

properties of interest and money; Keynes saw this clearly. But exactly these propositions let us expect that there is rigidity of money wages and prices:

»Price rigidity is not an appendage which can be removed without harm. Wage and price rigidity is an essential property of money, and the most successful of operations to remove it would mean the death of the patient so transformed. Any money which was completely cured of wage and price rigidity would not be able to survive as money« (Lerner 1952: 193).

Hence, there is some circularity in the argument; and the need for a *basic* rigidity of money, wages and prices surely does not rule out some limited adjustment – a ten percent reduction of money wages (again: this is not what I suggest) would not turn a monetary economy into a barter system. Therefore, the line of reasoning in Chapter 17 lends only limited support to the dynamic-adjustment arguments for the possible persistence of unemployment given in Chapter 19.

### *References*

- Keynes, J.M. (1936): *The general theory of employment, interest and money*. London: Macmillan.
- Lerner, A.P. (1952): The essential properties of interest and money, *Quarterly Journal of Economics*, 66, 172–193.
- Spahn, P. (2008): Paul Davidson: John Maynard Keynes, *INTERVENTION*. *European Journal of Economics and Economic Policies*, 5(1), 207–208.

## **The Post-Keynesian Economics Study Group – After 20 Years**

*M.G. Hayes\**

### *Foundation and Purpose*

The Post-Keynesian Economics Study Group (or PKSG, as it is usually abbreviated) was founded in 1988 by Philip Arestis and Victoria Chick with financial support from the UK Economic and Social Research Council (ESRC). The purpose of the Study Group is to encourage collaboration among scholars and students of Post-Keynesian economics, defined by the founders broadly

\* Homerton College, University of Cambridge, UK. Thanks are due to Philip Arestis, Sheila Dow, Fred Lee and Geoff Tily for their detailed comments and to other past and current members of the PKSG Committee for reading the first draft. Any errors or omissions remain my responsibility.

»as a theoretical approach that drew upon the work of Keynes, Kalecki, Joan Robinson, Kaldor and Sraffa, and distinguished itself by its insistence that history, social structure and institutional practice be embodied in its theory and reflected in its policy recommendations« (Lee 2007a).

The central feature of this approach has been further articulated by Arestis (1996) as the principle of effective demand, which can be approached from the perspectives of various intellectual traditions, including those of Keynes himself (closest to Marshall and the modern Neo-Classicals) and of Kalecki (drawing on Marx), informed by an emphasis on institutions deriving ultimately from Veblen. These traditions cover the contributions of Robinson and Kaldor, and Sraffa's critique of Neo-Classical economics, although the positive Neo-Ricardian programme is best regarded as a separate school of thought (Arestis et al. 1999).

### *Activities*

The main activities of PKSG from 1988 to 1996 consisted of half-day seminars with two or three British or overseas speakers five or six times an academic year and from 1991, one conference each year (Lee 2007a). The conference papers were published in five volumes as Arestis/Chick (1992 and 1995), Dow/Hillard (1995, 2002a and 2002b).

Over the period from 1988 to 1996, there were thirty-nine seminars, six conferences, and one post-graduate conference at which in total 177 papers were presented to an average audience of thirty-seven economists of which thirty-two were attached to British universities

»on virtually all methodological, theoretical, and applied topics that would interest Post-Keynesian-heterodox economists, including papers drawing from Kalecki, Keynes, Marx, Sraffa, Hayek, and Weintraub, as well as papers that articulated theoretical and methodological critiques of Post-Keynesian economics« (Lee 2007a).

With the desire of the founders to allow younger Post-Keynesians to be more involved with the study group, PKSG entered a second stage in 1994 under the leadership of Sheila Dow and John Hillard. Together with Fred Lee, they organised a continuing series of seminars that moved outside London »to broaden and strengthen the PKSG membership and add strength to those departments where there was already a significant Post-Keynesian presence« (Lee 2007a), together with a series of postgraduate conferences which took place at Leeds between 1996 and 2000 (with a final conference at SOAS in 2001). Seminars took place at Cambridge (1996, 1997), Glasgow Caledonian University (1998), University of the West of England (1999), and Manchester Metropolitan University (2000). From 1996 to 2000, PKSG had six seminars with fifteen papers presented and an average of twenty-two participants. In addition, Arestis and Sawyer in conjunction with PKSG organized a series of conferences from 1996 to 2000 that included honouring Paul Davidson (1996, 1998) and Geoff Harcourt (1997), the political economy of central banking (1997) and the economics of the third way (2000) (Lee 2007a). From January 1995 to December 1997, Sheila Dow produced seven issues of the PKSG Newsletter (reproduced as Lee 2007b). A partial listing of

the speakers and paper titles at the seminars between October 1994 and May 1997, extracted from the Newsletter, can be found on the PKSG website <http://www.postkeynesian.net>.

