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Change in Editorship and Notes for Contributors

Tony Aspromourgos and Matthew Smith have been elected as editors of *HER* from 2012. Submissions should be sent electronically to: tony.aspromourgos@sydney.edu.au; matthew.smith@sydney.edu.au. All submissions that pass an initial screening are refereed. Copyright in articles published remains with the author(s). The Editors and HETSA are not responsible for opinions expressed by contributors.

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Keynes and *The General Theory* after 75 Years

Rod O'Donnell*

***Absract*:** On the 75th anniversary of the publication of *The General Theory*, this paper explores the framework of Keynes's thought as a whole, his development of a realistic and insightful analysis of a monetary production economy, and the practical conclusions that these entail. Ranging across philosophy, economics and politics, it comments on the approach needed to understand his distinctive thinking, some of the central elements of his analytical framework, the fate of the Keynesian revolution, his emphasis on reason and humanity, and his hope that individual greed and acquisition might be replaced in the future by non-economic, goodness-enhancing activities. The paper also argues that it is not sufficient to read *The General Theory* in isolation as a self-contained work if one wants to understand its pioneering nature fully. Three questions are posed by way of conclusion—why is Keynes so different from, more difficult to understand, and yet more appealing than, many modern economists?

1 Introduction

The General Theory of Employment, Interest and Money was published on 4 February 1936. The following 75 years, taken as a whole, constituted a turbulent period for macroeconomic theorising and policy-making. The Keynesian 'revolution' occupied the immediate post-war decades but was characterised by a Neoclassical version of Keynesianism rather than Keynes's own ideas. Although the significant changes in economic thinking that occurred were viewed as a revolution, there never was a Keynesian revolution in any deep or genuine sense.[1] Nevertheless the 'revolution', such as it was, provoked a 'counter-revolution' which began in the late 1960s with two phases. The Monetarist phase emphasised orthodox microfoundations and monetary policy but retained a short-run/long-run distinction, while the second phase of so-called Rational Expectations extended these foundations in an artificial and seemingly clever way which abolished the distinction and posited instantaneous adjustment and policy impotence. The response of the mainstream to this was the 'New Neoclassical Synthesis' or New Keynesianism (a more sophisticated version of the earlier Neoclassical Synthesis) which reinforced, rather than halted, the further distancing of modern macroeconomics from Keynes's intended revolution.[2] The one cluster of economists who soldiered on in the background to continue the development and extension of his original framework was the Post Keynesian school.[3]

Over recent decades, however, agreement in the mainstream on macroeconomic theory and policy appeared to be so strong that a period of consensus ('Washington' or otherwise) was declared. Marvin Goodfriend (2007, pp. 59-61) outlined the 'new consensus' on monetary policy and the 'theoretical consensus' in its underpinning macro models, including the core reliance on rational expectations theory. The following year, Olivier Blanchard (2008, p. 1) announced, as a result of a 'largely shared vision', that the 'state of macro is good'. But the global financial crisis was already underway by this stage, and heading

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However, if we are properly to return to Keynes in the sense of his own ideas rather than simplistic, compromised or caricatured versions, we need to understand the actual framework of his thought and his manner of theorising. Only then can we properly evaluate their relevance and modify them as necessary to suit current circumstances. While it is claimed here that Keynes made very important advances which the majority of the economics profession has ignored, it would be silly to contend that his thinking is beyond extension, improvement or correction.[5] On this anniversary, I offer some suggestions as to how better to understand Keynes's thought as a whole, including his valuable contribution in *The General Theory* (*GT*), from a standpoint that implicitly treats it as a point of departure for further analysis.

