Book Review: Twin Books: 50 Years a Keynesian and Other Essays and Selected Essays on Economic Policy by GC Harcourt

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Recommended Citation
Available at: http://epubs.scu.edu.au/jesp/vol5/iss2/7
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This article is available in Journal of Economic and Social Policy: http://epubs.scu.edu.au/jesp/vol5/iss2/7
Twin Books:

50 Years a Keynesian and Other Essays (364 pp, STG 47.50) and

Selected Essays on Economic Policy (354 pp, STG 50.00)

Published 2001 by Palgrave (Global academic imprint of the former Macmillan Press Ltd, now St Martin’s Press LLC Scholarly and Reference Division and Palgrave Publishers Ltd)

How does one begin to review these twin volumes (Years and Policy) of Geoff Harcourt’s essays, a literary form that he, like Keynes (see Essays in Persuasion 1931 and Essays in Biography 1933), knows so intimately and loves so well? There are 48 essays distributed equally between the volumes, but unequally among the six parts of each book. Years covers five decades with essays written during one decade: the nineties of the 20th century. Yet most of the essays in Policy, written during five decades, remain relevant to one decade: the noughties of the 21st century, a time when Harcourt-style ‘sensible and humane policy proposals’ (Years, p. vii) are in short supply.

What to do? After scanning and surfing them all, I decided to start with the latest – and, at four pages, the shortest essay. So, here are four (approximate!) ‘mixed dozens’ from the 1958 through 2000 vintage years of Harcourt premier cru, keyed into the four Sections of that one particular essay.

I regard A Left Keynesian View of the Phillips Curve Trade-Off (Years, Essay 13) as a ‘taster’ for all the complex characters of the 47 prior-dated essays surrounding it, in these clearly typeset and well-bound hardback volumes from Palgrave, the new global academic imprint of the successors to Macmillans. Geoff’s pithy message in Phillips Curve is transmitted like the letter ‘X’ in Morse code: an urgent dah-dit-dit-dah. Section I is long and biographical, opening with ‘I only met Bill Phillips four times’; already he has our interest. Then the short Sections II and III begin by posing, respectively, the questions: ‘What, though of a Left-Keynesian’s view of the Phillips Curve trade-off itself?’ and ‘Why cannot the Phillips Curve trade-off be found in The General Theory?’ Only in his long final Section IV, sure now of his reader’s attention, does Harcourt permit himself the luxury of a robust 97-word opening sentence to introduce policies, both actual and desirable, for pulling the advanced economies out of Arthur Okun’s ‘great stagflation swamp’ (Years, Essay 1).

This short essay is a touchstone for the way Geoff ‘does economics’. In it, the reader will find sound theoretical analysis (starting with stylized facts rather than axioms); prescription of a workable policy ‘package deal’; some history, anecdotes and tributes; plus much warmth, a few hotspots of focussed anger, a quick look back at Marx, and always Keynes, Keynes, Keynes as the composition’s unrelenting bass line. (For a fuller appreciation – and more of the wry humour we’ve come to expect – read ‘How I Do Economics’, Years, Essay 23).

Section I of Phillips Curve reminds us that Harcourt is the economics profession’s principal chronicler of its own post-Keynesian tradition, including many eminent
practitioners who have been (or are still) pushing the envelope of this major school of thought within the broad post-classical paradigm. The intellectual biographies, tributes, eulogies, and obituaries – no less than the reviews and surveys – that he has published down the years contain some of his finest writing in an oeuvre that (including some jointly written and/or edited works) comprises, since 1956, over 160 papers – nine of them substantial survey articles – and, since 1967, some 20 books.

The section maps into my first mixed dozen: Part II – Intellectual Biographies, Part III – Tributes and Essay 21 of Years, plus Essays 3 and 24 of Policy. Prima facie, one is getting the gen on Marx, Keynes, Joan and Austin Robinson, Tarshis, Shackle, Steindl, Phillips, Sraffa, Minsky, Eric Russell, and John Cornwall. But the alert reader will pick up the omni-present policy message. More on that below.

Section II of Phillips Curve is where Geoff rips into his bêtes noir – the Bastard Keynesians of the failed neoclassical synthesis and the Monetarists (Mark I and Mark II – read, New Classicalists) who replaced them. He attacks the false coupling of the Phillips Curve with Keynesianism ‘… as an intellectual and political disaster’ and as ‘… unjust and illogical, for no one who understood either Keynes or The General Theory – or the world and how it works – could have been surprised at the emergence of stagflation. But because the coupling was made, not least by Samuelson and Solow, this played into the hands of those who invented monetarism and its accompanying abhorrent anti-wage-earners, anti-the-poor and defenceless policies in so many countries. I cannot condemn too harshly those who did this – and those who allowed it to happen, or provided intellectual rationalisations for the policies, prize-fighters indeed.’

Thus, my second mixed dozen (Essays 1, 5 and 20–22 of Years, plus Essays 1, 22 and 23 of Policy) was chosen to display even more of this social concern about the effects of vicious class-interest economic policies on the battler and the underdog. Like Joan Robinson, James Meade and several other peers and predecessors, Harcourt ‘… became an economist because I hated injustice, unemployment and poverty’ (Years, p. 330).

Section III of Phillips Curve is theoretical, explaining precisely why Keynes would have rejected the argument that any stable, dependable, long-term relationship could exist between the inflation and unemployment rates. It reminds us that Harcourt is, primarily, an economic theoretician – albeit one who always is led to translate theoretical propositions into acceptable policy packages. He believes that elegant ivory towers can be recycled into civilised habitations, constructed from the prosaic bricks-and-mortar of common sense, social purpose and workability, ie, goodness-of-fit with each economy’s particular history and heritage, institutions, rules-of-the-game and sociological characteristics.

