about the making of *The General Theory* which Geoff Harcourt tells with such enthusiasm. They are always pieces that make the reader feel part of the intimate and yet highly charged intellectual atmosphere of the period.

The next three essays revolve around the work of Joan Robinson. Again these have the quality of taking the reader 'inside' some of the most profound developments in the history of economics and its methodology. The three are 'Joan Robinson's early views on method' from 1990; 'Accumulation and the rate of profits: reflections on the issues raised in the correspondence between Maurice Dobb, Joan Robinson and Gerald Shove', written with J.A.T.R. Araujo in 1993; and 'Some reflections on Joan Robinson's changes of mind and the relation of them to Post-Keynesianism and the economics profession' a now published conference paper from 1993. Each in its own way deals with the dynamics of Joan Robinson's methodology and substantive economics, and with the influences that shaped them over the fifty or so years of her contributions. Especially do we learn of her inclinations towards self-criticism and the resulting dialectic of dissatisfaction that led her to shift ground on some fundamental issues over the years.

The essay on 'George Shackle and Post-Keynesianism', written with Claudio Sardoni in 1995, is an insightful addition to our understanding of George Shackle's work. It draws attention to the role that his treatment of time, uncertainty and expectations should, and can, play in the various strands of PostKeynesian economics. As most PostKeynesians are aware, the implications of these real-world intrusions for formal analysis and for the very concept of equilibrium, be it long-period or short-period, are profound. The message is that much remains to be done by all who would take Shackle's thought seriously.

In the concluding paper of Part II, Geoff Harcourt provides us with an insight into the contributions to economic analysis of his long-time friend Tom Asimakopulos. The paper dates from 1994 and tells us about 'philosophy' that underpinned Asimakopulos's writings over the period from 1971 to 1991. We learn of his efforts to preserve the best ideas of those whose work he chose to develop, most especially the major Cambridge economists to whose writings and lectures both he and Geoff Harcourt were exposed as research students in the 1950s. They both went on to pursue economic analyses in which rigour was not bought at the cost of realism and relevance.

The essays of Part III, 'Intellectual biographies', are all obituary pieces. It is perhaps an unfortunate irony, therefore, that they 'bring their subjects to life' in a way that is unique to Geoff Harcourt's style. The essays deal with a number of well-known personalities of our

profession who for many of us were little more than names in the literature: Richard Stone (d. 1991), Krishna Bharadwaj (1935-1992), Josef Steindl (1912-1993), Ruth Cohen (1906-1991), A.K. Dasgupta (1903-1992), and Edward Austin Gossage Robinson (1897-1993). These people who are the focus of his personal and warmly expressed memories, for he knew them all as colleagues and friends, contributed to a widely varying range of fields in economics. However, it is made clear to us that they all had that special quality of intellectual courage and honesty to stand aside from the orthodox mainstream and make an independent contribution in their own areas of expertise, whatever the consequences. It is apparent, too, that each was a person who, like Geoff Harcourt himself, was always there for others: available and willing to assist colleagues and students alike.

Finally, in Part IV 'General essays', we are treated to four important contributions on diverse themes. The first is entitled "Tommy" Balogh's last stand' and dates from 1983. It is wonderful to see Thomas Balogh's profoundly critical and relatively neglected work *The Irrelevance of Conventional Economics* (Weidenfeld & Nicholson, 1982), brought to our attention again through republication of this sympathetic review article. Geoff Harcourt recalls for us the well-balanced and constructive critique of orthodox theory and policy developed by Balogh. But his review serves also to remind us of the inevitable fate of such endeavours in a profession so dominated by ideological dogma and intellectual arrogance.

In 'On mathematics and economics', an unpublished conference paper from 1993, we find a paper written in Geoff Harcourt's delightful 'after dinner' style in which a complex, important and controversial subject is brought 'down to earth' for the occasion with personal anecdotes and wit. But the messages remain serious ones. Among these is the view, cogently defended by contrasting examples of a number of economists' attitudes towards and use made of mathematics, that 'mathematics can be a good servant but, even more, a bad master; and ... that this will become increasingly so in the future' (p.213).

'John Maynard Keynes, 1883—1946' from 1994 retells in summary form the story of the writing of the *General Theory*, 'Keynes's greatest intellectual achievement'. The tenor of the piece is carried in its last sentence where it is emphasised that the book was 'only the tip of an iceberg in the story of a man who not only did good but who was also, despite many unattractive features (which his biographers report, it must be said, with some glee) truly good himself' (p.228). The essay most importantly reveals Keynes as much more than an economist who brought to his path-breaking work a background in mathematics and philosophy, along with the heavy baggage of the Marshallian tradition. It relates, with clarity and cogency, to those unfamiliar with the story how these background elements influenced the writing of Keynes's *magnum opus* and the extent to which he was able to break out of the tradition he carried.

The theme of 'What Adam Smith really said', dating from 1994, is clearly evident in its opening lines: 'Adam Smith is frequently invoked as the patron saint of freely competitive markets, often by people who have never read the *Wealth of Nation* ... and have never heard of the *Theory of Moral Sentiments* ...'. Those who actually study these works find much more than this. They find the thoughts of a man who understood human nature extremely well and who realized that the burgeoning 'commercial' economy would still require an infrastructure of appropriate institutions and interventions if its free-markets were to function with social and economic efficacy. The concluding sentence of the paper carries a message for all who are inclined summarily to cite our antecedents with little more than hearsay slogans: 'a person's arguments should be examined in their primary sources and judged by the received standards of logic and methods of arguing, and of relevance'.

This is a fine collection of essays by a scholar who brings a rare warmth and personal insight into some very difficult corners of our subject. The reader here learns much about economics as a human science of the real world. But he or she does so with the added

enjoyment of being allowed into the inner circle of the personalities who contributed so much to the making of an economics that really matters.

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Notes

- 1 The four previously published collections of essays were: *The Social Science Imperialists*, edited by Prue Kerr, Routledge & Kegan Paul: London and Boston, 1982; *Controversies in Political Economy*, edited by O. F. Hamouda, New York University Press: New York, 1986; *On Political Economists and Modern Political Economy*, edited by Claudio Saroni, Routledge: London and New York, 1992; *Post-Keynesian Essays in Biography: Portraits of Twentieth-Century Political Economists*, Macmillan: Basingstoke, 1993.
- 2 *The General Theory of Employment, Interest and Money* [1936], volume VII in *The Collected Writings of John Maynard Keynes*, Macmillan, London, 1973, p.159.
- 3 'Some Cambridge controversies in the theory of capital', *Journal of Economic Literature*, VII, 1969; expanded into a book *Some Cambridge controversies in the theory of capital*, Cambridge University Press, Cambridge, 1972.