2 Understanding Keynes

Keynes is quite unlike modern economists. In sharp contrast with most economists today, his intellectual formation was very broad. At Eton, he received a wide classical education, including literature, history, politics, mathematics and science. As a Cambridge undergraduate, he was enrolled in a mathematics degree but his first love was philosophy under the life-long influence of the ethics of G.E. Moore (1903), with politics being a side interest. As a Cambridge postgraduate and young academic, his primary interest remained philosophy (in which field he completed his fellowship dissertation and contemplated a career), followed by a growing interest in economics under the influence of Alfred Marshall, and a continuing interest in politics. From the 1920s onwards, economics came to dominate his thought, politics became more important, and philosophy less immediately so but without losing its grasp on his thought as a whole.

Consistent with this formation, the intellectual canvas on which Keynes wrote was equally large—philosophy, economics, politics, history, society and the arts—so that along with Adam Smith, J.S. Mill, Karl Marx and his father, he is best characterised as a 'philosopher-economist'. To understand many key features of his economic thought, one should thus read, firstly, his writings in *other* areas (philosophy and politics in particular) and, secondly, the writings of those who most influenced him intellectually (Moore and Marshall especially)[6]. In this respect, one should avoid what could be called 'the modern economist's fallacy' (long prevalent in the profession and not restricted to the orthodox), that one can capture an author's economic thought fully just by reading his/her economics, whether as a single work (for example, the *GT*) or a sequence of such works.[7]

The early interpreters of Keynes went astray for several reasons—largely because they read too narrowly, particularly in avoiding his *Treatise on Probability* (the economist's fallacy), and largely because, instead of trying first to understand him in his own terms, they used alien frameworks to interpret him. For many years, John Hicks's Walrasian version of ISLM and Paul Samuelson's Neoclassical Synthesis were taken to encapsulate Keynes's thinking in the *GT*.[8] But even George Shackle, who saw that there was more to Keynes than this, was led astray by

Austrian and Neoclassical lenses. Nowadays, as a result of work by a minority of economists (such as the Post Keynesians and those who brought his philosophy into closer contact with his economics and politics), we know far more about his general framework and the ways in which he theorised and developed policy proposals. We have two main advantages over previous generations in this respect—the passage of time which allows for more research and the dissipation of some tensions (such as those associated with the Cold War), and access to a far greater range of Keynes's writings due to the Royal Economic Society edition and the microfilming of the Keynes papers at Cambridge.[9] None of this, however, has changed the core of orthodox thinking which continues with the misrepresentations and caricatures of the past, and shows little or no interest in dispassionately revising its views in the light of new evidence.

In discussing some of the key elements involved in the better comprehension of Keynes's thought, the paper covers three main areas—philosophy, economics and politics. It argues that, to understand the last two adequately, we first need to understand his philosophy, particularly his *Treatise on Probability* (*TP*) and Moore's *Principia Ethica*. That is, we need to begin where he began, with the philosophies of ethics and probability that he imbibed and developed at the start of his academic life. While the *GT* remains at the centre of the present discussion, its fuller explication requires reference to earlier and later writings.

3 Philosophy (including its Links to *The General Theory*)

Keynes's philosophy is relevant to understanding at least five areas of the *GT*.

i) Fundamental Uncertainty and the Risk/Uncertainty Distinction

Fundamental uncertainty is an essential aspect of the *GT*. Although it received its greatest elaboration in 1936-37, its roots go back to Keynes's fellowship dissertations of 1907 and 1908, later revised and published as the *TP* in 1921. In developing his logical theory of probability, Keynes introduced a distinction between *known* probabilities and *unknown* probabilities. The latter arise when our reasoning power or logical intuition is insufficient to see the logical relations between propositions, such logical relations being the essence of his interpretation of probability. The distinction generates a divide between probabilistic uncertainty and non-probabilistic uncertainty, this being equivalent to the conventional distinction between 'risk' where probabilities are available and 'uncertainty' where probabilities are unavailable. In Keynes's approach, however, the two states are viewed as forms of uncertainty, with the latter corresponding to what is called fundamental, irreducible or radical uncertainty.

