Index

abnormal employment 34
absolute time 72
abstract labour 173
academic careers 184
accumulation, determinants of 169–70
actual aggregate demand 2
actual employment theory 163
actual labour 173
adaptive expectations 164
Agénor, P-R. 148
aggregate demand 3–5
aggregate employment, composition of 162
aggregate relations 61
American Economic Association xii
and international 138
animal spirits 24, 40
anti-Keynesian economists 50
anti-Keynesian sentiment 19
arguments 21–2, 84–9
Arrow–Debreu framework 65
Arrow–Debreu model 64–5
artificial currency 122
assets
price inflation 6
proportion of 11
replacement cost of 174
size of 104
austerity 24–5
author’s melancholy 18
Bagchi, A. K. 125, 127
balance sheets 100, 102–6
constraints 89
sides of 106–7
Bank Charter Act 1844 120
bank money, quantity of 98–9
assets side of balance sheet 101–6
banks’ assets 100–101
debt-free agents and money’s exogeneity 110–11
equilibrium of central bank 101–6
equilibrium of commercial banks 108–10
exogeneity-endogeneity debate 111–12
horizontalism 99–100
Keynes’s liquidity preference theory 99–100
liabilities side of balance sheet 106–7
Bank of England 33, 34, 118
banks/banking system 100
assets 101
balance sheets 100
business model 10–12
credit 99, 101
deposits 102, 108
equilibrium of 102
institutions, equilibrium of 102
lending 4, 5
operations of 146
organisation, types of 101, 102
sector 195
Barbour, David 125
behavioural rationality 86
Bernanke, Ben 35, 195
Beveridge, William 18
bimetallism 121
Bland and Sherman Acts of 1878 and 1890 121
blockage theory 31
blocked system, theoretical consequences of 37
Bretton Woods proposals 116, 117
Bretton Woods system 8, 9, 139, 140–41
Britain, international investments of 119
British unemployment 36
Business Cycles (Schumpeter) 183
capital
accumulation of 172, 174–5, 177
amount of 180–81
cost of wages 149
demand per unit of 180
inner nature of 171
marginal efficiency of 154, 172, 177, 179, 194
marginal productivity of 16
organic composition of 172, 174–6
productive factors of 40
profitability of 179
rates of return on 167
tendency of 179
withdrawal of 174–5
capital assets 84–85, 174, 177
capital deepening 179
capital equipment 76, 77, 160–61, 165–6
capitalism 2, 185–6, 194
achievements of 184
characteristic feature of 185
collapse of 192
critic of 184
functioning of 184
law of motion 190
production to 31
restlessness of 185
systemic failure of 190
capitalist economy 44, 132, 135, 184
capitalist institutions 47
capitalist operations 178
capitalist production structure 2–3
capital markets 6
capital stock 168
capital widening 178
cash reserves 34, 111
catalogue prices 168
Cavallo, Domingo 148
Cavallo–Patman effect 148
central bank 102, 106
balance sheet 106
credit 104
equilibrium of 101–6
liabilities of 103
money, market for 107
position of 102
sovereign power of 34
Chick, V. 29, 30, 39, 48, 51, 70, 75, 139, 149, 150, 162, 167
Choquet capacity theory 92
Churchill, Winston 33
circular flow 195
City–Bank–Treasury nexus 117, 124, 129
classical liberalism 45
classical marginal cost pricing 151
classical political economy 173
classical theory 17, 71, 98
closed economy analysis 30
collective perceptions 67
commercial banking system 101–4, 107
claims on 104
credit, demand for 108
credit to 104
equilibrium of 102, 108–10
treatment of 108
competition 10–12
competitive equilibrium analysis 169
concrete labour 173
Congdon, Tim 35
constant capital 176
consumers 166
vs. entrepreneurs 47
servants of 195
consumption 2, 4, 30
credit-finance of 4
definition of 46–47
contemporary macroeconomics 61
conventional marginalist theory 185
