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The Keynesian Tradition: Introduction

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VOLUME 1
CHAPTER 1
EDITORIAL INTRODUCTION

Robert Leeson

These chapters highlight an important but neglected point: economics often provides profound insights into social interaction, but economists rarely delve into the subterranean world in which their culture, tools and prejudices are forged. Market forces produce results that surprise and confound social moralists; the hands by which economists correspond and argue have, hitherto, remained largely invisible. These chapters use published and archival evidence to illuminate the internal dynamics of the knowledge production (and destruction) processes of the economics industry.

The development of modern macroeconomics has been a fractured and fractious affair. It began in the early 1930s with a deliberately constructed cleavage between John Maynard Keynes (plus his radical disciples, Joan Robinson and Richard Kahn) and those denigrated by Keynes as “Classical” economists. Later, a further cleavage developed between the radical Post-Keynesians and the more conservative advocates of the Keynesian Neoclassical Synthesis. As these two groups (the Left Keynesians, centered in Cambridge, England, the Right Keynesians, centered in Cambridge, Massachusetts) struggled over Keynes’ mantle and over theories of capital, growth and distribution, free market economists at the University of Chicago pushed economics in an Anti-Keynesian direction.

In the decade before the launch of the Keynesian revolution, Keynes was transformed from an orthodox to a quasi-radical economist. The trajectory of this transformation was influenced, in part, by those around him and in particular by those who sought to nudge him along this path. Keynes had become internationally famous as a polemicist following the publication of *The Economic Consequences of the Peace* (1919); his revulsion against the ‘orthodox’ reaction to some of the dislocations of the inter-war period laid the basis for further polemical fame (*The Economic Consequences of Mr. Churchill*, 1926).

Elsewhere in Europe (most notably Italy), the dislocations of the time had more profound implications for social and economic stability. Two contemporary Italian economists exerted a profound influence over the direction of economics. Vilfredo Pareto was a leader of the second generation of the neoclassical revolution; his approach to general equilibrium theory exerted a wide influence from the 1930s onwards (see volume two of this series). Two (Right) popularizers of the Keynesian revolution, John Hicks and Paul Samuelson, embraced this neo-Walrasian paradigm.

In 1927, Keynes invited another Italian economist, Piero Sraffa, to visit Cambridge. Sraffa’s *Production of Commodities by Means of Commodities* (1960) later demonstrated – to the satisfaction of many Left Keynesians - fatal flaws in the mainstream neoclassical theory of value. Sraffa’s resurrection of Ricardo’s theory of value sought to provide

economics with an alternative foundation to that provided by neoclassical economists, thus contributing to another Keynesian civil war: the Cambridge capital controversy. Nerio Naldi (chapter two) explores the origins of Sraffa's neo-Ricardian reconstruction of economics.

As the Keynesian revolution advanced, so some of the relationships within the Cambridge Faculty of Economics soured. Eleonora Sanfilippo (chapter three) documents the process by which one of these relationships – between Keynes and Dennis Robertson – continued (and was, in a sense, repaired) as both struggled at the British Treasury with war time issues.

Keynes' first biographer, Roy Harrod, lent his name to one of the foundation stones of modern growth theory: the Harrod-Domar growth model. Daniele Besomi (chapter 4) argues that Harrod believed that his analysis was more concerned with the business cycle than with growth. Besomi then describes the process by which Harrod distanced himself from his interpreters, especially Joan Robinson who "hasn't the faintest idea what my growth theory is about" (Harrod to Sidney Weintraub).

The Chicago trained Don Patinkin codified the Keynesian Neoclassical Synthesis and interpreted Keynesian economics, not as the economics of unemployment equilibrium, but as a disequilibrium phenomenon. Goulven Rubin (chapter 5) explores the evolution of these ideas, from Patinkin's PhD (1947), through his *Money, Interest and Prices* (1956) to Robert Clower's 'The Keynesian Counter-Revolution: A Theoretical Appraisal (1965).

Keynes was initially interpreted and popularized by a first generation (including Nobel laureates John Hicks, Paul Samuelson, Franco Modigliani and Lawrence Klein) and then in the 1960s re-interpreted by a second generation (in particular, Clower and Axel Leijunhuvud). Warren Young (chapter 6) investigates the (often unacknowledged) connections between these intergenerational interpreters.

In the 1960s, the Post Keynesians began to refer, in print, to the propagators of the Keynesian Neoclassical Synthesis and their IS-LM model as a "bastard" progeny. John Kenneth Galbraith and Sidney Weintraub were prominent North American Post Keynesians: John King (chapter 7) uses the Weintraub archives to examine the interpersonal dynamics of this collective - but far from harmonious - assault on orthodoxy.

Among British Keynesians, John Robinson, Richard Kahn and Nicholas Kaldor were the dominant figures. Maria Cristina Marcuzzo and Annalisa Rosselli (chapter 8) use the archives to shed light on the "tensions and powerful interpersonal dynamics, love, esteem, hatred and jealousy" which attended the deliberations of those who claimed to be Keynes' true heirs.

Marcuzzo and Rosselli also cite a letter from Piero Sraffa to Charles P. Blich: “In economic theory, the conclusions are sometimes less interesting than the route by which they are reached”. These chapters provide many illustrations of that theme.

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