

Seymour E. Harris, ed.

160

The New Economics: Keynes' Influence on Theory and Public Policy (NY: Knopf, 1947)

Lloyd George pamphlet and the Kahn article, were Keynes' contributions to a report of the Macmillan Committee¹⁴ and his University of Chicago Harris Foundation lectures on unemployment in the summer of 1931. In these lectures, Keynes has not quite liberated himself from the terminology of the *Treatise* (*vide* his emphasis on "profits"); but the notion of the level of income as being in equilibrium at a low level because of the necessity for savings to be equated to a depressed level of investment is worked out in detail.

From here to the *Means to Prosperity* (1933) is but a step; and from the latter to the *General Theory* but another step. From hindsight and from the standpoint of policy recommendations, each such step is small and in a sense inevitable; but from the standpoint of having stumbled upon and formulated a new system of analysis, each represents a tremendous stride.

But now I shall have to desist. My panegyric must come to an end with two conflicting quotations from the protean Lord Keynes between which the jury must decide:

In the long run we are all dead.

. . . The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas . . . Soon or late, it is ideas, not vested interests, which are dangerous for good or evil.¹⁵

¹⁴ Young economists who disbelieve in the novelty of the Keynesian analysis, on the ground that no sensible person could ever have thought differently, might with profit read Hawtrey's testimony before the Macmillan Committee, contrasting it with the Kahn article and comparing it with Tooke's famous demonstration in his *History of Prices*, Volume I, that government war expenditures as such cannot possibly cause inflation—because what the government spends would have been spent anyway, except to the extent of "new money" created.

¹⁵ *General Theory*, pp. 383-4.

This is the last page of an article by Paul A. Samuelson, pp.145-160, in which he discusses Keynes' The GENERAL THEORY.

[161]

CHAPTER XIV

The General Theory (4)

By GOTTFRIED HABERLER

1.

I SHALL confine myself in this essay to the purely scientific content of *The General Theory of Employment, Interest, and Money*, the most famous of Keynes' economic works, whose tenth anniversary unhappily coincided with the death of its author. In the light of ten years of intense and voluminous discussion, what remains of the Keynesian revolution, of the New Economics? What will be the verdict of a historian of economic thought one hundred years hence? There is no doubt Keynes stirred the stale economic frog pond to its depth. He has kept economists in a state of agitation for the last ten years, and probably for many years to come. The brilliance of his style, the versatility, flexibility, incredible quickness, and fecundity of his mind, the many-sidedness of his intellectual interests, the sharpness of his wit, in one word the fullness of his personality was bound to fascinate scores of people in and outside the economic profession. Only a dullard or narrow-minded fanatic could fail to be moved to admiration by Keynes' genius. But the novelty and validity of the propositions which constitute his system are a different matter altogether—quite independent of the challenging way in which he pronounced them, of the psychological stimulus afforded by his bold attack on widely accepted modes of thought, of much needed change in emphasis which we owe to his book, and of the wisdom (or unwisdom) of his policy recommendations. Apart from a few observations on alleged policy implications of the *General Theory* at the end of this paper, we shall be concerned exclusively with the logical content of the system.