ii) A Theory of Rationality under Uncertainty

Keynes viewed uncertainty as the general condition of humanity in all its activities—if and when certainty occurred, it was in the form of special cases rather than the general case. The question then arose as to how rational persons think and behave under these conditions. Here Keynes turned to probability, 'the very guide of life' in Bishop Joseph Butler's phrase. In Keynes's hands, probability is treated as the degree of *rational belief* that one can have in the conclusion of an argument. And from a theory of rational belief it is but a small step to a theory of rational action based on maximising the probable value of one's objective. At its core, it is not an exposition of the calculus of probability, but a theory of rationality under uncertainty integrated with a philosophy of probability. Yet even while focused primarily on rational belief and action with *known* probabilities (something to be expected in a work devoted to probability), the *TP* nevertheless introduced the idea of non-probabilistic uncertainty and passed a few relevant remarks on rationality under these conditions. This opened the door to something other than probability being the guide of life under these conditions, but it was not until the *GT* and subsequent writings that Keynes expanded and elaborated on this significant but less developed part of his theory, thereby creating a theory of rationality under fundamental uncertainty.[10]

In both works, Keynes presented a *non-Neoclassical* theory of rationality under uncertainty. The failure to recognise both that it is a theory of rationality and that it is non-orthodox has led to various misunderstandings and caricatures of his later economics. Each work covers both kinds of uncertainty but focuses on one aspect much more than the other. The *GT*, for example, accepts probabilistic uncertainty but it is non-probabilistic or irreducible uncertainty that plays the dominant role. Because of the two forms of uncertainty, a roughly parallel distinction between two forms of rationality exists according to the circumstances in which rational agents find themselves:

(*a*) Strong rationality, when probabilities are known and probabilities and outcomes can be combined to form probability-based estimations, this form being the main (but not exclusive) focus of the *TP*; and

(*b*) Weak rationality, when probabilities are unknown (because of insufficient reasoning power) or when probabilities and outcomes cannot be combined (because of non-numericality), this form being the main (but not exclusive) focus of the *GT*.[11]

In the latter case, the expectations of rational agents must be based on an alternative to probabilities. Here Keynes introduced 'conventions' as a substitute guide to life (*CW VII*, pp. 152-8; *XIV*, pp. 113-15).[12] These are techniques, stratagems, devices or rules of thumb that rational agents fall back on in informationally or computationally deprived circumstances, with the agents also aware that these conventions rest on precarious foundations. The central idea is *not* that the agents in the *GT* lose their rationality and suddenly become irrational under these conditions; it is that they maintain their rationality but change the *form* of this rationality (from strong to weak, for example) due to their ignorance or inabilities under the circumstances in which they find themselves. After all, what else would a rational agent do?

iii) A Methodology for the Social Sciences

In the *TP*, Keynes demonstrated a method of analysis which, in key respects, is essentially the same as that used in the *GT*. First, analysis focuses on an issue in the real world and remains in contact with this reality as far as possible throughout the analysis. Second, analysis undertakes a logical and conceptual investigation of the problem and its main components. This investigation shapes the thinking about the problem and typically involves recognising a mixture of qualitative and quantitative factors as important, without attempting to collapse them into a single category. Third, having identified the main components, conceptual analysis then turns to formal analysis to see if its tools (formal logic, mathematics or econometrics, for example) can offer assistance. This means the application of formal methods is governed by their conditions of applicability to the material identified by the conceptual investigation. If it turns out that mathematics has limited application or usefulness to the problem, then this is just the nature of the problem and does not cause any fundamental questioning, or re-arrangement, of the conceptual investigation to suit the needs of a subsidiary tool. It also does not imply hostility to, or rejection of, mathematics; it simply means that conceptual analysis is in charge of setting up the problem, and that mathematics can only be a partner in the investigation whenever its conditions of applicability are met. An example in the *TP* concerns its division of probabilities into numerical and non-numerical classes; this limits the application of mathematics to the former, which in turn limits the scope of the doctrine of mathematical expectations. Not surprisingly, Keynes is then sceptical of 'bringing the moral sciences under the sway of mathematical reasoning', partly because it is not the case 'that all quantity is numerical and that all quantitative characteristics are additive' (*CW VIII*, p. 349). Similarly, the *GT* works with the real world, analyses it as a combination of qualitative and quantitative factors, and then develops models incorporating both factors without reducing everything to quantitative calculations by agents. Likewise, there is the same protest against over-mathematised economics:

