social environment where it is grown and that may react on that very environment: an instance of a presupposed ontology reflecting the idea that reality is an interconnected whole (to put it in the philosophical language that occupies important parts of the book). Sen's capability approach, whose discussion we find in the third part of the book, is claimed to be essential to the definition of surplus (by providing criteria to define customary standards of living) and to be the proper instrument to address the issues of inequality, obviously related to distribution.

To sever any link with mainstream marginalist theory, following Pierangelo Garegnani's and Luigi Pasinetti's works, Keynes's approach is merged by Martins with Sraffa's, leaving aside both the analyses based on the concepts of liquidity preference and marginal efficiency of capital. These are taken to depend on conventional bases, which suggests that their understanding should be pursued within the field of social theory.

Martins approaches classical political economy as focused on production and distribution of the economic surplus, and distinguishes it from modern neoclassical or marginalist economics, which is constructed as the study of allocation of scarce resources. This immediately connects classical political economy to the central problems of modern industrial societies, which are seen as more closely related to the allocation of produced surpluses rather than of scarce resources. Surplus distribution, in turn, is presented as determined by customs and institutional arrangements, which establishes a link with the field of ethics—also necessary to the assessment of that distribution and to the design of different distributive structures.

A similar broadening of horizons comes from the idea that economics must be seen as a branch of social theory (i.e., as a social science) and that reducing economics to mathematical-deductivist models, where the existence of exact regularities is a priori assumed and where the complexity of internal and external relationships is dramatically played down, is doomed to produce equally dramatic failures. Price determination, division of labor, conditions of economic reproduction, social classes, individual human beings and their relationship to social structures, the nature of human well-being, all become crucial keys to the development of the *Cambridge Revival of Political Economy* and of its opposition to neoclassical economics.

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G. C. Harcourt, *On Skidelsky's Keynes and Other Essays: Selected Essays of G. C. Harcourt* (London: Palgrave Macmillan, 2012), pp. xi + 342, $110 (hardcover). ISBN 978-0-230-28468-5.

doi: 10.1017/S1053837216000961

I. OVERVIEW

The book under review is composed of many essays written, mainly, in the first decade of this century by Professor Geoffrey Colin Harcourt, an eminent economist representing the Cambridge Keynesians; it covers a wide range of related theories, book reviews, intellectual biographies, an autobiography, and so forth. Therefore, by its very nature, the book deals with diversified themes, which makes it somewhat difficult for a reviewer to decide where the focus should be directed. That said, the author's fundamental views or stances running through the book are fairly evident, which is why the reviewer has chosen to take up and discuss these views or stances rather freely.

II. PROFESSOR HARCOURT'S CENTRAL MESSAGES

The author's main messages—two messages in this section, and two in the next section—running through the book might be summarized as follows.

Message 1

The essential path of economics has been traced out by economists Michal Kalecki and Richard Goodwin, who are most highly evaluated for their "cyclical growth approach" (pp. 221, 230, 323), and Nicholas Kaldor for "his cumulative causation processes," which is explained in terms of "two types of wolf pack—convergence or cumulative causation" (pp. 228, 230, 323). Also recognized as major pathfinders are Joan Robinson and Piero Sraffa, who are highly praised for construction of the Classical theory of value (p. 206), and Luigi Pasinetti.

These economists are presented as the main figures representing the essential course of economics: that is, the Cambridge Keynesian School (hereafter CK), which developed after the Second World War.

The CK has conspicuous features. First, it lays its foundations on David Ricardo–Piero Sraffa–Karl Marx's theory of value, in spite of the fact that John Maynard Keynes praised the Malthusian theory, rejected the Ricardian theory, used a method of equilibrium analysis in various areas, and neglected Marxian theory. (It should be noted that this first feature was not recognizable in the Cambridge of the interwar period.) The author evaluates Marx highly as being on an equal footing with Keynes (ch. 6).

Second, the CK claims to be the true successor to Keynes's theory (see section III below).