The section points towards my third mixed dozen: Part I – Keynes Now, Part IV – Review Articles, Part V – Survey, and Essays 20 and 24 of Years, together with Essays 2, 4 and 23 of Policy. Here we hit the mother lode and can drill down into the essential core of post-Keynesian (perhaps I should say ‘post-classical’) theory: Davidson’s non-ergodic world, Lawson’s critical realism, Knight’s uncertainty, Shackle’s ‘kaleidics’, Kahn’s short period, Kregel’s shifting equilibria, Robinson’s historical time, Arthur’s path-dependence, Walsh & Gram’s ‘surplus approach’,
Kalecki’s investment-profits-expectations circuit, Keynes’s effective demand principle, Meade’s process-analysis multiplier ‘Relation’, Weintraub’s aggregate supply function, Wood’s doubly-constrained oligopolistic firms, Eichner’s mark-up pricing, Young’s dynamic increasing returns, Myrdal’s circular and cumulative causation, Marx’s reproduction schemas, Schumpeter’s creative destruction, Salter’s production technology ‘vintages’, Sraffa’s wage rate versus rate of profits frontier, Goodwin’s prey-predator growth cycles, Pasinetti’s multi-sectoral growth model, Kaldor’s export-led growth, Harrod’s foreign trade multiplier, Moore’s endogenous money, and Minsky’s financial fragility. Two key insights (Bob Rowthorn’s class-conflict inflation process and Joan Robinson’s inflation barrier, both involving the money-wage as the sheet-anchor of the entire capitalist economic system) gives one new respect for the Harvester Judgement and the unique Australian arbitration system that it spawned!

Essay 19 of Years (not previously published) is where Harcourt presents much of this Post-Keynesian Thought in concentrated form. ‘Some post-Keynesians are working actively towards a synthesis of the principal strands’, he writes. ‘Others regard the search for a synthesis, for a general all-embracing structure, as a profound mistake …’ His own preference for the ‘horses-for-courses’ (or ‘Byzantine’) methodological approach is well known: ‘Post-Keynesianism should be a situation-and-issue-specific method of doing political economy …’

Section IV of Phillips Curve is where Geoff’s remark (Policy, p. x) ‘I have always regarded the raison d’être of our profession as helping to influence and to make policy’ is followed up. The proper cure for economies mired in the great stagflation swamp was ‘… to try to devise a package deal of policies which included a permanent incomes policy consistent with the history, institutions and sociological characteristics of the society concerned. The object would be to bring the rate of change of money-wages and other incomes under some sort of control while preserving levels of employment, although, if necessary, at lower levels of real income, or increases of real income, if there had been a permanent worsening in, for example, the terms of trade.’ Instead, we got ‘… what Tommy Balogh called ‘the incomes policy of Karl Marx’, that is, smash the wage-earners by creating unemployment through harsh prolonged monetary policy, and so change the balance of economic, social and political power as between labour and capital, both nationally and internationally’ – a grossly inequitable reaction by conservatives to ‘… the bankruptcy of the Phillips Curve trade-off.’

This section suggests my fourth and final mixed dozen, which comprises Part III – Taxation Reform and Investment Incentives, Part IV – Accounting Conventions and Policy and Part V – Package Deals of Policy. Those who want to go straight to Geoff’s most recent views and proposals should consult Essays 16 through 19 in Part V. Some, perhaps, will be surprised to find that the fourth of these essays (Pay Policy, Accumulation and Productivity) carries a 1977 date. But, as Harcourt says in introducing it, ‘… the discussion is crucially relevant for current debate in Australia’, where the move from a centralised wage system to enterprise bargaining is still under way. Drawing largely on the analysis in Salter’s 1960 classic, Productivity and Technical Change, and its 1965 sequel, Harcourt shows that ‘… the current fetish for what are euphemistically called flexible labour markets and for their supposed roles in setting real wages and allocating labour … flies in the face of common sense, good
economic analysis and policy recommendations, that is to say, of the analysis of the sort which masters such as Wilf Salter consistently supplied.’

In conclusion, I was surprised to read Geoff’s claim that ‘The present selection of essays contains virtually all my writings on policy from the earliest times to the present day.’ (Policy, p. x, emphasis added). Surprised, because most of the essays in my four mixed dozens strongly suggest that Harcourt simply cannot stop himself from crafting effective and compassionate economic policies using the theoretical material he is working with at any given time. An exemplar would be Fifty Years of Measurement: A Cambridge View (with Michael Kitson); Essay 17 in Years is not the most obvious place to look for economic policy recommendations!

Without compromising the flow of his discussion of ‘Economic Measurement: Some Basic Principles’, Geoff writes: ‘It may be that the USA has followed the disastrous British path where the long-term lack of investment has reduced the growth potential of the economy so that the effective constraints on production are the capital stock and the balance of payments rather than the workforce. If so, the inflation barrier is met long before the workforce is fully employed. Thus a higher domestic saving rate is a necessary, although not sufficient, condition to break the bottleneck to allow a higher level of activity and (sustainable) rate of growth to be achieved. Also required are mechanisms to channel the released resources into productive purposes – the British experience suggests that the market cannot achieve this alone.’ (p. 226). I repeat, in the policy realm Harcourt simply cannot stop himself!

As for his reason: ‘I hope that, in some small way, the ideas here may help to make agreeable societies for our children and grandchildren to live and work in.’ (Policy p. xiii). To this jokingly self-described ‘real man, not a money man’ (Years, p. 13), this long-time committed democratic socialist Christian, this Keynesian ornament of our dismal science, we all can say ‘Amen to that.’

by G.C. Harcourt