> The object of our analysis is, not to provide a machine, or method of blind manipulation, which will furnish an infallible answer, but to provide ourselves with an organised and orderly method of thinking out particular problems... Too large a proportion of recent 'mathematical' economics are merely concoctions ... which allow the author to lose sight of the complexities and interdependencies of the real world in a maze of ... symbols. (*CW VII*, pp. 297-8)

iv) Ethical Ends and Economic Means

If asked 'How should we live?', Keynes's remarks over a long period indicate that he would adopt Moore's (1903, p. 189) general stance that the ultimate aim of rational action is to increase intrinsic goodness, with this difference that Keynes would have incorporated uncertainty by saying probable goodness. Either way, this puts ethics, not economics, at the top of our concerns as rational human beings. It stands in stark contrast with the view, exemplified by modern Neoclassical economics, that the purpose of life is incessant striving for higher utility levels through the acquisition of ever-increasing quantities of goods and services. For Moore and Keynes, ethics sets the ultimate ends, and economics, along with other social sciences and humanities, acts as an important means to these ends. It also suggests that economics is not necessarily or always the most important means, and that it needs to be considered in conjunction with other means according to circumstances.

Within this schema, the role of economics is to help establish the material preconditions for ethical advancement, chiefly by providing full employment and satisfactory material and social standards of life for all, which then permits the substitution of non-economic activities (such as better relationships and communities and the proliferation of arts and aesthetic appreciation) for economic ones, so facilitating increases in ethical goodness. This aspect of his thinking, more evident in his other writings, nevertheless lies in the background of the final chapter of the *GT*, which comments on a possible social philosophy concordant with that work. Here Keynes raised ideas concerning social change brought about by ideas rather than vested interests, the ideas mentioned being the future possibilities of playing the money-making game for lower stakes, of transmuting human nature, and of the ideal commonwealth (*CW VII*, pp. 374, 383-4). These ideas are linked to his larger long-term vision, one which raised the possibility of transforming society into a more ethically-oriented whole in which always necessary economic activities would play diminished roles compared to the multitude of non-economic activities that directly promote intrinsic goodness.[13]

v) Rationality as a Driving Force in Social Change

One of Keynes's core beliefs was that humans could influence their own destiny and were not entirely subjugated to systems beyond their control. This applied to situations where existing bad things could be remedied, and to those where more good things could be introduced for greater betterment. Here reason was his essential tool, being necessary for the tasks of developing ethical understanding, analysing how economic and social systems worked, generating effective institutions and policies, and persuading those in decision-making positions. Reason also appealed because it provided the possibility of non-violently changing the social conditions of life so that they could be modified, managed and altered for the better. Ethically, he rejected the Benthamite calculus and its 'over-valuation of the economic criterion' as 'the worm gnawing at the insides of modern civilisation' (*CW X*, pp. 445-6), replacing it with Moore's philosophy, which emphasised intrinsic goodness and organic wholes. Economically, he rejected the economic juggernaut of *laisser-faire* or unregulated capitalism (it was neither intelligent, beautiful nor just) and replaced it with proposals for a market system sensibly managed by a strong state to provide full employment without high inflation, and able to assist in the evolution of a society that promoted ethical goodness above greed and material accumulation, should ever the general populace choose to move in that direction.

4 Economics

Whereas significant continuity over time occurs in Keynes's philosophical framework, no similar continuity characterises his economic thinking, which underwent considerable alteration. This was due to two inter-related factors—deteriorating economic situations domestically and globally, and his changes of mind regarding the adequacy of current theory to explain and remedy these problems. When economic reality changed (as it did regularly on large scales in the early to mid-twentieth century), Keynes notably altered his theoretical or policy position. The greatest change in his economic thinking occurred with the *GT*, some of the main contributions of which are discussed below.

i) Theory

The central components of the *GT* include the principle of effective demand, rationality under irreducible uncertainty, new analytical categories and chains of causation, and a general framework embracing orthodoxy as a special case. All are inter-connected, and all represent major challenges to orthodoxy.