Message 2

The wrong direction in economics was taken along the Alfred Marshall–Arthur Cecil Pigou line, which emphasizes equilibrium (the first group of the 'wolf pack' analogy): i.e., the line based on neoclassical theory (p. 324). It includes not only the "neoclassical synthesis," but also the New Classical economists (p. 76), as well as the New Keynesians (p. 231).

We will begin by considering the neoclassical synthesis, which had been the mainstream economics, including Keynesian economics at the macroeconomic level and Walrasian economics as the microeconomic component until the 1970s. The Keynesians who belong to this synthesis are simply called "Keynesians," represented notably by Paul Samuelson, James Tobin, and John R. Hicks. The IS-LM model is emblematic here. The CK, as represented by Robinson, Sraffa, and Pasinetti, criticized the Keynesians on various points, including the concept of price as index of scarcity, "the need to measure capital in units independent of value and distribution, [and] a method which used comparisons based on differences to analyze processes associated with changes" (p. 324).

Returning to the neoclassical synthesis, Keynesian economics gave rise, in tandem with empirical analysis by means of econometrics, to the "Keynesian Revolution," and exerted a great influence, not only on economics, but also on economic policy and social philosophy.

At the level of history of economic thought, the CK was not able to 'rule the roost' in the world of economics.

The author points out two phenomena that allowed for the dominance of the neoclassical synthesis. One lies in the fact that many economists had been brought up on Samuelson's textbook, *Economics*, while Lorie Tarshis's was neglected, which had tragic consequences (p. 150). The other is that the prevalence of understanding Keynes's theory in terms of the general equilibrium framework brought about another tragedy (p. 151).

Let us now turn to the New Classical economists and the New Keynesians—recent phenomena in macroeconomics. The author seems to sum them up, following Robinson, as "Pre-Keynesian theory after Keynes" (p. 257). The New Classical economics, with the representative agent with rational expectations, has become the orthodoxy since the 1980s, while the New Keynesian economics has emerged, with its belief in the stickiness of the market mechanism and acceptance of the theoretical tools of the New Classical economics. (The reviewer agrees with the author in holding that they are not useful in capturing the real world.) The author laments that Cambridge has, at present, become a US clone (p. 219).

In this connection, we may observe that the neoclassical synthesis, like the Keynesians, has disappeared from economics, except for introductory courses. Most macroeconomists had become either New Classical economists or New Keynesians, but the Lehman Shock has shattered confidence in them, and we have since seen a revival of the original Keynes. However, nobody knows how genuine macroeconomics should be constructed.

With regard to the post-Keynesians, the book deals solely with the CK. The explanation of, among other things, the CK in chapters 21 and 22 is very instructive.

The 1980s saw the famous Trieste post-Keynesian summer schools underway. The three different strands gathered there: the US post-Keynesians (Paul Davidson, Hyman Minsky), the Cambridge Keynesians (Kaleckians), and the Sraffians (neo-Ricardians). Their differences led to what came to be known as the "Trieste Problem." In a word, in Cambridge, through Robinson, Kalecki, and Srafa, the second and third groups became prevalent (we have so far referred to them as the "CK"). The author belongs to this group, adopting the so-called "horses for courses" approach, although in this book, unlike in some other books of his, he does not specifically dedicate a chapter to this complicated problem.

III. ON THE *TREATISE* AND THE *GENERAL THEORY*

Message 3

The *General Theory* has the following features (cf. pp. 224, 322):

central position of the rate of interest
determination of prices different from that of neoclassical economics
analysis by means of aggregate demand and supply functions

https://doi.org/10.1017/S1053837216000961 Published online by Cambridge University Press

short-term analysis
underemployment equilibrium
monetary analysis from the start
importance of uncertainty and shifting equilibrium

Message 4

The *Treatise* belongs to the Marshall–Pigou line, including the quantity theory (pp. 26, 222). General equilibrium theory is also included here. Keynes then developed quite a new (revolutionary) theory in the *General Theory*.

With regard to Message 3, the reviewer is in total agreement. In my understanding, there are three central themes we can identify as running through the *General Theory*: 1. contrasting potentialities—stability, certainty, and simplicity versus instability, uncertainty, and complexity; 2. monetary economics; and 3. underemployment equilibrium as embodying equilibrium, stability, and fluctuation.

