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KEYNES LECTURE IN ECONOMICS

ON DIFFERENT INTERPRETATIONS OF THE *GENERAL THEORY*[1]

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I

To paraphrase Ecclesiastes, of making many interpretations of the *General Theory* there is no end, and that is what intrigues me. Why should there be different interpretations of this book? More to the point, what does it mean to provide a different interpretation of the *General Theory* thirty, forty and even fifty years after it was published? What new information became available at those

[1] This is an extended version of the Keynes Lecture delivered at the British Academy on 26 November 1989.

Work on this lecture was begun while serving in September 1989 as the James S. McDonnell Scholar at the World Institute for Development Economics Research (WIDER) in Helsinki. During this visit I benefited greatly from discussions with my fellow McDonnell Scholars, Frank Hahn and Robert Solow. I am indebted to both the James S. McDonnell Foundation and WIDER for making possible this most fruitful visit.

Without in any way burdening them with responsibility for the end product, I wish to express my deepest appreciation to Menahem Brinker, Geoffrey Hartman and Ilana Pardes for guiding my reading in the field of hermeneutics, and for patiently discussing with me many of the problems that I there encountered. I am also indebted to Brinker and Pardes, as well as to David Laidler, Donald Moggridge and Roy Weintraub, for valuable criticisms of earlier drafts of this paper. Similarly valuable comments were received on the draft presented at the Department of Economics Seminar of the Hebrew University of Jerusalem. Finally, I wish to thank Vivian Nadir for her most pleasant and efficient technical assistance.

Reprinted articles are referred to by the date of original publication; for convenience, however, the page references to such articles are to the reprint. All references to the writings of Keynes are to the relevant volumes of the Royal Economic Society's edition of his *Collected Writings*. These volumes are respectively referred to as *JMK* XIII, *JMK* XXVII, and so forth. The *Treatise on Money* is respective times to provide a basis for such new interpretations? And let me immediately say that one cannot answer that question by pointing to the hitherto unpublished or obscurely published materials in the Royal Economic Society's monumental thirty-volume edition of Keynes' *Collected Writings*. For the volumes of that edition which contain materials that relate to the *General Theory* (viz., XIII, XIV and XXIX) were not published until the 1970s, several years after different interpretations of the book had already been advanced. Furthermore, there is little if any reliance on these materials even in interpretations which appeared after the publication of these volumes. I might also add that the new classical macroeconomics has presented what it regards as fundamental criticisms of the *General Theory*, not different interpretations of it.

I am, of course, fully aware of the fact that much more than fifty years later we continue to get different interpretations of, for example, Smith, Ricardo, and expecially Marx. But in these cases the difference in time is itself a partial explanation: for no matter how many and how detailed the studies we have of these writers and their respective periods, we still cannot have a feeling for the full social, political, and economic context in which they wrote. We still will not be aware of some of the events and/or discussions to which they alluded. We still will not fully know what mind-set on the part of their readers they took for granted and what details they accordingly did not bother specifying. And we also might be misled by words which today have a different meaning, a different connotation, from what they had at the time they were written.

The situation with respect to the *General Theory* is quite different. Here we know much more about the man and his times. Indeed, those of my generation and older may even have personal recollections of those times, those dark depression years during which the *General Theory* was written—even if (as in my case) they are recollections of adolescent days. And though there may be some exceptions (I shall return to this point later), there has been little if any change in the meaning of words since the time of the *General Theory*, and its historical allusions are ones that we are aware of and can identify.

frequently referred to as the *Treatise*; and the *General Theory of Employment, Interest, and Money* is referred to as the *General Theory* or *GT*.

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So why are there such vastly different interpretations of the *General Theory*? Or to ask the question from another viewpoint: Why are there not different interpretations of other classic works of the period? Why are there not different interpretations of John Hicks' *Value and Capital*, published three years after the *General Theory*;[2] or of Paul Samuelson's *Foundations of Economic Analysis*, published in 1947?

There are in part some obvious answers to this question, and I will ultimately come to them. At the moment, I would like to say that though the question of different interpretations of the *General Theory* has long intrigued me, it is with hesitancy that I undertake to discuss it—and this for two reasons. First, the question that I have raised is one in the field of literary criticism and hermeneutics, and hence a question which rapidly involves us in deep philosophical issues. And these are fields in which, to say the least, I have no expertise. Second, I do not undertake this discussion as a dispassionate observer, but as one who has over the past years himself presented an interpretation of the *General Theory*, and in this context even criticized other interpretations. So it is for you the reader to make whatever allowances you feel are called for by these facts.

I have, of course, tried to obtain a minimal outsider's understanding of the hermeneutical issues inherent in my inquiry. But as I have attempted to understand the successive waxing and waning of different theories of literary criticism and hermeneutics since World War II—of the New Criticism, of Reader-Response Criticism, of Deconstruction, and so forth—I have again thought of Ecclesiastes and his conclusion that 'much study is a weariness of the flesh'. At the same time it has been most comforting for me to learn from my limited venture into this field that the half-life of a theory in literary criticism is even shorter than one in post-war macroeconomics, and that the debates between the protagonists of the various theories of interpretation are equally intense, protracted—and inconclusive.

There is one such debated issue which is of paramount importance for my purpose: namely, the question of the significance that we should attach to the intention of the author when we interpret a text. The views of the various schools of interpretation range here from the deconstructionists, who on philosophical grounds

[2] Note that the 1979 exchange between Coddington and Hicks deals—as indicated by the title of Coddington's article—with 'Hicks's Contribution to Keynesian Economics', and not with *Value and Capital* proper.

maintain that the meaning of a text is indeterminate and may always be construed by different readers in different ways—to which they add that the original intention of an author (even when he explicitly declares it) is again subject to different interpretations; to the approach of Stanley Fish (1980), who maintains that though in theory there are an unlimited number of possible interpretations of a text, in practice there are only a finite number of different 'interpretive communities', each with its own rules and conventions, and each accordingly with a 'legitimate' interpretation; to what I understand is today considered the conservative view of E. D. Hirch (1967, Chap. 5), who believes that though we cannot achieve absolute certainty, we can—by applying the inductive and probabilistic methods of all sciences—present a construal of the author's intention and explain why it is preferable to all others;[3] and who accordingly maintains (1976, pp. 90–1) that '*unless there is a powerful overriding value in disregarding an author's intention (i.e., original meaning), we who interpret as a vocation should not disregard it.* ... To treat an author's words merely as grist for one's own mill is ethically analogous to using another man merely for one's own purposes' (italics in original). As an example of such a 'powerful overriding value' Hirsch cites the possibility that 'one might fudge on original meaning for the sake of young, impressionable children' (ibid., p. 90). I think that we here can safely ignore that danger.