According to the principle of effective demand, aggregate demand and aggregate supply in market-based monetary production economies can generate a spectrum of equilibria in the long and short periods. This quite general theoretical stance rejects the orthodox idea of a unique long-period equilibrium at full employment, but nevertheless accepts it as one of the many possibilities available. *Prima facie*, its generality is scientifically appealing because it does not constrain possibilities at the outset and throws the burden of demonstration onto those who seek to prove that the special case is indeed the general case. The spectrum of equilibria in Keynes's framework comprises both unemployment equilibria (the main focus of the *GT*) and inflationary equilibria (the focus of *How to Pay for the War* in 1940).

A key defining characteristic of these equilibria is the state of long-term expectation (or its synonym, the state of confidence). This is generated by the need for agents to make (weakly) rational investment decisions based on the conventions and psychological factors that come into play under irreducible uncertainty. The most general idea of equilibrium in this analysis is that of a 'shifting equilibrium' (*CW VII*, p. 294), in which the economy is always moving towards a long-period position which itself is moving through time due to ongoing variations in long-term expectations, these being partly related to the disappointment of short-term expectations.[14] It may reach this equilibrium in reality if the exogenous state of expectation is confirmed and remains constant, in which case the economy becomes chronically stuck, or it may never reach it if the state of long-term expectations keeps altering because it has no secure foundations in knowledge or psychology. As crucial determinants of the levels of investment and output, these expectations are also a prime cause of business cycles due to their vulnerability to significant fluctuation.

Consistent with reality, the *GT* analyses a monetary economy in which, due to irreducible uncertainty, money takes on a store of value function alongside other functions. The idea that a money-using, uncertainty-infused economy can be analysed by means of devices such as a barter economy or viewing money as no more than a unit of account has no place in this framework or indeed in any serious analysis of modern economies. The result is that the orthodox separation of monetary from real variables is replaced with their interaction in both the short and long run.

It is also noteworthy that Keynes's framework is one of aggregate demand *and* aggregate supply. The latter tends to be lost in various simplifications of his theory and unsympathetic critiques. In fact, both sides are present, but aggregate demand is the more active and important determinant since the exogenous factors determining it are liable to larger and more frequent fluctuations than those affecting aggregate supply. As a result, the causes of, and remedies for, sub-optimalities are more commonly found on the demand side. It was natural for Keynes to emphasise this side because it was there that almost all of his revolutionary contributions are to be found, but sometimes in explaining his theory (as in chapter 19, for example) he unfortunately chose forms of words that downplayed the ever present supply side. Here it should be remembered that he offered an expanded account of labour supply and was alive to technological change, both of which are supply-side factors.[15]

ii) Policy

Given that market economies move towards sub-optimal positions (whether in equilibrium or slow-moving disequilibria), and given that full employment is a socially desirable goal, it falls to the state to use its powers to promote this goal. In the *GT*, the policy instruments on which Keynes primarily focused were monetary and fiscal policy. Contrary to the view that he took monetary policy to be always impotent, his actual position was that monetary policy had a role to play but that, in general, reliance on it alone was insufficient, and that, in certain circumstances (particularly recessions), its effectiveness could decrease significantly, even to zero. Consequently, attention switched to fiscal policy where his main focus was, for several reasons, on investment rather than consumption as a means of managing the level of demand. To make up for shortfalls in private sector investment, the state was to act as a counter-weight through investment in public works or infrastructure. As the economy recovered, these activities would be wound down to avoid inflationary pressures. To assist the state's readiness to act, a National Investment Board was proposed which would have projects ready for counter-cyclical action against recessions. It is in the sense of the aggregate level coming under state or social control rather than private control that his 'socialisation of investment' (*CW VII*, pp. 164, 378) is to be understood.

