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Review of *Keynes and Macroeconomics after 70 Years: Critical Assessments of The General Theory*

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Keynes and Macroeconomics after 70 Years: Critical Assessments of The General Theory

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L. Randall Wray and Mathew Forstater, editors, *Keynes and Macroeconomics after 70 Years: Critical Assessments of The General Theory*. Cheltenham, UK: Edward Elgar, 2008. xxvi + 325 pp. \$150 (cloth), ISBN: 978-1-84720-581-0.

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This volume contains a selection of papers presented at the 9th International Post Keynesian Conference organized by Jan Kregel, Mathew Forstater, and L. Randall Wray that was sponsored by the Department of Economics and Center for Full Employment and Price Stability at the University of Missouri-Kansas City in September 2006. The conference was attended by more than 150 individuals from around the world, and had some 33 panels. The occasion and organizing themes for the conference were: the sixtieth anniversary of Keynes's death, the 1946 Employment Act, and the formation of the World Bank, the International Monetary Fund, and the Bretton Woods meeting; the fortieth anniversary of the Freedom Budget; and the seventieth anniversary of Keynes's *General Theory*. The papers chosen for the volume were those that especially emphasized *The General Theory*, as the volume title indicates. The volume has five sections: Keynes and Heterodox Economics, Founding Fathers of Post Keynesian Economics, Keynesian Models, Keynesian Policy, and Modern Development and Extensions of Keynesian Economics. There are twenty-six contributors to the volume.

Retrospective volumes, clearly, are especially valuable for historians as stock-taking exercises. This one has two distinctive features: it comes from a collection of authors sympathetic to Keynes's thinking who moreover generally believe that Keynes's thinking has been generally misunderstood and misinterpreted by the economics profession, and it precedes the re-emergence of interest in Keynes that has followed the recent crisis. I think this actually gives a significant advantage to the collection, because its chapters are clear and settled in their reflection on the value of Keynes's work, and do not mix in the rather confusing post-crisis discussion of Keynes which has swung back and forth between repeating old misconceptions and attempted justifications of recent macroeconomic thinking. But it is also interesting to see what the volume largely neglects what followers of Keynes have given special emphasis since the crisis, namely, the place of Hyman Minsky in the inheritance and development of Keynes's thinking. (Only one chapter, by André Lorenzo, focuses on Minsky.) I don't advance this point as a criticism, but merely as a comment on the role that historical circumstances play in our reading of the past.

At the same time, it should be noted that the volume does not neglect the general question of finance in Keynes's thinking. Geoffrey Harcourt and Adelkader Slifi each discuss the thinking and reception of Tom Asimakopulos' finance motive criticism of Keynes. Bokhyun Cho focuses

on the evolution of financial structures and their impact on investor expectations, Wenge Huang reviews Keynes's thinking about liquidity preference and the finance motive, and Steven Keen develops Keynes's thinking about a revolving fund of finance. Carlo Panico's chapter on Keynes's history of views about central bank control of the money supply and interest rates also has much to say about bank behavior in connection with the endogenous money approach. And Edwin Dickens suggests in his chapter that Keynes's thinking about probability can be understood in terms of recent thinking in behavioral finance. Thus the nature of finance, financial fragility and instability, and financial crisis is hardly missing from the volume, if not framed as in more recent discussions.

One figure who does come in for special attention is Michal Kalecki. Lino Sau treats Keynes and Kalecki as the two founding fathers of Post Keynesian thinking, giving a full review of the reasons they believed that markets are not self-equilibrating, including their critiques of such arguments as the Pigou effect. Colin Richardson and Jerry Courvisanos then offer a simple Keynes-Kalecki model as an alternative to the ISLM, showing how the model responds to different institutional scenarios in computer simulations.

Much more could be said about the chapters in this volume, but I close with where the book begins; its two opening chapters in the section called Keynes and Heterodox Economics. These chapters are interesting methodologically as well as for the arguments they make about the thinking of Keynes. John King asks whether the new consensus macroeconomics (NCM) has moved increasingly toward Keynesian thinking, as previously suggested by Bradley Bateman and David Colander. He concludes that the Bateman-Colander case is overstated, and argues that NCM still assumes agents know every possible state of the world (ruling out the need for money), presupposes continuous market clearing, and leaves no room for introducing behavioral economic type reasoning. Jes's Mu'oz and Joel Bonales then use Lakatosian methodology to identify Keynes's scientific research program (SRP) in terms of its key concepts and principles. They then speculate on how Keynes would have developed his thinking had he lived longer, thus offering something of a template for the subsequent history of Post Keynesian economics. This chapter might serve as a nice introduction to the two volumes on a second edition? of *The General Theory*, edited by Geoffrey Harcourt and Peter Riach (1997).

There are also many other fine papers in the volume. The book is strongly recommended for those interested in the continuing reception of Keynes's thinking.

Reference:

G. C. Harcourt and P.A. Riach, editors (1997), *A Second Edition of The General Theory*, 2 volumes, London: Routledge.

John Davis is author of *Keynes's Philosophical Development* (Cambridge University Press, 1994; paperback 2008) and *The Theory of the Individual in Economics* (Routledge, 2003).

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