

Book Review

On Skidelsky's Keynes and Other Essays: Selected Essays of G.C. Harcourt, by G.C. Harcourt, 2012, Palgrave Macmillan, Houndmills, Basingstoke, UK, pp. xi + 342.

and

The Making of a Post-Keynesian Economist and Other Essays: Cambridge Harvest, by G. C. Harcourt, 2012, Palgrave Macmillan, Houndmills, Basingstoke, UK, pp. x + 273.

Reviewed by

Peter E. Earl, School of Economics, University of Queensland, St Lucia, QLD 4072, Australia, email: p.earl@uq.edu.au

On Skidelsky's Keynes (henceforth *OSK*) and *The Making of a Post-Keynesian Economist* (henceforth *MPKE*) both consist mostly of essays and addresses written by Geoff Harcourt after his 1998 retirement as Reader in the History of Economic Theory at the University of Cambridge. Each book begins with the major essay from which its title is derived, followed by theoretical essays, surveys and review articles, papers on policy and politics, biographical essays and addresses (on Tom Asimakopoulou, Keith Frearson, Brian Reddaway, Sukhamoy Charavarti, David Champenowne and Robin Matthews in *OSK*, and on John Cornwall, Wilfred Salter, Peter Karmel, John Wells, and Alister Sutherland in *MPKE*), before ending with a 'general essay' or two. Inevitably there are some areas where papers overlap in content (for example the second paper in *OSK*, like the first in *MPKE*, is an autobiographical essay, though I was glad to get the bigger picture from reading both of them). However, I think Harcourt was wise to leave each paper in its original self-contained form: these books

will primarily serve as convenient sources of particular papers that might otherwise be hard to obtain. That said, although I certainly envisage asking my students to read various chapters, I can wholeheartedly recommend these volumes as works to read from cover to cover on a long vacation. The two volumes differ somewhat in focus: *OSK* is the best one for Post Keynesian macroeconomists, whereas (despite its title) *MPKE* should appeal more to those whose interests focus on growth and accumulation. Gains to be had from these books are not merely in terms of knowledge of the evolution of ideas, or about policy, but also from being nudged to engage in self-reflection. For example, I suspect I will not be the only reader to be provoked to ask 'Do I have this problem, too?' by Harcourt's comment (*MPKW*, p. 257) that Alister Sutherland's problem as a lecturer was the 'he knew too much, too many details, the structures that were clear in his own mind escaped all but the brightest and most attentive of his listeners'. In the confines of this review, I can only focus on a selection of the papers/themes in these volumes.

The title essay of *OSK* is jointly authored with Sean Turnell and attempts to distil from Skidelsky's (1983, 1992, 2001) biography of Keynes the evolution of Keynes's economic thinking and policy contributions and suggest a few corrections to Skidelsky's analysis. This 42-page essay is a really excellent contribution (a shortened version was originally published in India's *Economic and Political Weekly*) and I would go so far as to suggest that it is such a useful reference for courses in the history of economic thought that it is enough, in its own right, to justify the book being purchased by libraries. Particularly significant (and according to Harcourt, the credit for it must go to Sean Turnell) is the demolition of Bradford De Long's attempts to criticize Skidelsky's emphasis on tensions over US war loans to Britain (which Keynes believed should simply be grants if both nations were fighting for a common cause) and on differences between Keynes's proposal for an International Currency Union and Harry Dexter White's proposed Stabilization Fund.

Two other papers from *OSK* particularly struck me for their potential value in teaching (aside from the only vintage paper, 'A Teaching Model of the "Keynesian" System', from 1969). The first was 'The Rise and, Hopefully, the Fall of Neo-Liberalism in Theory and Practice', which traces the fall of Keynesian ideas to the initial adoption of Paul Samuelson's (1948) textbook in preference to the slightly earlier one by Lorie Tarshis (1947) that had been savagely attacked by conservatives led by

Merwin K. Hart. Tarshis's text faithfully deploys Keynes's aggregate supply and demand approach (learnt first-hand from attending Keynes's lectures) and hence could comfortably make sense of the stagflation that, to those not properly trained as Keynesians, allowed Friedman's critique to gain traction in the late 1960s. Harcourt also emphasizes the creation of cowed workforces during the era of monetarism as the real means for reducing inflation, along with the damage that holding back real wage growth for the masses does to corporate 'animal spirits'. This paper overlaps with Harcourt's very useful review article in *MPKE* of the 2007 US edition of Keynes's *General Theory* that includes all the different prefaces Keynes wrote and an introductory piece by Paul Krugman, Harcourt mostly approves of Krugman's introduction, aside from it not recognizing the consequences of economists learning Keynesian ideas from Samuelson; the review article brings out the key messages from the *General Theory* and the case for reading it today.

My other favourite from *OSK* is 'Price Theory and Multinational Oligopoly: Kurt Rothschild and Stephen Hymer Revisited'. This paper was jointly written with Peter Nolan and deploys the latter's extensive knowledge of modern corporations. It explores how the economic organization of modern industries has changed in recent decades to leave global production dominated by aggressively competitive oligopolies that each have complex long-term relationships with yet other oligopolies that service their upstream and downstream needs in a manner that requires us to view each supply chain as a complex system. Harcourt and Nolan illustrate their arguments with copious evidence about real-world multinationals, including case studies from the aircraft and carbonated beverages sectors. This paper provides a very important contrast to the idea that oligopolistic firms prefer to engage in tacit collusion rather than genuine competition, and it deserves to be read not merely by political economy students but by MBA students and anyone interested in industrial organization.