convergence, dynamic process of 76
cost channel hypothesis 148
countercyclical fiscal policy 136
credit cycle 36
credit-interest space 110
credit money 99
credit supply function 99
The Crisis of Keynesian Economics: A Marxist View (Pilling) 172
daily equilibrium 162
Davidson, P. 71
debit balances 141
debt-financed consumption 5
debt-free agents 110–11
debt ‘overhang’ 6
decision strategy, change in 91–2
deflation 34
depression 190
deregulation 10, 141
Desai, R. 116–17
digression 20
Dillard, D. 179
Director, Aaron 45
disequilibrium 73, 110, 163
distortions 16, 19
catalogues of 17
IS–LM 18
Domar, Evsey 194
domestic and international monetary
reform 132–3
adaptation to modern context
138–42
Keynes on 133–8
domestic consequences 122
domestic currencies 137
domestic economy 135
domestic financial markets 139
domestic financial system 104
domestic investment 128
domestic monetary reform 138
domestic monetary systems 134
domestic unemployment 121
Dostaler, Gilles 116
Dow, Sheila 99, 139
dubious quality, structured products
of 11
dynamic development 37
dynamism 185

ECB see European Central Bank
(ECB)
economic orthodoxy, criticisms of 196
economics
conception of 17
convergence 139
development 185
policy 70, 155, 187
political mainstream 145–6
economics programme 136–7
economics rationality 23
economic system 185
economic theory 1, 12, 33–4, 70, 79, 187
economic thinking 1
economic units, financial stability of 85
economic vulnerability 132
economy
expansion of 5
investigation of 171

light of changes in 1
orthodox vision of 65
public sector in 19
effective demand 2–3, 160, 162–3, 197
effective demand, principle of 2–3
Eichengreen, B. 121
Einstein, A. 60
analogy of relativity 67
relativity theory 66
elaborate analysis 193
elasticity 150
empirical generalisation 110
empirical observation 167
employer/dealer framework 166–7
employment
‘abnormal’ 34
alternative taxes on 73
decisions 2
of factors 151
level of 19, 160
scale of 167–8
stability of 125
endogeneity–exogeneity dichotomy
112
entrepreneurial maximisation 150
entrepreneurs 47, 160, 185, 196
equilibrium 98
concept of 163
maximisation and 66
models 76–7
price 78
and rationality 65
situations 44
theory 163, 185
with unemployment 194
values 101
equilibrium analysis 18
in economics 169
mechanics of 18
escape clause 164
European Central Bank (ECB) 146,
148
ex-ante/ex-post methodology 79
exogeneity 99
exogeneity–endogeneity debate 111–12
expectations
equilibrium and time in The General
Theory 70–79
formation of 73
expenditures on goods 21
export surpluses, expansionary effects of 126

Fabian Socialism 31
fairness and cooperation, principle of 23
feelings 18
Ferguson, Adam 184–5
feudalism 2
finance investment 5
finance public expenditure 85
financial asset-holders 6
financial assets, accumulation of 134
financialisation 10–12, 67, 84, 117
process of 84, 85
resumption of 139
financial markets 93
financial system
basis for 132
in UK 11
finite resources 12
first-order uncertainty 87, 88
fiscal austerity 140
fiscal multipliers 20–21
fiscal policy 19, 48
on economy 36–7
fiscal stimulus 25
fixed capital stock 30
fixed constant capital 176
fixed repayment schedules 111
flexible money wages 39
foreign investment, levels of 126
formal vagueness 163
forward market 168
Fowler committee 123
Freeman, A. 75, 116–17
freeze markets, liquidity preference to 141
Friedman, Milton 34, 35, 45–8
analysis of 46
argument for policy rules 48
critique of Keynes 46
definition of consumption 46–7
ideas of 48
retrospective analysis 35
theory 47
Frisch, Ragnar 192
full employment 3, 37, 39, 40, 50, 196