But these were not the only instruments available. As his other writings indicate, incomes policy might be necessary to curb inflationary pressures of a cost-push kind, external policies (exchange rates, trade, capital flows) were essential, and international economic and financial arrangements were vital to well-functioning economies. Keynes's core policy proposition, I suggest, is quite general and sensible: all polices are available to promote desired outcomes, and their use, singly or in combination, is always context-dependent.

Keynes is frequently portrayed as paying no heed to budget deficits and being content to let them run up alarmingly. As with many such criticisms, this is again based on a failure to read his relevant writings. Corollary to a countercyclical fiscal policy is a countercyclical budget policy—deficits and debt accompanying higher government expenditure in recessions, and surpluses and repayments accompanying higher government revenues in booms. Keynes made this clear in his 1937 articles in the *Times*:

> Just as it was advisable for the Government to incur debt during the slump, so for the same reasons it is now advisable that they should incline to the opposite policy. Aggregate demand is increased by loan expenditure and decreased when loans are discharged out of taxation. ... The boom, not the slump, is the right time for austerity at the Treasury. (*CW XXI*, p. 390)

Budget smoothing over an appropriate time frame is the key to his budgetary policy, a position accepted in principle by the major political parties in Australia (even if some are less outspoken on its Keynesian origins).

In sum, the *GT* presents a conceptual framework, methodology and policy stance that are more realistic, open and general than those of orthodoxy. Theoretically, it admits a much wider range of factors as fundamental influences on economic outcomes, methodologically it emphasises realism and inclusiveness and, practically, it does not restrict itself to particular policies as universal panaceas but admits all policy instruments as having potential roles to play depending on circumstances.

5 Politics

Keynes favoured a strong effective state—including here the central government, all publicly owned or managed entities, and other levels of government. Such a state would be of significant size but not large or all-controlling for he favoured an active private sector and firmly rejected central planning. But neither could it be small for he advocated planning of a different kind in which the state promoted social objectives such as full employment and reduced inequalities, the lack of which were seen as two of the great failures of capitalism (*CW VII*, p. 372). Socialising investment through bringing its aggregate level (and broad composition) under social control exemplifies his stance of drawing on the strengths of all relevant institutions in a mixed economy—decentralised private agents, semi-autonomous public corporations (self-managing entities ultimately subject to parliament), and the central authorities.

All this was to be conducted within the context of democracy and its foundation of individual liberty, for Keynes was well aware of the oppression and loss of freedoms in both the Soviet Union and in Nazi Germany. To this end, he espoused a politics consisting of an amalgam of the progressive elements in both liberalism and socialism. The strengths of each—liberalism's emphasis on individuality, freedom and variety, and socialism's emphasis on planning, humanity and social justice—were to be harnessed and combined in fruitful alliance so as to pursue the three primary goals of economic efficiency, individual liberty and social justice within the organic whole of society.[16]

However, Keynes's ultimate goal was not to save capitalist society from itself, but to transform it into a more ethically-oriented entity which could facilitate increasing amounts of intrinsic goodness as set out in Moore's ethical philosophy. Despite its lack of intelligence, beauty and justice, capitalism was nevertheless tremendously useful in developing the preconditions for comfortable material standards of living for the population as a whole, on which foundation could be built a more ethical society (subject to the absence of major conflicts and significant population increases). None of this was to be imposed by force, however. It was presented as a desirable and more rational future for humanity to which the populace could be persuaded by reasoned argument, not coercion. He strongly opposed violent revolutions or upheavals on the consequentialist grounds that they sacrificed much of value in the present, offered uncertain futures, and would almost certainly produce wholes of lesser goodness than those attainable by more moderate means.

6 The Far From Finished Revolution

Evidently, the revolution in economics for which Keynes had striven remains unfinished.[17] The first Keynesian 'revolution' was not properly based on his foundations but on the Neoclassical Synthesis, which interpreted his thought as a special case within the general theory of orthodoxy.