In the autobiographical opening essay of *MPKE* Harcourt characterizes himself as a Jewish Methodist social democrat and casts the late Eric Russell as his greatest mentor. Australian readers will be interested to see that Harcourt's biggest policy regret was his decision to support Whitlam on cuts in tariffs, and that in 1974 Whitlam's Deputy and Treasurer, Jim Cairns, offered him the position of Governor of the Reserve Banks of Australia or a big role in running a revamped Commonwealth Treasury. Harcourt declined both, feeling that he was a 'real man' rather than a 'money man' and that

he did not have the temperament or guile required to deal with the machinations of bright civil servants, who would resent having him parachuted in as their boss. This chapter also provides us with a sign of the opportunity cost of Harcourt's selfless willingness to accept and fulfil so conscientiously the kinds of review, survey and festschrift-contributing roles that have resulted in the volumes under review: he notes that his big project on the coherence of ideas of the major Cambridge figures has produced many pieces but so far not the big picture.

It was no surprise to find that three chapters of *MPKE* lucidly survey and set out the present-day theoretical and econometric significance of various aspects of what Harcourt has long described as the 'Cambridge Controversies in the Theory of Capital'. (More surprising was that the illuminating essay on 'Joan Robinson and her Circle' that comes later in *MPKE* does not dwell, in its sections on her Post-War contributions, on her role in the capital controversies. Instead, it focuses more on how her work relates to that of Marx and on her later work on China – where she advocated the kind of pragmatic mix that has been adopted there in recent decades – and development economics in general.) Behind Harcourt's analysis of debates about how capital might be valued and its productivity assessed without recourse to circular arguments, and about reswitching and capital-reversal, there is always his awareness of Salter's work on how, as technological possibilities change, best-practice techniques are only gradually incorporated into industries as time passes. This perspective is also central to the Harcourt/Russell/Salter analysis of how inflation might be contained in an equitable and productivity-enhancing way without it being necessary to use a monetary squeeze (or the threat of one) to frighten workers into moderating their wage demands. The idea is that everyone's wage growth should be linked to average productivity growth rather than being related to the productivity of the industry or firm in which they are employed. This policy would be coupled with policies aimed at ensuring there was neither involuntary unemployment (in Keynes's sense) nor so much aggregate demand as to cause an inflationary gap, and it would entail structural adjustments being driven by differences in job availability rather than differences in pay between sectors or employers; it recognizes that if low-productivity firms can drive down the relative wages of their employees, this will delay the latter's release to more productive enterprises, while the extraction of above-average

increases in pay by workers in higher productivity enterprises makes it harder for their employers to fund investment and absorb workers from less productive parts of the economy.

Harcourt's concern to show the present-day relevance of largely forgotten controversies is also evident in a long chapter in *MPKE* (written with Stephanie Blankenburg) that revisits the debates from the 1920s and early 1930s about the representative firm and increasing returns. It highlights lessons that ought to have been learnt by modern endogenous growth theorists about the fundamental difficulties involved in reconciling short-period, equilibrium-focused views of the firm with long-run models of accumulation. (Harcourt modestly insists that the credit for applying the 1920s debates to endogenous growth theory must go to Stephanie Blankenburg.) This is something that today's advanced-level students ought to be asked to read, though as is typical within the Post Keynesian/Sraffian literature, it does not draw attention to Marshall's evolutionary agenda, or its modern-day equivalent in the evolutionary analysis of growth and change spread-headed by Nelson and Winter.

These books demonstrate that Harcourt's 'retirement' has been exceptionally busy and productive in academic terms. Although he clearly enjoys recounting his intellectual autobiography and at times may seem absorbed with a Cambridge approach to economics that has largely vanished, he continues to make impressive scholarly contributions based on an authoritative knowledge of a wide literature – delivered in his trademark engaging and witty manner. Cambridge is never far away from what he writes (and is the focus of four chapters in *OSK* and another in *MPKE*) but that is because Harcourt is passionate about the coherence of the perspective that he finds in the work of Joan Robinson, Nicky Kaldor, Piero Sraffa, Wilfred Salter and Luigi Pasinetti, whom he first came to know there as a PhD student in the mid-1950s, and because he believes in the value of doing economics in Cambridge's traditionally historically-informed way that tries to take account of real-world conditions and address real-world issues. Much of what he has to say about the controversies in the theory of capital may seem abstract. However, it has a real-world importance when, oblivious of problems associated with the aggregation of heterogeneous capital goods, 'silly-clever' (Harcourt's phrase, e.g., *OSK*, p. 115) young US-trained economists teach their students about economic growth and income distribution in terms of models built around aggregate production functions, while the

economics of supply remains needlessly detached from the real world of structural change because it fails to incorporate the presence of different vintages of technology. Similarly, he makes a powerful case for returning to a genuinely Keynes-based approach to macroeconomic theory and policy rather than reducing macroeconomic phenomena to simple aggregations of friction-constrained microeconomic behaviour. The tragedy is that those who most need to read these collections are the least likely to do so, with the result that Harcourt is mostly going to be helping heterodox economists and historians of economic thought become better at what they do.

References

- Keynes, J. M. (2007) *The General Theory of Employment, Interest and Money* (US edition, with a new introduction by Paul Krugman), New York, Palgrave Macmillan.
- Samuelson, P. (1948) *Economics: An Introductory Analysis*, New York, McGraw-Hill.
- Skidelsky, R. (1983) *John Maynard Keynes, Volume One: Hopes Betrayed, 1883–1920*, London, Macmillan.
- Skidelsky, R. (1992) *John Maynard Keynes, Volume Two: The Economist as Saviour, 1920–1937*, London, Macmillan.
- Skidelsky, R. (2001) *John Maynard Keynes, Volume Three: Fighting for Freedom, 1937–1946*, (US edition) New York, Viking Penguin.
- Tarshis, L. (1947) *The Elements of Economics: An Introduction to the Theory of Price and Employment*, Cambridge, MA, Houghton Mifflin.