national objectives of 116
see also employment
funding, long-term 5
Galbraith, John Kenneth 49
Garegnani, Piero 165
general equilibrium theory 60, 74
generality 57–63
Keynes’s ‘implicit theorising’ 63–5
as ‘witch’s brew’ 60–61
general public 102
The General Theory (Keynes) 1, 44–5
aggregate demand 3–5
banking business model 10–12
causal priority of investment over saving 5–6
competition 10–12
contributions of 2
deficit spending 19–20
deregulation 9–10
distortion of translating 18
element of 190–91
financialisation 10–12
finite resources, global warming 12
globalisation 8–9
inequality 12–13
interim summary 7
interpretations of 16
Keynes’s propositions in 7–8
liquidity preference 6–7
literary style of 60
microfounding 22
Milton, work of 45–8
principle of effective demand 2–3
privatisation 9–10
Samuelson on 50–53
Schumpeter on 187–93
stagflation 7–8
Tarshis on 49–50
theoretical contributions of 2
translation of 61
verbal claims of 58
genuine savings 32–3
geo-politics 138
Gesell, Silvio 136
for domestic monetary reform 137
Keynes’s application of 137
Index

Keynes’s critique of 141
work of 138
Gibson Paradox 145–6
explanation of 147
*The General Theory* and 149–56
Keynes and others 146–9
global economic environment 140
globalisation 9, 67
global warming 12
golden-age of capitalism 48
gold exchange standard (GES) 128
gold payments, periodic suspensions of 128–9
gold standards 117–20, 135
Government of India (GOI) debt 119
grim accusation 188

Harrod, Roy 194
Hawtrey, Ralph 32–3
herd behaviour 24
Herschell Committee 122
heterodox Keynesians 62
heterodox thinking 62
Hicks, J. R. 78
high-powered money 103
*History of Prices* (Tooke) 147
hoarding, analysis of 135
homogeneous labour, quantity of 173–4
horizontalism 99, 106–8
horizontalist approach 107
*Horizontalists and Verticalists: The Macroeconomics of Credit Money* (Moore) 99
horizontality 99
human capital, investment in 52
Hume, David 184–5
hyper-inflations 111, 112

*ICF* see *Indian Currency and Finance (ICF)*

ICS see Indian Civil Service (ICS)
ideology 188
implicit theorising 58, 59, 63–5
‘income-expenditure’ model 162
India
absorption of gold in 128
centrality of 122–4
export surplus to Britain 125–6
foreign importers of 119

Keynes and 122–4
money supply of 126
silver in 122
trade deficit 118–19
trade surplus 121
Indian Civil Service (ICS) 119
*Indian Currency and Finance (ICF)* 116–17, 124–9
gold standard semantics 117–20
Indian economy in 126
Keynes and India 122–4
overriding purpose of 127
technical elements of 125
turbulence of gold standard 120–22
see also India
Indian exports 127
industrial capitalism 176
inflation 3, 8
asset-price 6
rate of 146, 148
innovative dynamics 192
intellectual honesty 189
inter-bank rate 106, 107
interest
cost, direct effect of 148
rising rate of 147
see also interest rates
interest-dependent effective demand 145
interest rates 134, 145, 146–7, 152–4
multiplicity of 102
negative 138
positive correlation of 148–9
internal consistency 22, 59
internal inconsistency 58
international capital markets 137
International Clearing Union 137
international currency 137
international economy 139
international investments of Britain 119
international monetary reform 116, 138
international monetary system 117, 120, 134, 137, 138, 140–41
international money 137
International Money Clearing Units 141
intertemporal option value 90, 92
investment 2–5, 16, 147, 196
bank finance of 5
<table>
<thead>
<tr>
<th>Banking</th>
<th>Labour Theory of Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causal Priority of 5–6</td>