The revolution is uncompleted in two senses. First, circumstances conspired against giving Keynes himself the chance to explain or expound his own thinking more fully. His time as a theoretical economist was foreshortened by his heart attack in 1937, the period of the war (1939-45) and his untimely death in 1946. He was certainly well aware that much more needed to be done by way of extension, clarification and debate. The *GT* had initiated the discussion by setting out a general analytical framework and associated theories which were then to be further elaborated through the cooperation of minds, including his own. To this end, he drafted projects for two future works, notably 'Footnotes to the General Theory' in 1937 and, more remarkably, a 10- or 12-volume work entitled 'An Introduction to Economic Principles' around 1938. Unfortunately, neither was completed.[18]

After his death, the 'counter-revolution' gradually became more ascendant. In the postwar period, although his name was frequently mentioned, it was typically attached to a distorted version of his thought and, as time passed, he became less important to the mainstream. But his background influence was never extinguished because of the theoretical and practical shortcomings of orthodoxy and the strengths of his own framework. If and when he is discussed nowadays by orthodoxy, it is still predominantly in the form of what can only be described as an intellectually disgraceful caricature that shows none of the respect, cooperation or goodwill that he claimed for all authors. It has been left to those who insist on the relevance and importance of the framework of the *GT* to continue his revolution, but within the profession these economists represent a productive but embattled minority.[19] The discipline of economics loses doubly here—it loses Keynes's theoretical insights into the workings of market-based monetary production economies, and it loses practical influence by being unable to provide adequate policy responses to ongoing major events, the most recent being the global financial and economic crises.

7 Conclusion

I conclude by posing three questions, and offering partial answers.

i) Why is Keynes so different from orthodox economists?

First, his analysis is non-Neoclassical in many (but not all) respects. The failure to recognise this leads to the imposition of alien frameworks in trying to understand him. Second, his analysis has both macrofoundations and microfoundations; for it seeks to analyse the behaviour of the economic system as a whole with which is integrated the circumstances and behaviour of individual agents. Third, he does not begin with the orthodox assumptions of theoretical individualism, insatiability, scarcity and their ancillaries. Fourth, he insists on bringing uncertainty *seriously* into the core of economics, the outcome not surprisingly being radically different conclusions from those based on perfect knowledge and ability. Finally, economics is not elevated into being an end in itself, but is treated as the servant of higher ends.

ii) Why is Keynes more difficult to understand than orthodox economists?

In addition to the differences noted above, the first issue is his strategy for innovative scientific work. The two elements of this strategy were a strong preference for short over long gestation periods, and an expectation that the cooperation of minds would extend and develop the conceptual framework he advanced and fill in the gaps created by short gestation periods.[20] But such a strategy allows for many possible responses, and its overall outcome turned out to be far from supportive of his enterprise. Not all minds understood his theory well enough, not all were up to the task, and not all were cooperative (with many imposing their own agendas or expressing complete hostility), the result being that simplifications, distortions and caricatures predominated over informed elaboration and improvement. Second, the underpinnings of important parts of his thought are not widely appreciated, particularly the ideas of Moore and the *TP* in the case of philosophy and of Marshall in the case of economics. Third, it was not always evident that his thought was typically coherent and logical, for it was unfortunately not always clearly expressed, as he himself acknowledged from time to time. And finally, he was prevented by external events from clarifying and extending his work.

iii) Why is Keynes more appealing than orthodox economists?

First, his thought is grounded in reality, and not in some artificial, impossible world. Second, it expresses a respect for logic, common sense and science over conventional thinking and ideology. Third, it accepts that economics is not a self-sufficient discipline that can rely only on formal tools for its advancement, but needs to be tolerant of, and cooperative with, other social sciences and humanities, and to accept that qualitative factors and discourse are as important as mathematical analysis and econometrics. Fourth, he himself possessed many of the qualities he attributed to the 'master economist' who is able to combine philosophy, history, mathematics, politics and psychology with the staple fare of economics (*CW X*, pp. 173-4). Fifth, in both theory and policy, he was tireless in his attempts to improve understanding and develop effective policies and institutions that would create a better world. Sixth, he had an unparalleled capacity for eloquent prose, whether in praise or criticism. And lastly, there is his humanity which shines through most of his writings at both the individual and social levels. Though embroiled for most of his life in economics, his thought rose above the purely material to offer a humanist ethical vision of a desirable future.