PKSG appears to have reached a watershed around 1999 with the emergence of the Association for Heterodox Economics (AHE) at a fringe conference in parallel with the Royal Economic Society annual conference in Nottingham in March 1999, as a body expressly committed to advancing pluralism in economics. Fred Lee and other PKSG 'fellow travellers' (to use a phrase coined by Jan Toporowski to describe scholars of other schools of thought who had gathered at the PKSG watering-hole) began to focus their energies on the new association. Nevertheless, with John McCombie as convenor from 2001 and Giuseppe Fontana as secretary, supported by Paul Downward, Karl Petrick and Jan Toporowski, PKSG ran a total of twelve seminars two or three times a year, which took place at Middlesex (2001, 2005), Leeds (2001, 2004), Leeds Metropolitan (2001, 2002), University of the West of England (2003), Cambridge (2004, 2005), Greenwich (2004), London (School of Oriental and African Studies – SOAS) (2005), and Oxford Brookes (2006). A listing of the speakers and topics at these seminars can again be found on the PKSG website.

In January 2006 the committee announced it was retiring *en bloc* and invited new candidates to take PKSG forward. Some time elapsed before the new committee was formed, including Jonathan Perraton (Chair), Mark Hayes (Secretary), Geoff Tily and Claudio Sardonì (now stepped down), while Giuseppe Fontana agreed to continue as Treasurer and provide some continuity. The new guard decided initially to continue with the previous formula of half-yearly seminars which took place in Cambridge (May 2007), SOAS (November 2007) and Oxford (April 2008) with a fourth currently planned for Stirling (September 2008, in conjunction with Sheila Dow's Stirling Centre for Economic Methodology – SCEME). A website was created at [www.postkeynesian.net](http://www.postkeynesian.net), which fulfils one of the roles of the 1995–97 newsletter in providing an efficient method for publishing complete seminar papers. A fairly regular e-mail to the mailing list of over 300 economists fulfils another role.

### *Prospects*

The new committee has yet to articulate an academic strategy (and may well never do so) but has resolved to create a formal membership and to make more active use of the website as a forum for working papers, leading to seminars and peer-reviewed publication. The original purpose of the Study Group was to encourage collaboration among Post-Keynesian economists and that has not changed. What has changed is that any role that PKSG might have had in representing, being representative of, or promoting the UK economic heterodox community as a whole has passed to AHE, which has a wider constituency to draw upon for a mandate to advance the case for pluralism in economics with the universities and with government. Although PKSG has so far been organised from a UK base, there has always been a significant number of speakers and participants from overseas, and there may be scope for more integration with sister organisations in Germany, France, Spain and elsewhere on the continent. A small majority of the mailing list is outside the UK.

My personal view is that PKSG will become more focussed on distinctively Post-Keynesian questions of methodology, theory, empirical inquiry and policy. Post-Keynesian economics itself is still a work in progress, with some major theoretical issues still to be resolved and a degree of contradiction in the different approaches to the central principle of effective demand. That is partly what it makes it an active and exciting research programme, which continues to garner support and interest from economists and policy-makers across the globe despite its currently unfashionable, heterodox status within the institutional profession. The outcome for PKSG, as indeed for Post-Keynesian economics in the wider context, will be driven by the interests and support of its members, who will vote with their time, money and feet.

### *References*

- Arestis, P. (1996): Post-Keynesian economics: Towards coherence, *Cambridge Journal of Economics*, 20, 111–135.
- Arestis, P., Chick, V. (eds.) (1992): *Recent developments in Post-Keynesian economics*, Aldershot: Edward Elgar.
- Arestis, P., Chick, V. (eds.) (1995): *Finance, development and structural change: Post-Keynesian perspectives*, Aldershot: Edward Elgar.
- Arestis, P., Dunn, S.P., Sawyer, M.C. (1999): Post-Keynesian economics and its critics, *Journal of Post-Keynesian Economics*, 21, 527–549.
- Dow, S.C., Hillard, J.V. (eds.) (1995): *Keynes, knowledge and uncertainty*, Aldershot: Edward Elgar.
- Dow, S.C., Hillard, J.V. (eds.) (2002a): *Post-Keynesian econometrics, microeconomics and the theory of the firm. Beyond Keynes (volume 1)*, Cheltenham: Edward Elgar.
- Dow, S.C., Hillard, J.V. (eds.) (2002b): *Keynes, uncertainty and the global economy. Beyond Keynes (volume 2)*, Cheltenham: Edward Elgar.
- Lee, F.S. (2007a): Making history by making identity and institutions: The emergence of Post-Keynesian-heterodox economics in Britain, 1974–1996, *History of Economics Review*, 46, 62–88.
- Lee, F.S. (2007b): PKSG newsletter archives, *Heterodox Economics Newsletter*, 46, URL: <http://www.heterodoxnews.com> and also at <http://www.postkeynesian.net>.