

The Greatest Economist of the Twentieth Century

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Geoffrey Harcourt and Peter Riach, editors, *A Second Edition of the General Theory*. (London: Routledge, 1997), 2 volumes, pp. li + 503, xlix + 400. ISBN 0-415-14942-8. 0 415 14943-6. Price: £100.

Let me start this review on a personal note. I have recently completed a short section (about 12 typed A4 pages) on Keynes and his new general theory of employment, interest and money, for a brief, introductory textbook on the history of economics which I am writing with Gianni Vaggi for la Nuova Italia Scientifica. Part of this exercise involved writing down some recommendations for further reading, an easy matter for the section on von Wieser, but a tremendously arduous one for that on Keynes. Try it some time as an experiment. This is because Keynes's *General Theory* continues to be controversial and hotly debated, and books on Keynes and his revolution continue to be published on a pretty regular basis. The bumper issue of *HER* on Keynes (No. 25, Winter-Summer 1996) is a fine example of how the greatest (and most discussed) economist of the twentieth century continues to get the lime-light more than fifty years after his death.

The *General Theory* itself did not have a second edition. Keynes's heart attack, his strenuous war effort during World War II and post-war reconstruction, and his untimely death in 1946, made that impossible. There was, of course, the famous afterword in the *Quarterly Journal of Economics* 1937 in response to his formidable reviews there (Taussig, Viner, Dennis Robertson and Leontief) of the year before. It can also be said that a second edition of the *General Theory* would be against Keynes's past practice in such matters, as O'Donnell indicates in the opening of his chapter in these volumes. Revisions and corrections, based on new experience and facts, together with the frank acknowledgment of errors, would probably have meant a new book rather than a second edition. That was Keynes's style in writing, and the advice he had given to prospective treatise writers (no pun intended) when he had commented on the matter *à propos* eight dreary editions of Marshall's *Principles* (and, for that matter, the five editions of the *Wealth of Nations* published by Adam Smith). Variorum editors have few prospects for work from Keynes's writings, speaking generally, perhaps one reason why the collected writings could appear so quickly (recall the inordinately long gestation period of Guillebaud's Marshall and, closer to home, John Pullen's Malthus's *Principles*, both truly Herculean tasks of editorship and loyalty to their subject).

However, what Keynes was probably loath to do, despite his declared intentions to produce some footnotes to the *General Theory* (reported p. xiv) has now been attempted by some of his intellectual grand-children (and great-grand-children, given the age of some of the younger contributors). Geoffrey Harcourt, it may be noted, pre-dates the *General Theory* by his pre-kindergarten years, Peter Riach is probably an even closer contemporary of the *General Theory* (which saw the light in January 1936 after an inordinately long conception). As the editors indicate in the introduction, this book can therefore be partly seen as an exercise in counter-factual history, generating what Keynes might have produced in 1938 or 1939 or, as the editors jokingly suggest, a spiritualist exercise of ideas transmission from

beyond the grave via eminent mediums such as, in the order of their appearance, John Brothwell, Bob Clower, Chris Torr, Vicky Chick, Michael Lawlor, Jan Kregel, John King, Robert Skidelsky and James Tobin. This is yet another way of guaranteeing the medium is the message.

The first volume of this 'second edition' follows the order of contents of the *General Theory* from chapter 1 (but not in brevity) to chapter 24, 'Concluding Notes on the Social Philosophy towards which the *General Theory* might lead'. Book V, surprisingly, gets no explicit revisions. Employment function and quantity theory get also no entries of their own in the index. Is this because there were no takers for the revision or because the editors thought chapter 19 on changes in money wages (with its critical appendix on Pigou's *Theory of Unemployment*), chapter 20 on the unemployment function and chapter 21 on the theory of prices were such models of perfection that emendations were strictly out of order. Those who have the same headaches as I do when I wrestle with these crucial parts of the argument (especially chapter 20), may share my surprise at this omission. (But then, Alvin Hansen in the 1950s quite happily omitted them as unnecessary in his *Guide to Keynes* for beginners).

