Index

Abstract of a Treatise of Human Nature (Hume) 124–5
adaptive expectations 90
see also Rational Expectations theory
analogies 53–6
Anand, Paul 37
animal spirits 21, 57, 115
arbitrage 10, 58–62, 132
Aristotelian system 123–5
Arrow, Kenneth 34, 38–41, 42–3, 51, 71, 114, 132
‘as if’ assumption 62
Lucas and 111, 112
monetary policy and 115, 116
rational behaviour and 33–6, 43, 45–6, 90, 92
Traditional Keynesian economics 19–21, 24, 74
Austrian School 106–9
Backhouse, Roger 32, 40
Barnett, David 69
Bateman, Bradley 137, 147, 148, 154–7
Blaug, Mark 6, 136–7
Brahe, Tycho 94–5
buffer stocks 70–1
business cycles 3–4, 10, 119–20
‘butterfly effect’ 25
Cambridge philosophy, Keynes and 129, 131–4, 152–3, 156
Carabelli, Anna 147, 148
chaos theory 25
cheating 93
Chick, Victoria 65
Christian philosophy 123–9
Coddington, Alan 104
competition, imperfect 9–10
see also markets, knowledge and consistency 30–1, 118–20
contingency 8–9
Copernican system 55, 94–5
countercyclical policy 75, 105, 115, 118
Cuthbertson, Keith 5, 71
Davidson, Paul 39, 105
Davis, John 147, 148, 151–4
De Vroey, Michel 13, 79
decision-makers
choice of models and 53–6
Lucas and 111–12
New Keynesian system and 92
optimality and 24–5, 27–31
Phelps and 80–6
Principle of Non-sufficient Reason and 33–4
rationality and 47–53
uncertainty and 47, 56
see also government authorities; markets, knowledge and determinacy 13–16, 127–8
Keynes on 130
disequilibrium 4, 9–10, 15
see also equilibrium theory
Divisia modellers 69–70
Dixon, Huw 5
Dow, Sheila 22–3
dualisms 23
Economic Consequences of Mr Churchill (Keynes) 157–8
Economic Consequences of the Peace (Keynes) 157–8
Edgeworth, Francis 127
Enlightenment philosophy 123–9
entrepreneurs 25, 47–8
equilibrium theory 9, 62–5, 79, 103–6
Essay on the Nature and Significance of Economic Science (Robbins) 4
F system 63–4, 111, 136
fine tuning 100, 103, 156–7
Fisher, Irving 127
formalism 32, 40
and reality 54–5
Foundations of Economic Analysis (Samuelson) 63
Foundations of Mathematics (Ramsey) 154
Friedman, Milton 20, 45, 55, 64, 77, 85
G system 63–4, 110–11
General Theory of Employment, Interest and Money (Keynes) 16, 92, 97, 103, 128, 138, 143, 155–6
Goodhart, Charles 118
Gordon, Robert 9, 91–2
government authorities
countercyclical policy 75–9, 105, 115–17, 118
knowledge and 20–4, 26, 96–9, 111, 113
policy consistency and indeterminacy 30–1, 118–20
see also decision-makers
government spending 116
Great Depression 142–3, 156–7
greed 41–3, 99
Greek philosophy 123–9
grit 9–10, 92
Hausman, Daniel M. 41–3
Hayek, Frederick von 18, 31, 47, 53–4, 62, 106–8
Heap, Shaun Hargreaves 9
Heilbroner, Robert 6–7
Hicks, John 3–4, 74, 154
Hirshleifer, Jack 32–5, 42, 45–6, 132
History of Astronomy (Smith) 125
Hume, David 124–5, 128, 129, 130
income redistribution 134–7
indeterminacy 14, 16, 27–31, 41–3, 47–8, 54
inflation 76, 90–1, 117
information see knowledge
interest rates 116–17
intransitivity 56–62
invisible hand 125, 146
irrationality 49, 75, 90, 91–4, 98–9
see also rational behaviour
Jevons, William Stanley 127
judgement 52, 120, 152, 153, 156, 158
Kaldor, Nicolas 54
Keynes, John Maynard 8, 16, 47
Bateman on 137, 147, 154–7
Consequentialism 157–8
Davis on 147, 148, 152–4
Enlightenment philosophy and 128–9
fine tuning and 102, 103, 156
Great Depression and 142–3, 156–7
Hayek and 106–8
knowledge and 20–1, 73–4
morals and 96–9, 133–4
O’Donnell on 139, 147, 148–51, 157
practical reason 129–31, 147, 148–9
probabilities and 24, 88, 129–34
recantation or not? 137–43,
Skidelsky on 140–1, 147, 157–8
utility theory and 149–50, 157
see also General Theory of
Employment, Interest and
Money; My Early Beliefs;
Treatise on Probability