I am obviously not qualified to express an opinion with respect to the validity of these and other theories of interpretation. I shall, however, take advantage of the degrees of freedom afforded by this lack of consensus among specialists in the field to choose among them and invoke the authority of Hirsch for the emphasis that I have always given in my interpretation of the *General Theory* on Keynes' intentions in writing it—its original meaning. I also invoke Hirsch's authority to justify my use of any evidence that throws light on these intentions: evidence not only from the text itself, but from the historical context in which the book was written, from the context of Keynes' other writings and activities, from the reactions of his contemporaries to the book, and so forth. I am also encouraged by the fact that this approach to the history of economic ideas accords with the one that Quentin Skinner (1969) has followed in his influential studies in the history

[3] For an example of the use of probabilistic notions to draw a hypothetical regression line in order to determine what I have called the central message of a text, see Patinkin (1982, pp. 16–18).

of political ideas. I must admit that both Hirsch (1967, *passim*) and Skinner (1976, p. 68) emphasize that one cannot say that the original meaning of a text is the only possible reading. At the same time, I do think that this meaning can be used to justify the rejection of interpretations that differ greatly from it.

I would also like to say that whatever may be the proper hermeneutical principle to follow with respect to literary works, Hirsch's view is to my mind the correct one with respect to scientific writings—and for present purposes let me include economics as a science. As Robert Merton (1957) has emphasized, priorities play a major role in the reward system of science, so for this purpose alone the scientist writes with the intention of conveying to his profession a precise and definite message. And this is *a fortiori* so in the case of an economist whose message implicitly or explicitly includes the advocacy of certain policy measures. So in interpreting scientific writings, and especially writings in the social sciences, we should make use of all available evidence as to the author's intention.

II

Keynes' intention in writing the *General Theory*—its original meaning—is already indicated in its title, which lists 'Employment' as the first of the subjects to be dealt with. The *General Theory* is divided into six Books. In Book I—entitled 'Introduction'—Keynes then presents 'a brief summary of the theory of employment to be worked out in the course of the following chapters' (*GT*, p. 27). This is his 'theory of effective demand', which in this introductory Book is presented under the explicit simplifying assumptions of a constant level of investment (which presupposes a constant rate of interest) and a constant money wage rate, an assumption with which Keynes tells us he will 'dispense later' (*GT*, pp. 27–9). The central message of this theory and its analytical novelty (as I have shown on earlier occasions [Patinkin, 1976, Chaps 8–9; 1982, Chap. 1]) is that changes in output themselves act as an equilibrating force to bring aggregate demand and supply—or, equivalently, planned investment and saving—into equality at a level that need not be one of full employment. In Keynes' words: 'The novelty is my treatment of saving and investment consists, not in my maintaining their necessary aggregate equality, but in the proposition that it is, not the rate of interest, but the level of incomes which (in conjunction with certain other factors) ensures this equality' (Keynes, 1937a, p.

211; see also *GT*, p. 31, ll. 16–23; p. 179, ll. 2–6). And this was his explanation of the 'paradox of poverty in the midst of plenty' (*GT*, p. 30, bottom): his explanation of the seemingly endless depression in the Western world that was creating misery for millions of unemployed and even threatening the viability of its democratic institutions.

In this Book, Keynes also tells us that once his theory of effective demand is set out, 'we shall find that the theory of prices falls into its proper place as a matter which is subsidiary to our general theory' (*GT*, pp. 31–2). I shall later indicate the specific sense in which it is subsidiary. Now, however, I would like to suggest that with this statement Keynes also intended to highlight the difference between the central message of the *General Theory* and that of his *Treatise on Money*, whose subject was indeed the price level as analysed by what he termed 'The Fundamental Equations for the Value of Money' (so the title of Chapter 10 of that book).

After a 'digression' from the 'main theme' in Book II for the purpose of clarifying various concepts, Keynes devotes 'Book III: The Propensity to Consume' and 'Book IV: The Inducement to Invest' to those two components of effective demand. In the latter Book, Keynes drops the assumption of a constant level of investment and explains how this level is determined by the marginal-efficiency-of-capital schedule in conjunction with the rate of interest, which rate is determined by the liquidity preference schedule in conjunction with the quantity of money.

Finally, in 'Book V: Money-Wages and Prices', Keynes drops (as he had in Book I said he would) the assumption of a constant money wage and devotes the first chapter of this Book (Chapter 19, entitled 'Changes in Money-Wages') to an analysis of the effects of such changes—explaining at the beginning of this chapter that 'it was not possible ... to discuss this matter fully until our own theory had been developed' (*GT*, p. 257). And he goes on in this chapter (which I have accordingly always regarded as the apex of the *General Theory*) to tie together all the analytical elements of the preceding chapters in order to argue that a decline in money wages in the face of unemployment might create such perverse expectations and such a wave of bankruptcies that the level of aggregate demand, hence effective demand, and hence employment, would remain unchanged. From this followed the main policy conclusion of the *General Theory*: namely, that 'there is, therefore, no ground for the belief that a flexible wage policy is capable of maintaining a state of continuous full employment;—any more than for the belief that an open-market monetary policy is capable, unaided, of achieving this result. The economic system cannot be made self-adjusting along these lines' (*GT*, p. 267). Consequently government must take 'an ever greater responsibility for directly organising investment' (*GT*, p. 164; see also p. 378) in order to assure that total expenditures on investment in the economy will supplement expenditures on consumption to the extent necessary to bring aggregate demand to its full employment level. Book V also contains 'Chapter 20: The Employment Function' and 'Chapter 21: The Theory of Prices', and I shall have something to say about them later. I am also deferring until later some observations about Book VI, entitled 'Short Notes Suggested by the General Theory', which is the final one of the *General Theory*.

