4 Keynes and the Classics
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FIRST LECTURE

Introduction

The full title of my recent book is *On Keynesian Economics and the Economics of Keynes – A Study in Monetary Theory*. It may indicate to you that I am not a man of few words. Accordingly, I have been invited to summarise it. The invitation, I hope, means that it is felt that the book ‘hits a few nails on the head’. The invitation specifically to summarise, I fear, means that it is also felt that it contains a distressing lot of fumbling about for the hammer. So, in the time available to me here, I will have to wield my hammer with more abandon. If this leads me to overstating my case on some points, I must refer you to my book for a better documented and, hopefully, more well-balanced treatment.

I have come here directly from Sweden, where one of the favourite topics of gossip among economists concerns the award of the first Nobel Prize in Economics. So, I will begin by asking you to consider this question: if John Maynard Keynes were alive today, whom would you nominate for the Prize?

Keynes’s Role in Twentieth-Century Economics?

The question is, of course, merely a cheap attempt on my part to make you consider the topic of my two talks as fresh and alive in some measure, and not just as a mouldy, doctrine-historical subject. Rhetorical tricks are, perhaps, not required today in order to make economists consider Keynes’s role in twentieth-century economics. When I made the decision, some years ago, to write my doctoral dissertation on Keynes, all had been quiet on the Keynesian front for quite some time. *Ex ante* – to be terribly Swedish about it – I had to worry about whether anyone would care to read it. *Ex post*, I have experienced the curious feeling of having been part of a rather sudden and mysterious (since altogether unco-ordinated) outpouring of ink on a subject where it seemed, not so long ago, that the wells had finally run dry.

In recent years, we have had Hutt’s *Keynesianism: Retrospect and Pros-
pect; Lekachman’s *The Age of Keynes*; Stewart’s *Keynes and After*. Roll’s *The World after Keynes* and Hutchison’s *Economics and Economic Policy in Britain, 1946–66* also devote considerable space to Keynes’s influence on the formulation and execution of stabilisation policies in the post-war world. Shackle’s *The Years of High Theory* and Hicks’s *Critical Essays on Monetary Theory* are in large measure concerned with Keynes’s contribution to economic theory.

*Time* magazine in the United States and *Encounter* in the United Kingdom have both discussed ‘whether we are all Keynesians now’ – and, if so, in what sense. Not a very useful query, perhaps; that it is asked at all is, at any rate, testimony in Keynes’s favour that seems relevant to my initial – and equally specious – question. Consider also some of the titles above: *The Age of Keynes, Keynes and After, The World after Keynes*. Try substituting the name of some other twentieth-century economist for that of Keynes . . .

There can be no doubt, I think, that Keynes is generally recognised as the predominant figure among economists of this century. Yet I submit that there is still, more than two decades after his death and more than three decades after his *General Theory*, considerable uncertainty about exactly why he occupies this position. Wherein lies his greatness – not as a man of many achievements in diverse fields – but specifically as an economist, and preferably as an economist’s economist? If we are quite clear on what our subject is all about, where it has been and where it is going, this is a question to which we should have a clear answer. Yet, to return to my hypothetical question: if you had to write the harangue motivating the posthumous award of the Nobel Prize to Keynes, what exactly would you say?

‘Keynesianism’ is a rather amorphous ‘movement’ or ‘school’. The significance of its influence may be considered under at least three different headings: (1) economic theory, (2) economic policy and (3) socio-political ideology. In my book I concentrate almost exclusively on the first topic – Keynes’s contribution to theory. I have nothing to say on the third. (Indeed, I doubt that anything very sensible can be said about it.) But it is not just under this heading, but under the other two as well, that matters are complicated because the propositions, prescriptions and opinions frequently advanced as ‘Keynesian’ bear little relation to Keynes’s views.

**Economic Stabilisation**

Let us first consider the significance of Keynes’s contribution to economic stabilisation. The plea in his behalf is well-known. One finds it developed, for example, in the books by Lekachman and Stewart; I need not paraphrase it here.