Keynesian economics
Arrow’s system 38–41
crisis in 3–8
knowledge and 19–20, 23–4
Lucas and 110–11
rationality and 49–53
unquantifiable possibilities 27
see also New Keynesian
economics; Post-
Keynesian policy;
Traditional Keynesian
economics

Knight, Frank 21, 24, 25–6, 31, 47, 110
knowledge 11, 12–13, 19–24, 26, 43
ad hocery 17–18
asymmetric 96–9, 114–15
Austrian School 106–9
Enlightenment and 123–9
equilibrium and 62–5
Lucas and 112–13
macroeconomic policy and 97–9, 106, 144–6
Principle of Non-sufficient
Reason 31–7
quantifiable and unquantifiable
50–1, 86, 89, 131, 145–6
Rational Expectations and 88
rationality and 50–3
Traditional Keynesian theory and
75, 79
transmission 19
see also partial knowledge;
perfect knowledge

Krugman, Paul 11–12
labour theory of value 127, 135
Laidler, David 72–3
Leibenstein, H. 48

Leijonhufvud, Axel 74
liquidity 26, 46, 51, 69
logical positivists 31–2, 131, 134–7, 156
Lucas, Robert 7–8, 18, 109–13
see also New Classical economics

Macfie, A.L. 48
macroeconomic policy
Austrian School 106–9
consistency of 118–20
Keynes’ moral asymmetry 96–9
Lucas critique 110–13
monetary policy and 114–18
post-Keynesian 103–6
social engineering 134–7
Traditional Keynesian 75, 99–103, 105

macroeconomics
basis of the critique of 17–18
crisis 3–12
knowledge and 22–4
metaphors in 53–6
methodological problems 12–16
microeconomics and 5–8, 42–3, 69–73
New Keynesian 91–4
Phelps and 80–6
Ramsey’s critique of Keynes and
138–43
Rational Expectations 86–91
Traditional Keynesian 73–80

Mankiw, Gregory 50
markets, knowledge and 20–4, 64–5
Austrian School and 106–9
Lucas and 112–13
monetary policy and 115–17
policy consistency and 118–20
Traditional Keynesian theory and
76–80