We can obtain a deeper understanding of Keynes' intentions in writing the *General Theory* by reading it in the context of his earlier writings on the problem of unemployment. Thus in his 1925 *Economic Consequences of Mr. Churchill* he attributed the increase in the level of unemployment to England's return to the gold standard at pre-war parity, thus overvaluing the pound. The analysis of his 1930 *Treatise* was of a general nature and attributed unemployment to entrepreneurial losses associated with too high a real wage. In both cases Keynes contended that if only nominal wages could be simultaneously and equiproportionately reduced, the problem would be solved: in the *Economic Consequences of Mr. Churchill* this reduction was to be accompanied by one in domestic prices as well, so that the real wage was to be reduced only in terms of international prices, thus offsetting the overvalued pound (*JMK* IX, pp. 211, 228–9); in the *Treatise* it was to be a reduction of real wages in terms of domestic prices as well, thus eliminating business losses (Vol. I, pp. 141, 151, 244–5, 265, 281). In both cases, however, the illocutionary force of Keynes' discussion was not actually to advocate a policy of dealing with unemployment by reducing nominal wages, but to highlight the fact that in practice the resistance of workers would make this impossible, so that the alternative policies that he was advocating were called for. (In the passages from the *Treatise* just cited, Keynes repeatedly expresses the view that only in a totalitarian state—'in Bolshevist Russia or in Fascist Italy' [ibid., p. 244]—could such a wage reduction be carried out.)

The unemployment of the 1930s, however, constituted (in Thomas Kuhn's [1970, Chaps 6–8] terms) an 'anomaly' for Keynes' earlier analysis of the problem, and this for two reasons.

First, unemployment had become a world-wide phenomenon, and so could not be explained in terms of the specific circumstances of Britain. Second, from 1929 to 1933—that is, from the time of writing the *Treatise* to that of writing the *General Theory*—money wages had fallen in the United States by over a quarter, but to no avail in so far as unemployment was concerned. True, the price level had fallen even more, thus resulting in an increase in the real wage; but this too was part of the anomaly.

So in addition to the basic theoretical criticisms to which the *Treatise* was subjected (see Patinkin, 1976, pp. 54–8), this empirical experience necessitated two important revisions in Keynes' earlier views: it showed that in practice money wages could fall drastically (even if not simultaneously), but it also showed that this would not help to solve the problem of unemployment. It was to this experience that Keynes alluded when at the beginning of the *General Theory* he wrote that 'it is not very plausible to assert that unemployment in the United States in 1932 was due either to labour obstinately refusing to accept a reduction of money-wages or to its obstinately demanding a real wage beyond what the productivity of the economic machine was capable of furnishing' (ibid., p. 9).

Keynes' new theory of effective demand, together with his acceptance of the 'first classical postulate' that 'the [real] wage is equal to the marginal product of labour' (*GT*, p. 5, italics deleted), provided the answer to both these anomalies. For if as a result of the adverse reactions described in Chapter 19, a reduction in money wages in the face of unemployment would actually be followed by a decrease in effective demand and hence in the level of output and corresponding input of labour, this would result in an increase in the marginal product of labour and hence in its real wage. And this is the meaning of Keynes' cryptic statement in 'Book I: Introduction' of the *General Theory* that 'there may exist no expedient by which labour as a whole can reduce its *real* wage to a given figure by making revised *money* bargains with the entrepreneurs' (*GT*, p. 13, italics in original). This was a specific instance of Keynes' general principle that 'the propensity to consume and the rate of new investment determine between them the volume of employment, and the volume of employment is uniquely related to a given level of real wages—not the other way round' (*GT*, p. 30).

III

I began this lecture by saying that I was intrigued by the existence today of widely different interpretations of the *General Theory*. In this connection there are two most significant facts: first, there were no such wide differences in the interpretations that were presented in the years immediately following its publication; and, second, almost a quarter of a century was to elapse before they did appear.

The contemporary interpretations that I have in mind began with the 1935 'missionary' talk in which Robert Bryce (who had attended Keynes' lectures in the successive years 1932–34) brought the gospel according to Keynes to what he many years later described as 'the nearest concentration of heathen available from Cambridge'—namely, Hayek's seminar at the London School of Economics (Patinkin & Leith, 1977, pp. 40, 129–45). It continued with Joan Robinson's 1937 book *Introduction to the Theory of Employment*; with the respective review articles that appeared in the years 1936 to 1938 by Champernowne (1936), Hansen (1936), Harrod (1937), Hicks (1936, 1937), Lange (1938), Lerner (1936), Meade (1937) and Reddaway (1936); and to the celebrated 1936 *Quarterly Journal of Economics* symposium with the participation of Leontief, Robertson, Taussig and Viner. This symposium concluded with a reply by Keynes (1937b) which has played a major role in other interpretations of the *General Theory* and which will be discussed in Section IV below.

In a letter that he wrote in August 1936 to Harrod commenting on a draft of the latter's review, Keynes identified the three major components of his book as being the theory of effective demand (with its 'psychological law' of a less-than-unity marginal propensity to consume), the marginal efficiency of capital, and the theory of liquidity preference (*JMK* XIV, pp. 84–6). And these are also the components—in varying ways and degrees of emphasis, and in some cases with explicit attention also being paid to Keynes' corollary discussions of the multiplier, of the inefficacy of a reduction in the money wage rate as a means of reducing unemployment, and of the determination of price given this rate—that we find in the foregoing interpretations.

What is even more important for my present purposes is what we do *not* find in them. Thus (with the exception of Robertson [1936, Section I]) we do not find discussions of the aggregate supply function; or of wage-induced cost inflation; or of the distribution of income; or of the 'animal spirits'—the irrational aspects of economic behaviour—which influence economic decisions, and thus allegedly make it impossible to speak—even in the short-run analysis of the *General Theory*—of a stable investment function and a corresponding equilibrium; or of the material contained in the chapter on social philosophy in Book VI. Nor do we find any discussions which interpret the *General Theory* as denying the possibility that proper government fiscal policy can assure full employment in a capitalist economy.

And what is equally significant is that though Keynes wrote letters to most of his reviewers, commenting on their respective interpretations, he generally approved of them, and in any event did not criticise them for omitting any of the foregoing points.[4] On the contrary, the only omission for which he criticized Harrod's review in the aforementioned August 1936 letter was precisely that it did not 'mention *effective demand* or, more precisely, the demand schedule for output as a whole, except in so far as it is implicit in the multiplier' (*JMK* XIV, p. 85, italics in original). And in essence this was also Keynes' major criticism of Lerner's review (which he otherwise termed 'splendid') in his letter to him two months before (*JMK* XXIX, pp. 214–16).

