

Preface

This book is dedicated to the memories of three great scholars and fine gentlemen, Lorie Tarshis, John Hicks, and James Tobin, three different interpreters of John Maynard Keynes, one of the most creative economic thinkers of the twentieth century. The first, Lorie Tarshis, was an ardent and true student of Keynes. Having brought me to York University, he was my delightful and dear colleague for more than six years in whom the satiation for our daily luncheon discussions about the *Treatise*, *The General Theory*, war reparations, national debts, and the fate of the developing economies was never reached. The second, Sir John, was a man of an exceptional depth of knowledge whom I had the chance to know during the last six years of his life. In the process of reading his work for my dissertation critical about his contributions, I learned more about economics and its purpose than I ever acquired from the classroom. My subsequent meetings with the private Hicks, at his home at Blockley, in my travels with him in Oxfordshire, and during our time spent together when he came to Glendon College in Toronto for a month gave me a chance to appreciate immensely the depth of his intellect and to correct my misconceptions about his economic writings. The third, James Tobin, was an eclectic and original Keynesian, whom I met only a couple of times but whose writings among those of all the Keynesians are the most original and close to Keynes's interest in money and finance.

During the summer of 1988, while Sir John was visiting us at Glendon College, Tobin, on his way to Ottawa for some consultations, accepted, as a good friend of Lorie's, to stop in Toronto and join an impromptu gathering in honour of Sir John. A few other distinguished scholars, Ron McKinnon, Sam Hollander, David Laidler, Bernard Wolf, and John Crow, then Governor of the Bank of Canada, were invited to join the small group for an informal day of discussion.

On the evening before the memorable workshop, I had the chance at the informal dinner in honour of Hicks and Tobin, which Lorie and I organized, to sit around the table and listen to these three very humble men discuss money, inflation, policies, and of course Keynes. Obviously Tarshis, Hicks, and Tobin had different theoretical understandings of Keynes, but like Keynes, each in his own way was socially compassionate and commanded respect and admiration for his scholarship. Disagreements among thinkers

help foster and advance knowledge. Differences about understanding and interpreting economic theories, however, also raise questions particularly pertinently as to why and how many interpretations and conclusions can emerge from the reading of Keynes. The eclectic, dynamic discussion during that informal dinner between just these three very remarkable men stimulated me all the more to write about what it is in Keynes's theoretical contribution that has aroused in economists, adversaries or supporters, so many different readings.

Ideas explored in a series of papers and lectures, which I have given over the last ten years, have now coalesced into this monograph. The early rush to interpret Keynes before understanding him was from different angles their shared subject. I had become increasingly persuaded that it was the controversies over semantics that derailed the innovative contribution of one of the most prolific economists ever. The enormous writing generated by Keynes's verbal expression has, it seems to me, had very little to do with his actual ideas. Only piecemeal have a few scholars grasped their intricacies and importance.

The purpose of this book is thus to demonstrate that, despite the convictions of those who derailed Keynes's theory from the start, notably Robertson, Hayek, and Hicks, primarily because they were puzzled by Keynes's semantics, Keynes provided a novel, general theory different from that of the Classicals and neoClassicals to whom they grafted him. The goal here is to spell out Keynes's model, with a new diagrammatic representation, to highlight his unique vision pertinent not only to the circumstances of his time but also to those well beyond, applicable to situations of recession and stagflation, as well as to full employment. It will be shown that the main stumbling block to understanding Keynes's ideas was semantic. Robertson's and Hayek's objections to the substance of Keynes's theory in the *Treatise* were therefore *baseless* and Hicks's interpretation and the ensuing IS-LM apparatus for *The General Theory* (see Figure 5.9), which became the surrogate for Keynesians new and old, is in fact *antithetical*. The alternative model, based on a straight reading of Keynes's theoretical core, found in the *Treatise*, in the drafts of *The General Theory*, and in *The General Theory* itself, provided here (see Figure 5.8), shows the contrast of Keynes's own theory to the theory behind the IS-LM.

Most of the ideas in this book have been percolating in my head since, as a student, I attended the Keynes Centenary Conference at King's College, Cambridge in 1983, an unprecedented gathering of scholars, members of the Circus as well as later generations of those both pro- and anti-Keynes.¹ The writing of the various chapters of this book is the much more recent outcome, and many of the ideas were presented in the following lectures:

- 'Views on long-term investment and finance: Keynes' heterodoxy co-opted', given at the conference 'Politiques économiques: Perspectives de l'Hétérodoxie Keynesienne', University of Dijon, May 2002
- 'Keynes, Hayek, Hicks: money, prices, and the co-ordination of savings and investment' given at the John Hicks Centenary Workshop, University of Bologna, October 2004²
- 'Money and cyclical production: who was right, Keynes or Hayek?', given at the International Conference on the Cambridge School of Economics, Hitotsubashi University, Tokyo, February 2005
- 'Institutional framework, credit management, and managerial responsibility: Keynes, Hayek, Hicks', given at the Workshop on the Development of the Cambridge Economic Tradition, Graduate School of Economics, Kyoto University, March 2005
- 'Responses to the social welfare impacts of inflations and deflations: Wicksell, and Keynes, Hayek, and Hicks', given at the History of Economic Thought Seminar, Sophia (Jouchi) University, Tokyo, March 2005
- 'Woodford's Neo-Wicksellian Theory', given at the Economics Seminar, Rikkyo University, Tokyo, March 2005
- 'Hicks' Mr Keynes' *General Theory of Employment* reconsidered', given at Hitotsubashi University, Tokyo, March 2006
- 'Shackle's early contribution to business cycle theory', given at the conference, 'Shackle's Heritage in Economics: Micro and Macro Aspects', University of Padua, May 2006.

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NOTES

1. The gist of the substance of that gathering was edited by David Worswick and James Trevithick.
2. This paper benefited from substantial comments, made at the John Hicks Centenary Workshop in Bologna, October 2004, by Mauro Baranzini, Carlos Casarosa, Rainer Masera, Robert Solow, and Erik Streissler. An understanding of this paper will be immensely enhanced by an accompanying reading of the workshop contributions of these authors published in Scazzieri et al. (2008).