In early philosophical essays from 1905 to 1910, Keynes explored the question of 'being good' and 'doing good'. At the time, he found no necessary connection between them but granted that both had claims on him, a dual motivation resoundingly exemplified by the rest of his life. If I were asked to choose just two words to characterise Keynes's thought as a whole, they would be reason and humanity.

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Notes

1 One can view this statement in two ways—either from a Post Keynesian perspective in which the work of carrying on with Keynes's revolution to develop a non-orthodox framework for economics is unfinished (an instance of which is Pasinetti 2007), or from a more orthodox perspective in which the development of mid-twentieth century macroeconomics was the product, not of one dominant mind carrying all before it, but of many minds (before, including, and after Keynes) which coalesced into the ISLM model (see Laidler 1999). From the former viewpoint, the latter indicates how Keynes's intended revolution was undermined and dissipated by orthodoxy.

2 It remains as remarkable today as it was decades ago, when Geoff Harcourt (1987, p. 2) noted it, that economists can be called 'Keynesians' without any contact with the actual propositions and framework of the *GT*.

3 While containing useful comments and insights, Alan Coddington's (1976) early classification of Keynesians into three types (fundamentalist, hydraulic and reconstituted reductionist) is inadequate in relation to the *GT* itself, and in relation to more comprehensive and better-grounded interpretations of Keynes's work.

4 Akerlof (2007), Colander *et al.* (2009), Krugman (2009), Stiglitz (2009) and Skidelsky (2009) provide examples.

5 One example here is Post Keynesian debates over whether an endogenous money supply is a necessary condition for Keynes's long-period theory of unemployment; see Docherty (2005).

6 Skidelsky (1983, pp. 154-7; 2009, pp. 154-60) views Edmund Burke as a further fundamental influence, but it is not difficult to show that this is mistaken (see O'Donnell, 1989, pp. 276-85; 1991a, pp. 8-10).

7 Adam Smith is another prime example.
8 On the emergence and nature of the ISLM model, see Young (1987) and Layard (1991, chs 1, 12), for example.
9 However, a large quantity of unpublished writings still exists.
10 Although Keynes first analysed rationality under uncertainty in a philosophical framework, it would have been supplemented by his reading of Marshall's economics which noted the 'reasonable behavior of businessmen...in their own uncertain environments' (Harcourt, 1987. p. 4).
11 For further discussion, see O'Donnell (1989, chs 4, 12) and (1991b, pp. 13-20, 40-45).
12 All references to the *Collected Writings of John Maynard Keynes* (Keynes 1971-89) take the form of *CW* followed by the volume number and page number(s).
13 Although Sen (1987) does not discuss Keynes in his distinction between ethically-oriented and engineering-oriented approaches to economics, Keynes (like Smith, J.S. Mill, Marx and Edgeworth) is an instance of the former.
14 See Kregel (1976) for further discussion.
15 See also Harcourt (1987, pp. 8-9).
16 In 1939, he termed this 'liberal socialism' (*CW XXI*, p. 500).
17 See also Pasinetti's (2007) discussion of Keynes's 'unaccomplished revolution'.
18 For details on these and other planned but unwritten works, see O'Donnell (1992).
19 See, for example, the contributions in the two Harcourt and Riach (1997) volumes discussing a 'second edition' of the *GT*, and Pasinetti's (2007) proposals to accomplish Keynes's revolution by means of a two-stage analysis within a production paradigm rather than a single-stage analysis within an exchange paradigm.
20 See O'Donnell (2006).

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