Let me in particular emphasize that in his correspondence with Harrod, Reddaway, Meade and Hicks on their respective review articles, Keynes did not express any objection to the fact that each in his own way had presented the analysis of the *General Theory* in terms of a general-equilibrium system of simultaneous equations. When in August 1935, Harrod had tried to convince Keynes that he should view his analysis in that way, Keynes vehemently rejected his suggestion (*JMK* XIII, pp. 526–65, especially pp. 531–2, 545–6, 548, 553–4, 557). But in the course of the year, Keynes had apparently come around to accepting it. Thus in his aforementioned 1936 letter to Harrod, Keynes wrote: 'I like your paper (may I keep the copy you have sent me?) more than I can say. I have found it instructive and illuminating, and I really have no criticisms. I think you have re-orientated the argument beautifully' (*JMK* XIV, p. 84). Similarly, in his March 1937 letter to Hicks on the latter's IS-LM interpretation, Keynes wrote that he

[4] See the letters (written at various dates during the period 1935 to 1938) reproduced in *JMK* XIV to Joan Robinson (pp. 148–50), Harrod (pp. 84–6), Reddaway (p. 70) and Hicks (pp. 70–83); as well as the letters in *JMK* XXIX to Bryce (p. 150) and Lerner (pp. 214–16). See also Hicks (1973).

Though in the correspondence with Robertson on his review Keynes did refer to the former's discussion of the aggregate supply curve (*JMK* XIV, p. 89), he did not do so in his published reply.

'found it very interesting and really have next to nothing to say by way of criticism'. And his main criticism was that Hicks' investment function depended only on current income, whereas Keynes felt that 'whilst it may be true that entrepreneurs are over-influenced by present income,' nevertheless 'expected income for the period of investment is the relevant variable' (*JMK* XIV, pp. 79–81). Again, he ended an August 1936 letter to Reddaway with 'I enjoyed your review of my book in the *Economic Record*, and thought it very well done' (*JMK* XIV, p. 70). And in a September 1936 postcard to Meade, Keynes wrote, 'Thanks for the copy of your paper. It's excellent. I have no criticisms to suggest' (cited by Young, 1987, p. 34).

Furthermore, on at least one occasion, Keynes expressed his approval of a general-equilibrium interpretation of his book, not only in correspondence, but also in print. Specifically, in the course of an exchange with Robertson in the pages of the 1938 *Economic Journal*, Keynes described Lange's 1938 review article—which like those of Reddaway, Hicks and Harrod (as Lange himself pointed out in its opening footnote) presented such an interpretation—as one 'which follows very closely and accurately my line of thought' (*JMK* XIV, p. 232, n. 1).[5]

And now let me anticipate an issue that I will later discuss and emphasize that all of the above simultaneous-equation interpretations of the *General Theory* can essentially be regarded as variations of IS-LM: the distinctive feature of Hicks' version was in the fact that it also provided a diagrammatic presentation. Thus Keynes' approval of all these reviews also constituted his consistent approval of the IS-LM interpretation of the *General Theory*.[6]

[5] In this footnote, Keynes goes on to say: 'The analysis which I gave in my *General Theory of Employment* is the same as the "general theory" explained by Dr. Lange on p. 18 of this article [corresponding to p. 176 of the reprint], except that my analysis is not based (as I think his is in that passage) on the assumption that the quantity of money is constant.'

[6] Harrod, Hicks and Meade had all presented their reviews as papers at the September 1936 European meetings of the Econometric Society at Oxford: see the report by Phelps Brown (1937). For a fascinating behind-the-scenes account of these meetings, see Chapter 1 of Young (1987), who *inter alia* reproduces a letter from Hicks to Meade (ibid., pp. 33, 35) which shows that Hicks had read both Meade's and Harrod's papers before completing his own IS-LM paper, which is the one he presented at the meetings. Young (ibid., pp. 33, 98ff.), however, also emphasizes that Hicks never claimed originality for the IS-LM equations, but only for the diagram.

Having mentioned Young's book, I must add that at some points it reflects the

The IS-LM interpretation was elaborated upon by Modigliani in his influential 1944 article; it appeared in Klein's classic 1947 work on *The Keynesian Revolution* (pp. 87–8); and it also played an important role in Hansen's 1953 *Guide to Keynes* (pp. 107, 143–8). And as we all know, the IS-LM interpretation became the standard representation of the Keynesian system in the macroeconomic textbooks that began to appear in the 1960s, and thereby became the hallmark of 'mainstream Keynesianism'.

I might also add that the interpretation presented in Chapters XIII:4 and XIV:1 & 3 of the 1956 and subsequent (1965 and 1989) editions of my *Money, Interest, and Prices* is essentially that of IS-LM—with the difference that I regarded its equilibrium position as being of a Marshallian short-run nature which, if disturbed by a decline in the money wage rate in the face of unemployment, might (in accordance with Keynes' argument in Chapter 19) bring the economy to a new short-run position of unemployment equilibrium, but would not restore full employment. In Keynes' words, in his chapter on 'The General Theory of Employment Re-stated',

> ... it is an outstanding characteristic of the economic system in which we live that, whilst it is subject to severe fluctuations in respect of output and employment, it is not violently unstable. Indeed it seems capable of remaining in a chronic condition of sub-normal activity for a considerable period without any marked tendency either towards recovery or towards complete collapse. Moreover, the evidence indicates that full, or even approximately full, employment is of rare and short-lived occurrence. (*GT*, pp. 249–50)

This disequilibrium approach enabled me to dispense with the Hicks–Modigliani assumptions of a rigid money wage rate (which, as emphasized in Section II above, Keynes had dropped in Chapter 19 of the *General Theory*) and/or 'liquidity trap' (about which Keynes had said that 'whilst this limiting case might become practically important in future, I know of no example of it hitherto' [*GT*, p. 207]),[7] assumptions which are required if one interprets the *General Theory* as describing a position of long-run unemployment equilibrium, i.e., one which remains unchanged. Similarly, when in my 1976 *Keynes' Monetary Thought* I said that 'in most cases, I

'Modern Cambridge School' *cum* Post-Keynesian interpretation of the *General Theory* which is criticized in Sections V–VI below.

[7] But see pp. 111–13 of my *Keynes' Monetary Thought* for a discussion of what may possibly be some ambivalence on this point in the *General Theory*.

do not think that my views on these issues differ basically from the traditional ones' (p. 10; see also p. 100), it was the IS-LM interpretation, with this difference, that I had in mind.

