

Contents

Acknowledgments	xi
Introduction: Keynesian Economics and the American Polity <i>Gregory P. Nowell</i>	3
The Social Security Debate and the Emergence of Anti-Keynesian Political Leadership	16
Environmental Politics	26
Conclusion	32
Notes	34
Chapter 1. Keynes: An Activist's Life	38
Keynes's Childhood, His Studies, His Clubs	39
Keynes's Professional Life	40
Government Posts and Feckless Negotiations	41
Keynes's Political Engagements: The Manifestos, the Pamphlets, and the Economic History of the 1920s and 1930s	43
Conclusion	46
Chapter 2. Economic Thought on the Eve of the <i>General Theory</i>	48
The English Tradition of Partial Equilibrium Theory	48

Alfred Marshall and Sectors of Economic Activity	48
The Role of Time in Marshall's Principles	49
Marshall's Theoretical Dead Ends: The Very Long Period, the Question of Returns to Scale, and Sraffa's Critique	52
Arthur Cecil Pigou: The Real Balance Effect	55
Marshall and Pigou's Monetary Theory: Macroeconomics and the Real Balance Effect	55
Pigou's Theory of Unemployment	58
The General Equilibrium Perspective	59
Leon Walras and Interdependence	59
General Equilibrium Theory: Its Intrinsic Logic	60
General Equilibrium: A Host of Problems	63
Irving Fisher, Time, and Money in the Theory of General Equilibrium	66
Money in the Theory of General Equilibrium	67
Time in General Equilibrium Theory: The Loanable Funds Market	69
Conclusion: Keynes's Intellectual Culture	73
Notes	76
Chapter 3. Keynes Before the <i>General Theory</i>	77
<i>The Treatise on Money</i>	77
The Analysis of Economic Fluctuations	78
The Paradox of the Indirect Effect	78
The Credit Cycle	79
Mathematics and the <i>Treatise on Money</i>	81
Definitions, Accounting Equations, the Fundamental Equation	81
Results of the Fundamental Equation	83
The Fundamental Equation: An Error?	84

Conclusion: From the <i>Treatise on Money</i> to the <i>General Theory</i>	86
What Premises Did Keynes Have to Give Up?	86
What Was Left of the <i>Treatise</i> ?	88
The <i>Treatise on Probability</i>	89
The Nature of Chance: The Impossibility of the “Frequentist Position”	89
The Urn Example: How We Experience Real Events, from Risk to Uncertainty	90
The Distinction Between Probability and Weight	91
The Uncertain and the Unknown	92
Keynes’s Position on Logical Probability	93
Probability as an Expression of Weak Logic	93
Rules for Calculating Logical Probabilities	93
The Relevance and Methodological Value of a Logical Position	94
Russell, Wittgenstein, Keynes	95
Keynes, Ramsey, and Savage	95
Methodological Impact	96
Conclusion: A Simplified Equation	97
Notes	98
Chapter 4. The <i>General Theory</i> (1): A Reader’s Guide	99
The Labor Market: Point of Departure for Keynes’s Causal Framework	100
The Postulates of the Classical Economics	100
The Classical Position	100
Keynes’s Position: Involuntary Unemployment	102
Rigidity of Nominal Wages, Real Wages, and Prices	104

Nominal Wage Rigidity: A Necessary but Insufficient Condition	105
Real-Wage Rigidity and Price Rigidity: A General Perspective	105
The Equivalence Postulate and the Causal Nexus	107
General Equilibrium: Uncertainty, Money, and the Interest Rate	109
Uncertainty and Decision Making by Entrepreneurs: The Principle of Effective Demand	110
Expected Demand and Effective Demand as a Principle	110
The Missing Auctioneer and the Asymmetry of Entrepreneurs	112
Say's Law and Self-Fulfilling Expectations	113
Uncertainty, the Interest Rate, and Money: The Liquidity Principle	116
Uncertainty and Money: The Speculative Motive	117
Liquidity and Specific Interest Rates: A General Theory for Holding Durable Wealth	119
Reviewing the Causal Nexus: Uncertainty, Hydraulic Thinking, and How to Represent Something by Its Opposite	122
The "Hydraulic Summary" of Keynes's Causal Nexus	123
Between the Cup and the Lip: Uncertainty and the Inadequacies of the Hydraulic Model	126
Conclusion: A Call to Action	129
Notes	129
Chapter 5. The <i>General Theory</i> (2): Macroeconomics	131
The Interest Rate as the Core Analytic Problem of Economics	131
Knut Wicksell	132
Wicksell's Economic Cycle: A Summary	132

Wicksell's Economic Cycle: Some Analysis	134
Friedrich von Hayek	135
The Austrian Capital Theory and the Concertina Effect	135
The Concertina Effect: Some Analysis	137
Prior Savings versus Post-Savings	138
Prior Savings: Principles and Arguments	138
Semantic Questions: Equality or Identity of <i>I-S</i> ? Toward a Spending Economy	139
The Savings-Investment Adjustment Process: The Simple Multiplier Effect and Its Extensions	141
Post-Savings and the Simple Multiplier Effect	142
The Simple Multiplier Effect: How It Works	142
An Underlying Assumption: The Lack of a Liquidity Constraint. Bank Credit to the Rescue of the Simple Multiplier Effect	146
<i>IS-LM</i> with Fixed and Flexible Prices	148
The <i>IS-LM</i> Model: How It Is Built, How It Works	148
The <i>IS-LM</i> Model and Fixed Prices: Verticalists versus Horizontalists	151
<i>IS-LM</i> and Flexible Prices: The Patinkin Interpretation	153
Conclusion: Synthesizing Keynes?	160
Notes	161
Chapter 6. Five Readings of Keynes	162
The First "Synthesis": <i>IS-LM</i> and Its Extensions	162
The Post-Keynesians	164
The Circuit School	166
The Second Synthesis: The New Keynesian Economics	168

Interpretations Based on Radical Uncertainty	170
Conclusion: The Radical versus the Pragmatic Programs of Keynesian Interpretation	174
Notes	176
Chapter 7. Keynes: Daring in Policy and Intellect	177
Bibliography	179
Index	185
About the Author and Translator	201