As for Message 4,[1] I regard the *Treatise* as belonging to the Wicksell connection—a new monetary economics, criticizing the quantity theory, the classical dichotomy, and Say's Law.

The most significant feature of the *Treatise* theory might arguably lie in the coexistence of a Wicksellian theory and "Keynes's own theory." What characterizes the period up to mid-1932 was that Keynes maintained and improved upon "Keynes's own theory," disregarding the Wicksellian theory. Towards the end of 1932, he put forward a new formula for a system of commodity markets in the manuscript entitled "The Parameters of a Monetary Economy." From there emerged the model consisting of a system of simultaneous equations, based on the equality of investment and saving, in which profits do not relate to the determination of prices and output. This marked a turning point towards the *General Theory*.

The three 1933 manuscripts constitute the origins of chapter 3 of the *General Theory*. They substantially discuss both an equilibrium condition for the level of employment and its stability condition, although no concept appears corresponding to the aggregate supply function of the *General Theory*.

By the end of 1933, he had established the following points: a system of determining the level of employment; the consumption function; the fundamental psychological law; the liquidity preference theory; the marginal efficiency of capital; and the multiplier theory. In the spring and summer of 1934, Keynes put forward almost the same theoretical framework as that of the *General Theory* in the area of consumption and investment theories (the "eve of the *General Theory*").

Through these passages, Keynes finally arrived at the *General Theory*.

IV. ON KEYES'S ACTIVITIES IN WW II

The author reviews Robert Skidelsky's *John Maynard Keynes* in great detail. There are many instructive points. Here I will confine my attention to XV–XVIII (pp. 43–48), which address Keynes's activities during World War II. The author highly evaluates

[1]What follows comes from Hirai (2008).

"How to Pay for the War," noting three significant points (p. 47). He also argues that the defeat of the International Clearing Union (ICU) plan (Keynes's plan) in favor of the White plan (p. 264) represented a loss for the postwar world.

In this respect, the reviewer would add a further point: might we see the "internationalist" system designer and political pragmatist as two facets of Keynes? I find them constantly appearing in his postwar activities in the commodity problem, the rescue and reconstruction problem, and an international monetary system negotiation. Keynes as a system designer formulated proposals showing excellence at the level of "internationalism," while, in the process of negotiations, he revealed his capacities as a political pragmatist pursuing the interests of the British Empire.

In the case of the international monetary system, around June 1943, Keynes, in practice, put his own ICU plan aside, and tried to arrive at some sort of compromise by reforming the White plan through monetization of unitas. This effort failed due to the resistance of the US. In the end, Keynes even came around to justifying the White plan on the ground that it was much more crucial to secure financial aid from the US—a justification difficult to understand from the point of view of the ICU plan.

V. ON SOCIAL PHILOSOPHY (EVALUATION OF CAPITALISM)

The author argues that democratic socialism, as advocated by Kalecki, would be the best way forward. Nevertheless, he acknowledges that the time for it has passed, so the "mixed economy" (a more humane economy) should be the second best (p. 267).

He also argues that capitalism should be examined as a cumulative causal relation rather than in terms of the equilibrium point of view, and is highly critical of neoliberalism (as the title of chapter 7 shows).

He has been involved in Australian political and economic issues for many years. He advocates an incomes policy linked to the issues of pension reform and the labor market. These issues are considered in relation to Kaleckian theory (pp. 144, 265). He also emphasizes the Kaleckian dilemma in managing the economy before and after full employment (pp. 143, 260–261).

Unlike the usual academic books, this book contains the author's biography (his racial identity and situation, activities in the anti-Vietnam War, for example) and book reviews of many distinguished economists with whom the author has worked—Pasinetti, Athanasios Asimakopulos (the latter of which the reviewer found most interesting)—and so forth.

To resume my opening remarks, the book is rich in a wide range of topics. For all readers it represents (as indeed it has been for the reviewer) a good opportunity to approach various topics anew through the author's own perspective and views.

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