Marshall, Alfred 128
Marx, Karl 127, 152
Marxism 134–5
menu costs 9–10, 61–2
meta-economics 15
methodology
  Arrow's system 38–41
  logical positivists 131–7, 152–4
  macroeconomics and 12–16, 43
  pre-Enlightenment 123–9
Methodology of Economics (Blaug) 136
Methodology of Macroeconomic Thought (Dow) 22–3
microeconomics 44
  animal spirits and 57, 115
  Keynesian theory and 5–8, 42–3
  money and 69–73
  Phelps and 80–6
Microfoundations (Weintraub) 6
Milberg, William 6–7
Mirowski, Phillip 127, 128
Mizen, Paul 69–71
models, choice of 47, 53–6
monetary policy 114–18
monetary theory 5, 8, 72
money 5, 52
  intransitivity and 57–62
  microeconomics and 69–73
  perfect knowledge and 96
  Traditional Keynesian theory and 76–9
monopolistic competition 10
  see also competition
Moore, G.E. 131, 150, 152, 157
morals and economics 96–9, 133–4
Morgenstern, Oscar 24
Muth, J. 87, 88, 89, 115, 137
My Early Beliefs (Keynes) 139, 154–5, 157
natural rate of unemployment 4, 64,
  81–6
  see also unemployment
Neoclassical economics 13–16, 73–4,
  150, 157
New Classical economics 17–18, 86,
  90, 92, 95
  knowledge 20, 23–4
  Lucas and 109–13
Principle of Non-sufficient Reason 31–7
New Keynesian economics 9–12,
  91–5
  intransitivity 61–2
  rational behaviour and 50
  see also Keynesian economics
Newton, Sir Isaac 124, 125–6, 129–30
O'Donnell, Rod 139, 147, 148–51,
  157
On the Theory of Economic Policy (Tinbergen) 100
Open Society and Its Enemies, The (Popper) 134–7
optimality 14
  decision-makers and 24–5, 27–31,
   45–6, 71, 112–13
  macroeconomic policy 101
  partial knowledge and 92–4
  Phelps and 82–3
  Rational Expectations and 87
  Shackle and 109
  Traditional Keynesian theory and 73–5
Pareto, Vilfredo 24, 127
partial knowledge 19, 53, 62, 151
  see also knowledge; perfect knowledge
Patinkin, Don 4, 74, 77–9
perception and reality 53–4
perfect knowledge 9, 10, 22, 62, 92
microeconomics 44
  money and 70–2, 96, 114
  Phelps and 82–3
  see also knowledge; partial knowledge
Phelps, Edmund 18, 80–6, 95
Phillips curve 118
Popper, Karl 134–7
Post-Keynesian policy 103–6
  see also New Keynesian economics
practical reason 123–9, 147, 148–9
prediction 38–43, 112, 136–7
and reality 55–6
demand for money and 72
rational expectations and 88–9
Principle of Non-sufficient Reason 31–7, 151
probabilities 24, 97–9
Arrow and 38–41
Keynes on 129–31, 155–6
Ramsey and 131–4
see also Ramsey, Frank; Treatise on Probability
Ptolemaic system 55, 94–5
quantitative policy 111, 114
see also prediction; unquantifiable possibilities
Ramsey, Frank 58–60
Bateman’s view 154–7
critique of Keynes 131–4, 137, 140–1, 147
Davis’s view 151–4
O’Donnell’s view 148–51
Raphael, D.D. 48
rational behaviour 4, 14
demand for money and 71
economists assumptions and 123–9
Hausman’s system 41–3
Hayek and 106–7
indeterminacy and 27–31, 47–9
intransitivity and 60–1
Keynes and 8, 16, 133–4, 149–50, 154–5
Keynesian theory and 8
New Keynesian economics and 11–12
Patinkin and 77–9
Ramsey and Keynes 131–4
two types of 49–53
Rational Expectations theory 6, 11–12, 50, 86–91
reality, perception, formal models and predictions 53–6
reason see practical reason: Principle of Non-sufficient Reason
Ricardian system 127, 128
Riley, John 32–5, 42, 45–6, 132
risk 25, 39
Robbins, Lionel 4, 21
Russell, Bertrand 131, 133, 147, 152
Samuelson, Paul 12, 63, 74
satisficing behaviour 29–30
Savage, Leonard 36–7, 38, 132
Say’s Law 26
science, economics as a 15–16, 47, 99–103, 125–9
Keynes view 133–4
Popper and 135–6
self-interest 13, 50, 99
see also rational behaviour
Seven Schools of Macroeconomic Thought (Phelps) 82–3
Shackle, George 18, 52, 108–9, 143
Simon, Herbert 24, 29, 50
Skidelsky, Robert 140–1, 147, 157–8
Smith, Adam 48, 92, 94–5, 125, 152, 154
Snowdon, Brian 88, 92
social engineering 134–7
Solow, Robert 104
Sraffa, Piero 124
stagflation 77
Tinbergen, Jan 18, 100–3, 109–10, 113
Tobin, James 1
Traditional Keynesian economics 95
Arrow’s system 38–41
microfoundations of 73–80
knowledge and 19–20
policy development and 99–103
rationality and 50
see also Keynesian economics
Treatise on Probability (Keynes) 8, 16, 34, 88, 104, 128
practical reason in 129–31, 147
Ramsey and 131–4, 137, 140–4
Index

recantation or not? 137–43, 147–58

uncertainty 21, 24–7, 32, 39, 42–3, 46–7, 92, 138–43
Austrian School and 106–9
equilibrium and 63–5
inflation and 90–1
Lucas and 110–11
macroeconomic policy and 97–9, 101–2, 103–6, 144–7
unemployment 73–4, 82–6
unemployment 4, 13, 64, 77–9
involuntary 7–8
uncertainty and 73–4, 82–6
unquantifiable possibilities 24–7

model of 27–30
utility theory 149–50, 157

value theory 13, 135
indeterminacy and 29
Traditional Keynesian economics and 73–4
see also Neoclassical economics
Vane, Howard 88, 92

Walrasian theory 13–16, 64, 72–3, 127, 136
see also Neoclassical economics
Weintraub, R. 6, 65
Wittgenstein, Ludwig 131, 133, 147
Wynarczyk, Peter 88, 92