<td>Limitations of Presentation and Analysis</td>
</tr>
<tr>
<td>Equality of 44</td>
<td>Liquidity Preference Theory 105–6, 111</td>
</tr>
<tr>
<td>Marginal Efficiency of 21–2</td>
<td>Marginal Efficiency of Capital 176–81</td>
</tr>
<tr>
<td>Market 32</td>
<td>Marketing Strategy 63</td>
</tr>
<tr>
<td>Money Value of 149</td>
<td>Mastery of Indian Affairs 124</td>
</tr>
<tr>
<td>Primacy of 193</td>
<td>Maturity 125</td>
</tr>
<tr>
<td>Priority to 197</td>
<td>Misrepresentations of 48</td>
</tr>
<tr>
<td>Profitability of 163</td>
<td>Policy Solutions 133</td>
</tr>
<tr>
<td>Psychology of 38</td>
<td>Rate of Profit 175–6</td>
</tr>
<tr>
<td>Role of 193</td>
<td>Reactions to Critics 19</td>
</tr>
<tr>
<td>Substantially for 5</td>
<td>Requirements for Efficiency 141</td>
</tr>
<tr>
<td>Investors 164, 166</td>
<td>Research Programme 59, 66</td>
</tr>
<tr>
<td>IS–LM Curves 20</td>
<td>Revolution in Economics 71</td>
</tr>
<tr>
<td>Joint-Stock Companies 85</td>
<td>Role to Non-Rational Factors 85–6</td>
</tr>
<tr>
<td>Kaldor, Nicholas 99</td>
<td>Scientific Integrity of 189</td>
</tr>
<tr>
<td>Kalecki, M. 4</td>
<td>Shifting Equilibrium 162</td>
</tr>
<tr>
<td>Growth Models 170</td>
<td>Social ‘Visions’ of 183–6</td>
</tr>
<tr>
<td>Kenway, Peter 172</td>
<td>Speech of Liquidity 84</td>
</tr>
<tr>
<td>Keynesian Economists 50</td>
<td>Style of Working 18</td>
</tr>
<tr>
<td>Keynesianism 20–21, 45, 48</td>
<td>Theoretical Ambitions 38</td>
</tr>
<tr>
<td>Keynesian Monetary Policy 139</td>
<td>Theory of Monetary Policy 36</td>
</tr>
<tr>
<td>Keynesian Policy 20</td>
<td>Treatment of Time 78</td>
</tr>
<tr>
<td>Keynesian Research Programme 59</td>
<td>Under-Employment Equilibrium 37</td>
</tr>
<tr>
<td>Keynesian Revolution 30, 36, 37</td>
<td>Use of Multiplier 46</td>
</tr>
<tr>
<td>Keynesian Unblocking 29–30, 34–7</td>
<td>Keynes Plan 138</td>
</tr>
<tr>
<td>Full Employment, Blockages to 31–3</td>
<td>Keynes’s Theory</td>
</tr>
<tr>
<td>General Theory of Employment, Interest, and Money 37–41</td>
<td>Central Propositions of 2</td>
</tr>
<tr>
<td>Keynes, John Maynard</td>
<td>Methodological Foundation of 2</td>
</tr>
<tr>
<td>Advocacy of ‘Dual Method’ 34–5</td>
<td>Structural Problem of 59</td>
</tr>
<tr>
<td>Analyses of 183</td>
<td>Labour</td>
</tr>
<tr>
<td>Approach of 47, 65, 171–2</td>
<td>Abstract 173</td>
</tr>
<tr>
<td>Assumptions of 139</td>
<td>Actual 173</td>
</tr>
<tr>
<td>Consequences of 191</td>
<td>Concrete 173</td>
</tr>
<tr>
<td>Consumption Function 20–21</td>
<td>Demand Curve 40</td>
</tr>
<tr>
<td>Contributions of 46, 181</td>
<td>Demand for 3</td>
</tr>
<tr>
<td>Critique of Orthodox Theory 40</td>
<td>Homogeneous 173–4</td>
</tr>
<tr>
<td>Definition 118</td>
<td>International Division of 120</td>
</tr>
<tr>
<td>Derivation of Policy Propositions 137</td>
<td>Marginal Productivity of 17</td>
</tr>
<tr>
<td>Economics 38</td>
<td>Ordinary 173</td>
</tr>
<tr>
<td>Epistemological Approach to Uncertainty 73</td>
<td>Productive Factors of 40</td>
</tr>
<tr>
<td>Generality Battle 57</td>
<td>Proportion of Assets to 174</td>
</tr>
<tr>
<td>Generality Claim 59</td>
<td>Quantity of 173, 174</td>
</tr>
<tr>
<td>and India 122–4</td>
<td>‘Simple Average’ 173</td>
</tr>
<tr>
<td>Intellectual Preoccupations 123</td>
<td>Special 173</td>
</tr>
<tr>
<td>Intervention Stages 34</td>
<td>Theory of Value 173–5</td>
</tr>
<tr>
<td>Value 175</td>
<td></td>
</tr>
</tbody>
</table>
labour markets 30
blockages in 33
labour-time 180
Laidler, D. 84
Lavington, F. 84
‘law of motion’ 185
legal-tender base money 102
legal-tender cash 103
legal-tender notes 101