IV

When did significantly different interpretations of the *General Theory* begin to appear? There is no mention of them either in Schlesinger's 1956 survey article 'After Twenty Years: The General Theory' or in Harry Johnson's corresponding 1961 article on 'The General Theory after Twenty-Five Years'. And to the best of my knowledge, it is just about that time that such interpretations do begin to appear. I am referring in particular to Sidney Weintraub's 1961 *Classical Keynesianism, Monetary Theory, and the Price Level* and to George Shackle's survey article of the same year on 'Recent Theories Concerning the Nature and Role of Interest'. In the latter, Shackle (1961, p. 228) referred to Keynes' 1937 article in the aforementioned *Quarterly Journal of Economics* symposium and said that 'no reader of Keynes's article ... will be in doubt that Keynes looking back saw as the main theme of this book the commanding importance of uncertainty and of the conventions by which the insoluble problems it poses, and the nonsense it makes of pure "rational calculation", can be shelved in order to make life possible at all.' And a few years later, in his book *Years of High Theory* (1967), Shackle devoted a whole chapter to Chapter 12 of the *General Theory* (entitled 'The State of Long-term Expectation') and to Keynes' 1937 article; subtitled his (Shackle's) chapter 'Keynes's Ultimate Meaning'; claimed that this theme is 'the message of the *General Theory*, and ... the only part of it which Keynes troubled to reproduce' in his 1937 article (ibid., p. 130); and termed this article the '"third edition"' of the *General Theory*, after having designated the *Treatise on Money* as the first one (ibid., p. 136; see also Shackle, 1973). And in a still later article, Shackle (1982, p. 438) explicitly rejected Hicks' IS-LM interpretation on the grounds that 'the elemental core of Keynes' conception of economic society is uncertain expectation, and uncertain expectation is wholly incompatible and in conflict with the notion of equilibrium.'[8]

[8] It is this conclusion which led Coddington (1983, pp. 93ff.) to designate the interpretation of Keynes by Shackle and those who have been influenced by him (see Section V below) as 'Fundamentalist Keynesianism', in the sense that it interprets the *General Theory* as being fundamentally opposed to traditional equilibrium theory. Coddington himself criticised this view (ibid., pp. 97–100); see also footnote 10 below.

Weintraub's interpretation of the *General Theory* emphasized instead the analysis of the determination of the price level, particularly in the case of wage-induced cost inflation. He stated that he will 'make no effort to refer to Keynes even though I think the tenor and the text will sustain me' (1961, p. 3).[9] Weintraub also entered a plea for the abandonment of the IS-LM interpretation, as well as that of the 45°-cross diagram, on the alleged ground that these deal only with real quantities (ibid., pp. 5–10, 18–22). And he advocated instead the use of the aggregate demand and supply curves of Chapter 3 of the *General Theory*, which reflect changes in the price level by virtue of their being expressed in nominal money terms.

Let me begin with Shackle and say that there is no question that expectations and uncertainty play an essential role in the *General Theory*. But Shackle takes Keynes' discussion of uncertainty in the *Quarterly Journal* article somewhat out of the context in which it appears. Specifically, in the first part of this article, Keynes briefly discusses the criticisms of Leontief, Robertson, Taussig and Viner—and then states that Viner's is 'the most important of the four comments' (*JMK* XIV, p. 110). Now, Viner's major criticism was directed at Keynes' theory of liquidity preference. And this was the reason that Keynes went on to devote most of the second part of his reply to explicating the nature of the uncertainty that generates this preference. There is, however, little if anything in this exposition which differs from that of Chapter 12 of the *General Theory*. In particular, Keynes' well-known statement in the *Quarterly Journal* article that the uncertainty which characterizes so much of economic life is one for which 'there is no scientific basis on which to form any calculable probability whatever' (*JMK* XIV, p. 114) is equivalent to the at least equally well-known statement in Chapter 12 that 'our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits—of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantita-

[9] In all fairness, I should add that this passage goes on to say:

I am aware that other Keynesians can select other passages to corroborate their doctrinal position so that such controversies of 'what Keynes really meant,' like those on 'what Marx—or Marshall—really meant,' are likely to be peculiarly barren and futile. It is with Keynesianism then, not with Keynes, that I am concerned. For myself I acknowledge full indebtedness to his tremendous work, rather than to deny or camouflage it as is becoming fashionable. My ideas, like those of all modern Keynesians, emanate from it.

tive probabilities' (*GT*, p. 161). Furthermore, contrary to Shackle's aforementioned statement in *Years of High Theory* (p. 130), the discussion of uncertainty is not 'the only part' of the *General Theory* that Keynes reproduces in his 1937 article: for Keynes goes on in it to discuss both the theory of effective demand and the marginal efficiency of capital (*JMK* XIV, pp. 119–23). In brief, Keynes' 1937 *Quarterly Journal* article emphasizes the same three basic components of the *General Theory* that he had emphasized in his 1936 letter to Harrod.[10]

I must also point out that Keynes concludes his discussion of 'animal spirits' in the *General Theory* with the statement that:

> We should not conclude from this that everything depends on waves of irrational psychology. On the contrary, the state of long-term expectation is often steady, and, even when it is not, the other factors exert their compensating effects. (*GT*, p. 162)

Similarly, Keynes writes:

> There are not two separate factors affecting the rate of investment, namely, the schedule of the marginal efficiency of capital and the state of confidence. The state of confidence is relevant because it is one of the major factors determining the former, which is the same thing as the investment demand-schedule. (*GT*, p. 149)

Thus even after taking account of the major influence of 'the state of confidence' on expectations, Keynes still speaks of a determinate investment demand-schedule in the short-run context which is the concern of his central message.[11]

[10] See also Coddington's (1983, pp. 59–60) implicit criticism of Shackle's interpretation of Keynes' 1937 article.

[11] For further evidence that in using the phrase 'animal spirits' Keynes did not intend to imply that 'the determination of investment is entirely arbitrary', see Robin Matthews (1984, pp. 209–12), who also cites supporting evidence from Joan Robinson. Matthews (ibid.) also reproduces the following interesting information on this phrase that he received from Donald Moggridge:

> The origins of 'animal spirits' seem to go a long way back in Keynes. The earliest reference comes in a set of lecture notes which are in the Marshall Library Collection, entitled 'Notes on Modern Philosophy I—Descartes, Leibnitz, McTaggart's Lectures, Ertemann's [*sic*] History—[includes Spinoza's Ethics].' In the part concerning Descartes as regards life and biology the text runs 'The body is moved by animal spirits—the fiery particles of the blood distilled by the heat of the heart. They move the body by penetrating and moving the nerves and muscles.... But does not this increase the amount of motion? No, for the animal spirits are always in motion—the will only directs them.'
>
> Keynes then adds a comment that reads 'unconscious mental action.'

