

depends on one's opinion of the quality of economists' ideas, and whether the faith itself is justifiable is another question" (Knight 1937, p. 363).

Each of the examples described briefly above provides an alternative place from which to compare the economics of Keynes and Knight. Greer might respond that his purpose was to compare the two authors' economic philosophies and that, because uncertainty was central to each man's philosophy, the focus on uncertainty was appropriate. I do not entirely disagree with Greer, but I simply want to point out an obvious problem with his investigation. Whether uncertainty was central to each of their economic philosophies or not, their work met at many points, and a fuller investigation of their interaction would provide a better base upon which to build a comparison of the two men's economics and social philosophies.

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Geoffrey C. Harcourt, *50 Years a Keynesian and Other Essays* (Hampshire and New York: Palgrave, 2001) pp.xii, 364, \$69.95, ISBN 0–333–94633–2; *Selected Essays on Economic Policy* (Hampshire and New York: Palgrave, 2001) pp.xvi, 354, \$69.95. ISBN 0 333 94632 4.

These two volumes contain forty-eight of Geoffrey Harcourt's essays. *The Selected Essays on Economic Policy (Selected Essays)* contain virtually all his writings on policy, beginning from the late 1950s. The essays in *50 Years a Keynesian* were all published during the last ten years and the vast majority in the second half of the last decade. It is the intellectual biographies, tributes, and eulogies in this volume that will be of most interest to readers of this *Journal*.

The two volumes tell us much about one of the kindest and most generous souls in the profession. Harcourt is such an affable and social character. He

describes himself as a “Jewish Methodist” and “Democratic Christian Socialist” (*Selected Essays*, p. 212) who is “proud to be an Australian patriot and a Cambridge economist” (*Selected Essays*, p. 306). We learn that he spent “5  $\frac{1}{2}$  years of direct action averaging 2  $\frac{1}{2}$  days a week on anti (Vietnam) war activities” (*Selected Essays*, p. 10), and that he nearly died four times between 1992 and 1994. On one occasion it was Hy Minsky that saved his life. Chapter 15 in *Selected Essays* on “Making Socialism in Your Own Country” is hilariously funny and a perfect example of Harcourt’s self-deprecating sense of humor.

Harcourt believes that the purpose of our discipline is to generate economic policy proposals that lead to a more just and equitable society in which the sentiments to be encouraged are those that Adam Smith emphasized in the *Theory of Moral Sentiments*: altruistic, compassionate, and tolerant attributes in human beings. It is clear that contemporary economic policy has not satisfied these objectives. Instead, it has “destroyed full employment as a goal . . . greatly increased the inequality of the distribution of income and property . . . created an underclass and destroyed the dignity, self-respect and hope of large numbers of their citizens, . . . (and) substituted ridiculous rewards for paper shuffling for just rewards for making real and useful things” (*Selected Essays*, p. 233). A 1974 paper rallies against “inhumane and inappropriate” policies that deliberately create unemployment in order to shock the system to reduce inflationary expectations, although, at that time the inhumane rate of unemployment was “at least three per cent of the workforce” (*Selected Essays*, p. 199). How times have changed.

Inherent instability, and a long-run tendency for a lack of effective demand, characterize the capitalist economy. Governments need to be strongly interventionist to deal with this. Private investment decisions need to be socialized and public ownership of private firms may be required (*Selected Essays*, pp. 93–94). While Harcourt opposes the use of discretionary government expenditure for demand management purposes, he sees a very active role for taxation incentives (*Selected Essays*, p. 192). A “social contract” where workers restrain their money wage demands in return for redistribution through the public sector is seen as essential. Tax-based incomes policies and indexation are strongly supported.

Harcourt believes that some markets are not strongly equilibrating but instead exhibit cumulative causation processes. He singles out the markets for labor, foreign exchange, financial assets, and housing. In these markets stocks dominate flows, speculation dominates enterprise, power is not equally diffused, and prices give complex signals (*Selected Essays*, p. 236). “Interventionists such as myself” (*Selected Essays* p. 228), says Harcourt, see the need for regulation and control in these areas. Selective credit rationing and a return to fixed exchange rates are suggested policy responses. The taxation authorities are given very important roles in Geoff’s policy agenda. For example, they are to closely scrutinise the turnover of the foreign exchange dealers and penalize any “speculative activities” with a higher rate of taxation (*Selected Essays*, p. 259). For individuals, a surtax on their income tax would be levied according to the extent of their speculative activities. The taxation of dividends (and presumably capital gains) would depend on the length of time that shares are held. These taxation schemes to curb speculation on the stock exchange, foreign exchange and housing market, would

place an (unrealistically) heavy burden on Tax administration and compliance. Recent Australian experience with a goods and services tax suggests great caution in this area.

The *50 Years a Keynesian* volume presents a very sympathetic portrayal, and an attempt to preserve the Cambridge UK tradition. “The Cambridge Contribution to Economics” is the final essay in the volume and captures the essence of Harcourt’s contributions. To the believers “space is a devise to stop everything happening in Cambridge,” while for the heretics this volume is just the retelling of old stories of an age long past, and of insignificant importance to the profession today.