Volume 2 presents updates of various aspects of the *General Theory* after an overview of its contents by James Tobin, writing both as J.M. Keynes and as himself (vintage 1994). The updates deal with inflation (Reddaway, A.J. Brown), endogenous money (Sheila Dow), a theory of finance and its macro-economic implications (Myron Gordon), the open economy context (Paul Davidson) and are in turn followed by a set of chapters on methodological aspects of Keynes's work. These start with Rod O'Donnell's discussion of Keynes's attitudes to 'formalism' (defined in terms of symbolic representation, mathematics, and statistical inference or econometrics) as revealed in all of his work, hence extending beyond the *General Theory*; method and methodology as revealed in the *General Theory* are discussed by Gerrard; and, more narrowly, its chapter 12 (Runde); these are followed by discussions on the relevance of convention to a second edition of the *General Theory* (Davis) and the association between Keynes's ideas on the role of vague concepts in theorising and contemporary developments in Cambridge philosophy (John Coates). Four concluding essays look at Keynes's *General Theory* in relation to the work of other economists. Firstly, Sardonì examines Keynes and Marx; secondly, Vercelli deals with Keynes and Schumpeter and subsequent developments in dynamic economics broadly interpreted; Kriesler investigates Keynes and Kalecki while Bruce Littleboy explores a variety of issues raised by Leijonhufvud's interpretation of the economics of Keynes.

The introduction by the editors explains the general philosophy underlying the thirty nine chapters which follow. Inspiration for the project as a whole came from music, they explain. The completion, by someone else, of a musical work, unfinished because of the death of the composer is not unusual practice (though the only example they list is that of Frank Merrick, who attempted to complete Schubert's unfinished eighth symphony). The two volumes must be seen in this spirit, that is, as an attempt to generate text replicating Keynes's intentions to write footnotes to the *General Theory*, intended to absorb criticism received, and to reflect more fully on his new self, as an economist revealed in the contents of his new, general theory. This new self, as the editors also explain, arose from conscious rejection of a former, Marshallian entity, through emphasis on the short rather than the long run, and the integration of monetary and real phenomena, with liberating effects on his economics from a former dominance by the quantity theory of money and Say's Law, in its neo-classical reformulation. This agenda embraces all thirty-nine articles (despite the need to change some of the originally intended authors imposed by political, intellectual and other pressures, as well as death). They likewise elucidate all the specific points mentioned by Keynes as the subject matter for his footnotes, involving the following six chapters:

- Chapter 1 The Four Parts of the Theory:
- (a) Effective demand
 - (b) The multiplier
 - (c) The theory of investment
 - (d) The theory of interest
- 2 The analysis of effective demand
 - 3 The theory of interest regarded as the marginal efficiency of money
 - 4 The analysis of liquidity preference regarded as constituting the demand for money
 - 5 The limitations on the demand for capital goods
 - 6 Statistical notes

(Keynes, *Collected Writings*, Vol. XIV, pp. 133-4)

The editors in their introduction also set out the major developments in Keynesian theory after Keynes, essential for an understanding of the nature of the malfunctioning of present day, developed economies, together with the ingredients for the requisite economic policies designed to remedy them, as part of the agenda for the second edition project.

Although it has been a long wait - over sixty years - for the translation of Keynes's concept of footnotes to the *General Theory* into the approximately 800 pages of these two volumes (or twice the size of the original 1936 book), the wait has been worth it. The various contributions, taken individually and together, often add significantly to our understanding of Keynes's main work, and assist in demonstrating its enduring relevance as a guide to economic policy, subject to revision and qualification though it has been. These thirty nine articles, which become a round forty when the editors' introduction is added, as it should be, are usefully supplemented by the long bibliographies included with each of the two volumes, while research into specific topics is facilitated by indexes of names and subjects to the two volumes.

These indexes, interestingly, omit the name of E.F. Heckscher, whose 'Keynes and Mercantilism' in 1946 (reprinted in volume 2 of the Söderlund edition of Heckscher's *Mercantilism*, London, Allen and Unwin, 1955) brilliantly refuted Keynes' erroneous remarks on Mercantilism in the penultimate chapter of the *General Theory* based, though they were, on quotations drawn largely from the first (English) edition of Heckscher's book. Apart from omitting the opportunity to respond to these strident criticisms from Heckscher in defence of Keynes, as John King ought to have done when writing as J.M. Keynes in the opening pages of his contribution on chapter 23, the index itself misses the two references to Heckscher actually made in King's chapter (Volume 1, p. 215).

The last point illustrates some incompleteness and inaccuracy in this massive project, of which more instances could be given. Despite such omissions, these volumes will be appreciated by Keynes scholars, old and new, for the light they tend to shed on their subject. Most importantly, this 'second edition' of the *General Theory* will assist in ensuring that the thought of the greatest economist of the twentieth century, for that is what Keynes undoubtedly was, will continue to reverberate in the minds of economists as we enter the twenty-first century.

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