In reply to a query from me, Moggridge has kindly supplemented this information with the following:

Let me finally note that the presentation of the non-probabilistic nature of economic uncertainty can hardly be considered to be a contribution of the *General Theory*: it had been emphasized long before by Frank Knight in his classic *Risk, Uncertainty, and Profit* (1921). Furthermore, as Samuelson (1946, p. 320) observed many years ago, the *General Theory* 'paves the way for a theory of expectations, but it hardly provides one' (see also Hart, 1947).

I turn now to Sidney Weintraub's interpretation and first of all note that in contrast with his view that the aggregate supply curve is a basic component of the *General Theory*, this curve was not among the three such components of his book that Keynes set out in his August 1936 letter to Harrod, described in the preceding section. Similarly, as indicated in that section, this curve was not even referred to by any of the contemporary reviewers of the book, with the exception of Robertson; nor did Keynes complain about this in his correspondence with them. And to this I add that, as I have elsewhere shown (Patinkin, 1982, pp. 142–53), Keynes himself did not have a clear notion of the nature of this curve, and particularly about its mathematical properties (viz., its slope and convexity). Thus in Chapter 3 of the *General Theory* on 'The Principle of Effective Demand', the properties of this curve —in contrast with those of the aggregate demand curve—are not specified. Furthermore, in the only place in the book where they are specified (*GT*, p. 55, n. 2), Keynes does so incorrectly. And though Keynes devotes Chapter 20 to a discussion of what he calls the employment function, and which he defines as the 'inverse function' of the aggregate supply function (ibid., p. 280), the various elasticity formulas which he presents do not explicitly describe the properties of the latter, beyond implying the obvious one that its slope is positive.

In so far as Weintraub's emphasis on the price level is concerned, I have already noted Keynes' statement in Book I that 'the theory of prices falls into its proper place as a matter which is subsidiary to our general theory' (*GT*, p. 32). For if the level of employment and hence the marginal product of labour is determined by the level of effective demand, and if (as Keynes

The documents referred to are a set of handwritten reading/lecture notes taken by JMK. ... The notes are in JMK's papers, then in the Marshall [Library] and now in King's [College Library]. JMK, according to Harrod ([1951], p. 61) went to J. E. McTaggart's lectures on general philosophy during the 1902–3 academic year. Erdmann's philosophy is presumably J. E. Erdmann's *A History of Philosophy*, an English translation of which appeared in 1890.

assumed) price is equal to marginal cost,[12] then for any given money wage rate the level of effective demand also determines the price. In the words of Chapter 21 of the *General Theory* on 'The Theory of Prices', 'The general price-level (taking equipment and technique as given) depends partly on the wage-unit [i.e., on the money-wage rate] and partly on the volume of employment' (*GT*, p. 295). And I might also point out that, contrary to Weintraub's criticism, Hicks' IS-LM article (1937, p. 103) deals not only with real quantities, but also with the respective price levels of consumption and investment goods as determined in this way. Furthermore, the standard presentation of IS-LM includes a description of how changes in the price level cause shifts in the LM curve.

Note the parallel treatment in the *General Theory* of the determination of the real wage and the determination of the price level: in both cases this is achieved as a by-product of the theory that constitutes its central message—namely, the theory of effective demand that explains the level of output in the economy, hence its level of employment, and hence the marginal product of labour.

V

The quarter-century and more since the writings of Shackle and Weintraub in the early 1960s has seen the presentation of innumerable interpretations of the *General Theory*, far more than I could possibly discuss. My impression, however, is that most of them are variations on either the IS-LM interpretation of 'mainstream Keynesianism', or the interpretation of so-called 'Post-Keynesianism', to which I shall in a moment turn. I shall not, however, discuss such well-known works as those of Leijonhufvud (1968) and Chick (1983): for their avowed main purpose is to study the *General Theory* as the point of departure for their

[12] Here is another problematic aspect of Weintraub's interpretation: for this attributes to Keynes a 'theory of the price level' in terms of a 'wage-cost markup' (Weintraub *et al.*, 1978, p. 64). This may be the reason Weintraub prefaced his attribution with the comment that in doing so he was 'taking only mild liberties with Keynes'. Surely, however, there is a fundamental difference between the cost-markup theory of price and the marginal-cost theory of price, and it is the latter that Keynes consistently uses throughout the *General Theory*.

For my present purposes, however, this is a secondary issue, my major point being that in any event the theory of price determination is a subsidiary concern of the *General Theory*.

respective contributions to (in the words of the title of Chick's book) 'macroeconomics after Keynes'. Similarly, the subtitle of Leijonhufvud's book is 'A Study in Monetary Theory' (see also ibid., p. 9). Accordingly, I consider these works to be outside my terms of reference, strictly construed.[13]

Let me then briefly discuss Post-Keynesian economics. This is actually only in part concerned with the interpretation of the *General Theory*. In this context it is largely a combination of George Shackle's interpretation of the book in terms of the overriding impact of uncertainty on economic behaviour, and Sidney Weintraub's interpretation in terms of the major importance in the book of the aggregate supply curve and of the analysis of the determination of the price level.[14] And I have nothing to add to my criticisms of these interpretations in the preceding section. In addition, Post-Keynesian economics has a major concern with the development and elaboration of the theories of Marx, Kalecki and Sraffa (see Harcourt, 1987) and is in this respect also outside my terms of reference.

A Post-Keynesian *cum* 'Modern-Cambridge-School' work that is, however, in large part devoted to an interpretation of the

[13] I must admit to some inconsistency here: for the subtitle of Chick's book is 'A Reconsideration of the *General Theory*'. On the other hand, in the preface to her book (p. vii) she states:

> This is not a book in the history of economic doctrine as such, which is concerned with illuminating the author's point of view as brightly as possible on his own terms. I hope at several points to have done that, though I do not claim that this book reveals 'what Keynes really meant'. . . . it is a philosophical impossibility to *know* what someone else 'really meant'; what matters is to make coherent sense for oneself of what an author says and to evaluate its relevance to the problem at hand. (italics in original)

This last sentence clearly reflects an implicit acceptance of the deconstructionist approach to hermeneutics: see Section I above.