level of theory 1–2
liability
categories of 103
category of 103
‘liberalisation’ of banks 5–6
liberal philosophy 8
liquid assets ratios 11
liquid financial asset 134
liquidity 48
definition of 84
dimensions of 89
measure of 89
precautionary and speculative
demand for 87, 90
premium 78, 86, 89–94
trap 94
value of 89
liquidity preference 6–7, 11, 39, 84–5,
90, 100, 132
aspects of 90
of banks 6–7
causal factors impinging on 92
components of 92
determinants of 85
form of 107
premium and option values 89–94
rational components of 85, 92
as rational criterion of choice
85–7
risk premium 89–94
schedule of 192
uncertainty in 90–91
liquidity-preference theory of rate of
interest 98
loanable funds theory 6
locus classicus 149
logic of functioning 186
London money market 118
long-term expectations 163
long-term funding 5
Lucas, Robert 195
Maastricht Treaty 24
macroeconomics 2
analysis 51, 65
mainstream of 44–5
modelling xviii
policy, reformist theories of 36
ramifications 107
MAK approach 63
Malthus, Thomas Robert 188
marginal cost 150
marginal efficiency of capital (MEC)
176–81
of capital assets 178
changes in 177
cyclical fluctuations of 186
marginalist revolution 40
marginalist theory 165, 189
marginal propensity 12–13
market
incentives of 19
perceptions of 67
sentiments 24
market-externalities 12
Marshallian cross 189
Marshallian framework 16, 22
Marshallian supply functions 160
Marshallian system 166
Marshallian theory of value 160,
164–5
Marshallian tradition 57–8, 63, 65
Marx and Keynes: The Limits of the
Mixed Economy, (Mattick) 171–2
Marx, K.
approach of 171–2
contributions of 181
price of production 175
rate of profit 175–6
material well-being 184
mathematical theorising 160
Mattick, Paul 171–2
maximisation 65
and equilibrium 66
MEC see marginal efficiency of capital
(MEC)
mercantilism 137
microeconomics 60–61
modern economic theory 40
modern economies, oligopolistic
sectors of 148–9
monetary accumulation 136
monetary arrangements, effects of 119–20, 126
monetary economy obligations 39
monetary policy 34–7, 51, 136, 146
  Keynes’s ideas for 132
  ‘scientific’ 35
  ‘supply channel’ of 155–6
monetary reform 133
monetary reformers 33, 34
monetary theory of production 139, 171
money
  characteristics of 136
  exogeneity 110–11
  importance of 38–39
  Keynes’s definition of 7
  markets 6
  speculative demand for 39
  supply 35
  wages, level of 16
money-interest space 102, 106, 108, 111
Montiel, P.J. 148
Moore, Basil 99
mortgages 11
multipliers 20–21
Naoroji, Dadabhai 125
national self-sufficiency 12
negative interest rates 138
negative judgement 191–2
neoclassical economics 17
neoclassical growth theory 52
neoclassical price adjustment mechanisms 37
neoclassical synthesis 53, 57, 61
neoclassical theory 185–6
neoliberalism 8
neoliberal policies 19
neoliberal thinking 9
neo-Walrasian approach 61
neo-Walrasian audience 65
net investment 196
Niemeyer, Otto 32
non-additivity, degree of 88
objective value 79
one-way free trade 118
one-way funds transfer 127
open-market operations 34
open system 70
  analysis of xi
  notion of 18
option values 89–94
ordinary labour 173
organic composition 178
organicist metaphors 65
originate and distribute business model 11–12
orthodox theory 31
orthodoxy, caricatures of 33
overdrafts 111
  facilities of 110
Park, Man-Seop 165
Pasinetti, L. L. 64, 170
passions 18
Patinkin, Don 37
Patman, Wright 148
perfect competition 17
persuasion 17
physical capital 9, 52
Piketty, T. 13
Pilling, Geoff 172
policy-making 111
political sovereignty 120
political systems 37
politics 18
positive heuristics 59