Harcourt says, “I still believe in heroes and heroines” (*Fifty Years a Keynesian*, p. 330). The volume contains some delightful pen portraits of Cambridge economists and members of the post-Keynesian community. There are intellectual biographies of Joan Robinson, Lorie Tarshis, Austin Robinson, Karl Marx, and Keynes. There are tributes to George Shackle, Joseph Steindl, Bill Phillips, Piero Sraffa, Hy Minsky and, in the earlier volume, Eric Russell and John Cornwall. Phillips fits uncomfortably, but it is really a piece about the “bastard” Keynesians.

Upon returning to Cambridge in 1982, Harcourt set to work on the intellectual history of Joan Robinson and her circle—Austin Robinson, Richard Kahn, Piero Sraffa, Nicholas Kaldor, Michal Kalecki, Dick Goodwin, Maurice Dobb, Luigi Pasinetti and, of course, John Maynard Keynes (*Selected Essays*, pp. 17, 233; *Fifty Years a Keynesian*, p. 20). Harcourt is quite miffed at the relative lack of Nobel Prizes awarded to Cambridge economists, for in his eyes it was they that made the really outstanding contributions. One can see this in chapter 17 in *Fifty Years a Keynesian*, which was written as a review article on the achievements of fifty years of empirical research at the NBER Conference on Research in Income and Wealth. Instead, we find a glowing account of the empirical work at the Cambridge Department of Applied Economics, which is far more favorably assessed than the NBER alternative.

In the essays collected here, one finds very few critical comments on the contributions of this “circle.” Indeed, it is quite a challenge to find any. One is more likely to find statements like the following: that Piero Sraffa “was one of the most important intellectual influences of the twentieth century” (*Fifty Years a Keynesian*, p. 343) or that Luigi Pasinetti was perhaps “the last great system builder in our profession” (*Fifty Years a Keynesian*, p. 351). Kalecki’s role is particularly highlighted. He is said to have had a decisive influence on Joan Robinson (*Fifty Years a Keynesian*, p. 97). Arthur Okun and Joseph Stiglitz are favorably mentioned, but it is pointed out that Okun’s ideas came from Kalecki (*The Selected Essays*, p. 205) and that Stiglitz leaned from Kaldor while at Cambridge (*The Selected Essays*, p. 309), while Kaldor, in turn, was indebted to Kalecki. Harcourt’s own indebtedness to these individuals is apparent in his favorite theoretical paper that combines “a macroeconomic theory of distribution, a Kaleckian/Keynesian theory of employment, a Salterian discussion of the choice of technique, a Kaleckian/Robertsonian approach to price-setting, and Sraffa’s emphasis on production interdependence” (*Fifty Years a Keynesian*, p. 13).

Harcourt’s criticisms are often so delicate, that it really is an art form. In *Fifty*

*Years a Keynesian*, chapter 4, he clearly thinks Rod O'Donnell's criticism of Robert Skidelsky is wrong, but look at the way he says it:

As for Rod O'Donnell's masterly account of Keynes's philosophy and economics, if it has one limitation . . . it is *too* systematic, explicit and formally logical . . . Rod O'Donnell is so systematic a thinker himself—to the benefit of us all—that he may not have fully perceived or appreciated how Keynes could have done what he did without following the same systematic path (*Fifty Years a Keynesian*, p. 63).

Who wouldn't like to be chastised in that way?

In other places, asides are made about how “both Austin and Joan came from not dissimilar niches in the intricate strata which constituted then (and now) the British class system” (*Fifty Years a Keynesian*, p. 307). Harcourt reprints a quote from Hahn about Austin Robinson who was “apt to favour those he knew—especially in Cambridge—when it came to jobs and honours. This was not really a sign of the ‘old school tie’ syndrome. He simply took it for granted that the best minds, and indeed the morally most reliable minds, were to be found in Cambridge. After that he would allow some merit to Oxford and London, but not much beyond that” (*Fifty Years a Keynesian*, p. 150). There are hints of racism (*Fifty Years a Keynesian*, p. 311). Joan Robinson is also said to have been too harsh on the Americans and too starry-eyed about China and North Korea (*Fifty Years a Keynesian*, pp. 318, 320–21 n.3).

In both volumes Harcourt develops post-Keynesian themes. Post-Keynesianism, he says, “is an extremely broad church. The overlaps at each end of a long spectrum of views are marginal, reflecting little more than a shared hostility towards mainstream neoclassical economics and methodology” (*Fifty Years a Keynesian*, p. 263). While he sees this “church” carrying the true Keynesian torch, he is willing to form strategic alliances with all types of Keynesians to create a united front to fight the external threat from Monetarists and new classical macroeconomists.

Readers of this journal will enjoy the biographical sketches and tributes in these volumes, although they will be put off by the annoying repetition and the republication of at least one paper that the author admits “is a complete muddle” and “silly” (*The Selected Essays*, p. xi, 112). The intellectual biographies tell us at least as much about Geoffrey Harcourt as they do their subjects and, given the affection in which he is held in Australia and Cambridge, they are a fitting tribute to his beliefs and lifetime achievements.

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Emma Rothschild, *Economic Sentiments: Adam Smith, Condorcet and the Enlightenment* (Cambridge, MA: Harvard University Press, 2001) pp. ix, 353, \$45. ISBN 0 674 00489 2

Emma Rothschild does not beat about the bush. Her opening sentence in the introduction is short and to the point: “This book is about *laissez-faire* when it