I should also note that in what may in part have been Leijonhufvud's reaction to the criticisms of his interpretation of the *General Theory* presented in the review articles of his book by Grossman (1972) and Jackman (1974), Leijonhufvud (on pp. i–ii of his English foreword to the 1978 Japanese edition of his book) emphasized that his book was about 'theoretical problems that were current problems in the early or mid-sixties. . . . What Keynes might have meant, etc., was not one of the problems. Doctrine history was not what the book was about.'

[14] See the references to these economists in the writings of such Post-Keynesians as Davidson (1972; 1981, pp. 154–5) and Eichner (1979). The work of Shackle is also alluded to by Joan Robinson in her Foreword to *A Guide to Post-Keynesian Economics* (1979, p. xi). See also the 1975 survey article by Eichner & Kregel.

General Theory is Murray Milgate's 1982 book, *Capital and Employment: A Study of Keynes's Economics*. The 'Modern Cambridge School' of Joan Robinson (in her post-war period), Piero Sraffa and their followers rejects both marginal analysis and the notion of capital as a factor of production, and then implicitly makes use of 'productivity ethics'[15] to deny the moral justification of profits in a capitalist economy. And a major purpose of Milgate's book is to attribute this rejection to the *General Theory* as well. Indeed, Milgate presents the transition from the *Treatise* to the *General Theory* as a transition from the marginal viewpoint to the non-marginal one.

At first sight, this would seem to be 'mission impossible'. For whereas the theory of value *qua* marginal analysis—and even the term 'marginal'—is completely absent from the *Treatise* (see Patinkin, 1976, pp. 13, 47, 94), it is repeatedly and consistently applied in the *General Theory*: the marginal productivity of labour as determining its real wage, marginal cost as determining price, and the marginal efficiency of capital as determining investment decisions. And surely to speak of 'the marginal efficiency of capital' is to regard capital as a factor of production.

Milgate (1982, p. 166), however, explains that there is no reference to the theory of value in the *Treatise* because it is too 'obvious' to be mentioned. On the other hand, discussions of the marginal efficiency of capital in the *General Theory* are inconsistent 'remnants of the orthodox position' (ibid., pp. 91ff.). Finally, Milgate interprets the *General Theory* as presenting a theory of long-run unemployment that necessarily exists in a capitalist economy, and (using a singular definition of the term) then interprets this view as constituting a rejection of 'orthodox marginalist theory' (ibid., pp. 96–7).[16]

Before leaving Post-Keynesianism, let me deal briefly with its firm rejection (largely for the same reason as Shackle's) of Hicks' 1937 IS-LM interpretation—a rejection so vehement as to bring it to follow Joan Robinson (1962a, pp. 27–9; 1962b, pp. 100–2) in

[15] On which, see Frank Knight's (1923) classic critique.

[16] Another example of Milgate's approach to the interpretation of the *General Theory* is provided by his discussion of Keynes' criticism of the classical theory of interest in Chapter 14 of the book. Here Milgate (1982, p. 111) contends that this criticism 'has been progressively obscured by conventional interpretations.' And he then presents his alternative interpretation, which is based on his objection to the 'unqualified acceptance of the final text of Chapter 14' (ibid., p. 122), and on his resort instead (ibid., pp. 111–23) to the earlier draft of this chapter and the related Keynes-Harrod correspondence reproduced in *JMK* XIII.

denouncing the kind of analysis which it represents as 'bastard Keynesianism'.[17] Some adherents of this school (see, e.g., Harcourt, 1980, p. 151) have even claimed that Keynes himself 'explicitly' rejected it in his 1937 letter to Hicks. The discussion in Section III above of this letter, as well as of Keynes' approval of what are essentially other 'IS-LM interpretations' of his book, shows how unfounded this claim is. And though I do not think it was his intention in making it, Richard Kahn's (1984, p. 160) complaint that 'it is tragic that Keynes made no public protest when they [i.e., IS-LM interpretations of the *General Theory*] began to appear,' is in effect a recognition of the fact that Keynes basically accepted them.

Let me also note that the one diagram that we do find in the *General Theory* (p. 180) is logically equivalent to the IS curve. For though drawn with different axes, this diagram shows different combinations of the rate of interest and the level of income in which the commodity market is in equilibrium. Furthermore, Keynes goes on to say that this diagram alone cannot determine the equilibrium levels of these variables; but 'if, however, we introduce the state of liquidity-preference and the quantity of money and these between them tell us that the rate of interest is r_2, then the whole position becomes determinate' (ibid., p. 181). Here, then, is the spirit of IS-LM—the determination of the equilibrium level of income by the interaction between the markets for commodities and money—even if not its precise geometrical form.

In addition to making use of the aforementioned arguments of Shackle and Weintraub, Post-Keynesians have also attempted to support their rejection of IS-LM with the claim that Hicks himself has since then—to quote Joan Robinson (1978, p. xiv)—'repented' (note the choice of language associated more with religious disputes than with scholarly disagreements: Hicks has not only been wrong, but like Jeroboam son of Nebat in the Book of Kings, he has sinned and made others to sin).[18] Robinson's

[17] In a 1970 note on 'Quantity Theories Old and New', Robinson also objects to IS-LM on the grounds that it provided 'a mollifying version of his [Keynes'] systems of ideas which turned it back once more into a variant of the quantity theory' (ibid., p. 507)!

[18] I Kings 14:16. See Joan Robinson's statement (1977, p. 10) about 'the IS/LM model with which generations of students have been taught to misinterpret the *General Theory*'. Robinson's 1978 statement about Hicks' having 'repented' is quoted approvingly by Richard Kahn (1984, p. 160), who, however, says that Keynes' 1937 letter to Hicks (see Section III above) left Hicks 'unrepentant'. This

claim was based on Hicks' statement in a 1976 article (pp. 289–90) that the IS-LM diagram 'is now much less popular with me than I think it still is with many other people'.