Post-Keynesian analyses 99
Post-Keynesian consumer theory 166
Post-Keynesian economics 160, 169
Post-Keynesian pricing theory 167
Potts, Nick 172
precautionary liquidity preference 86
preconception 184
pre-General Theory 34
price-adjustment mechanism 31
prices 145, 146–7
  determination, market forces in 105
  level 154
price-times-quantity values 150
private investment 33
private sector 108, 135
privatisation 10
probability
  assessment of 72
  generalisations of 88
  modalities of 88
Index

process analysis 193
production 180
Marx’s price of 175
monetary theory of 171
prices of 172
process of 178
product markets 30
profit, rate of 175
proposals, revival of 138
protectionism 8
psychology of investment 38
public expenditure, judgement of 12
public finances 12
purification treatment 60–61
quantity of money 98–9, 102
quantity theory 150, 153
question for theory 166
radicalism 116
radical uncertainty 88, 92–3
rate of inflation 148
rate of interest 3, 16, 102, 105–6, 137, 149–50, 154
changes in 145–6
definition of 100
liquidity-preference theory of 98
rate of profit 175–6, 179
rates of change 151–3
rational expectations 164
hypothesis of xii
rationality 23–24
equilibrium and 65
precondition of 86
rationalizations 189
Real Business Cycle model 65
realisation, crisis of 181
reasonableness 23
recession 190
regression 70
Reichsbank 112
Report of the Steering Committee on
Employment 24–5
reregulation 141
research programme 64
‘Return to Keynes’ euphoria 19–20
revolving fund 5
Ricardian equivalence theory 33
Ricardo, D.
growth theory 52
scheme 124
scientific integrity of 189
risk premium 86, 87, 89–94
Robinson, Joan 18–19, 44, 149
roundaboutness 174
‘roundabout’ processes 173–4
Royal Commission on Indian Finance and Currency 124
Runde, J. 91
Samuelson, Paul 50–51
Sardoni, Claudio 172
savings 119, 147
equality of 44
role of 193
Say’s Law 186
scale of employment 167–8
Schumpeter, Joseph Alois 183
consequences of 191
criticism of 183
criticisms 193
hits and misses 193–4
objections 189–90
social visions of 183, 184–6
Science and ideology 188
‘scientific’ monetary policy 35
secular stagnation 192
securitisation 85
self-transformation 184
Shaw, G.B. 17
short-period equilibrium 163
short-term expectation 162, 164, 168
short-term expectations 160, 167
silver 121
depreciation 122
scandal 123–4
Simon, H. 86
‘simple average labour’ 173
Skidelsky, Robert 116
Smith, Adam 184–5
socialising investment 19
social life 17
social philosophy 133
social systems 37
Solow, R. M. 52
Solow–Swan model 52
s-option value 91–2
Soviet-style socialism 184
space, limitations of 172
special labour, employment of 173
speculation 24
speculative demand for money 29
Spiethoff, Arthur 187
spot market 164, 168
Sraffa, P. 160
price equations 166–7
prices of production 167
price system 169
time-preference 98
tooke, T. 147
total capital 177
trade deficits 118–19, 135, 137
traditional decision theory 88
Treasury and Bank of England 32
Treasury bills 6
uncertainty
concept of 87
first-order 87, 88
impact of 38
‘radical’ 88
second-order 87, 89
underemployment 133, 190
unemployment 4, 31–3, 75, 133
disequilibrium 163
equilibrium 164
margins of 186
theory of 179
in United States 39
value
judgments 189
preferences 189
symbol of 118
variable capital 176
verticalism 99
vision 188
volatility, domestic sources of 121
wage rate 151–2
Walrasian framework 16
Walrasian model 22
Walrasian rationality 23
webb, Beatrice 18
weight of argument 88–9
Weimar hyper-inflation 111
Wingate, Dadabhai 125–6
Winslow, T. 91
Woods, Bretton 138
world economy 35
world money supply 139