On this I have two observations: First, neither this article, nor Hicks' later article on 'IS-LM—An Explanation' (1981)—which Post-Keynesians also cite in this connection—say that IS-LM is not a proper interpretation of the *General Theory*: on the contrary, it seems to me that in both articles Hicks is actually very careful not to say this. Indeed, in the sentence immediately preceding the one from the 1976 article that Robinson quoted, Hicks referred to Keynes' 1937 letter to him and said, 'I think I am justified in concluding from that letter than Keynes did not wholly disapprove of what I had made of him.' Similarly, in his 1974 *Crisis in Keynesian Economics* (p. 6, italics and footnote in original), Hicks referred to his IS-LM interpretation and said:

> To many students I fear it *is* the Keynes theory. But it was never intended as more than a representation of what appeared to be a central part of the Keynes theory. As such I think it is still defensible.*
>
> * It would appear that Keynes himself accepted it as such. See his letter of March 1937 ... in *JMK* XIV, pp. 79–81.

—which is the same letter referred to in Section III above (see also part 1 of Hicks' 1981 article, as well as Hicks, 1973, p. 10).

My second, and far more important point, however, is that whatever Hicks might have said or thought forty years after his 1937 article does not change the fact that at that time he presented IS-LM as an interpretation of the *General Theory*, and that Keynes accepted it as such. And let me immediately add that this last statement is not inconsistent with my emphasis on the importance of the author's intent in interpreting a text: for there is a fundamental difference between intent at the time of writing, and 'retroactive intent' many years later.[19]

VI

In the opposite direction from Milgate's book on the political spectrum is that of the well-known conservative economist, Allan

religious overtone is not unusual in Post-Keynesian writings. Thus Sidney Weintraub entitled his criticism of IS-LM, 'Revision and Recantation in Hicksian Economics' (1976). Similarly, Paul Davidson (1989, p. 23, n. 3) claimed that Axel Leijonhufvud 'recanted' on a certain point that he (Davidson) considered to be at variance with Post-Keynesian teachings.

[19] For further details see my 'In Defense of IS-LM' (1990).

Meltzer, whose recent book is entitled *Keynes's Monetary Theory: A Different Interpretation* (1988). Almost one-third of the book is devoted to a chapter entitled 'The *General Theory*: A Different Perspective', which to a large extent repeats the contents of a 1981 article of his with an essentially identical title. In this chapter Meltzer contends that some of the major differences between his interpretation and others are that his does not depend on either money illusion in the labour market, or wage rigidity, or the 'liquidity trap', and that (on the other hand) it emphasizes the role of expectations. In a criticism of this article (Patinkin, B983), I showed (*inter alia*) that in point of fact Meltzer's interpretation does not differ in these respects from some earlier interpretations, and even from some macroeconomic textbooks—and I see no point in repeating that demonstration here. My present concern is instead with two of Meltzer's contentions that are indeed different from interpretations of Keynes hitherto. The first is his (Meltzer's) contention that a major objective of the *General Theory* was to stress the importance of 'a higher level of investment until the capital stock reached a social optimum' (1988, p. 300; see also pp. 7, 118, 185–6). The second is his attempt to create the impression that Keynes shared the conservative view in favour of rules in the present-day debate on 'rules vs. discretion', and that indeed this represents a consistent strand in Keynes' policy views from the 1920s on (ibid., pp. 8–9, 182–92, 200, 293–7).

Meltzer's first contention is based on Keynes' discussion in Chapter 24 of the *General Theory*, entitled 'Concluding Notes on the Social Philosophy towards which the General Theory Might Lead', in which Keynes says that if as a result of what he terms 'a somewhat comprehensive socialisation of investment' (*GT*, p. 378) a continuous state of full employment could be assured, then investment would proceed at such a rapid rate that the economy would achieve his 'aim of depriving capital of its scarcity-value within one or two generations' (*GT*, p. 377), with salutary consequences for the distribution of income.[20]

That here and in other writings Keynes considered it desirable to increase the stock of capital is a point of Meltzer's (1988, p. 186) that is well taken. But to contend that this was a major theme of the *General Theory* is to tear this book out of the historical context

[20] In a 1943 letter to Josiah Wedgwood, Keynes also said that 'it would be in the interests of the standards of life in the long run if we increased our capital quite materially' (*JMK* XXVII, p. 350).

in which it was written, and to tear Chapter 24 out of its context in the book. For the *General Theory* was written at a time not only of idle men, but of idle factories; so it is surely far-fetched to think that a major concern of Keynes' at that time was to increase capital investment in order to further increase the stock of idle plant and equipment. Instead the crucial role of investment expenditures in the *General Theory* was to supplement consumption expenditures in order to raise aggregate demand to its full employment level. In brief, the passage in Chapter 24 referred to in the preceding paragraph has to do, not with the major role of investment in the *General Theory*, but with its role (incidental to the central message of the book) in ultimately bringing about Keynes' version of the classical stationary state.

In so far as the context of Chapter 24 within the *General Theory* is concerned, let us remember that it appears in Book VI, the last one of the *General Theory*, and one that could have been omitted without affecting its central message. Of this there are several indications, of which the casual title of this Book—namely, 'Short Notes Suggested by the General Theory'—is itself one. Further indications are provided by the nature of the three chapters which constitute this Book. Thus Keynes claims no novelty for the explanation of the cycle which he presents in Chapter 22, entitled 'Notes on the Trade Cycle' (*GT*, pp. 314–15). Chapter 23 (entitled 'Notes on Mercantilism, the Usury Laws, Stamped Money and Theories of Under-consumption') is as its title indicates, a miscellanea. It is also significant that, in contrast with the careful procedure that he followed with other chapters of the *General Theory* (see *JMK* XIII and XXIX), Keynes apparently made little effort to subject the drafts and/or proofs of this chapter, as well as of Chapter 24, to the criticism of Kahn, Joan Robinson, Hawtrey and Robertson. Indeed, it would seem that the proofs of these two chapters were sent only to Harrod, who sufficed with a brief comment on Chapter 23 (to which Keynes did not react), and none on Chapter 24 (see *JMK* XIII, pp. 526, 542 and 555; *JMK* XIV, p. 351).

In brief, Chapter 24 is part of a Book that is essentially an appendage to the *General Theory*, and one should not let the appendage to a text wag its body.

Let me turn now to Meltzer's contention that in his policy prescriptions throughout his career, Keynes was an advocate of rules as against discretion. Strictly speaking, that contention is outside my terms of reference: for as I have emphasized on earlier occasions (1976, pp. 12–13, 135–6; 1982, pp. 14, 212–

13)—and as Meltzer (1988, p. 115) recognizes—the *General Theory* is (as indicated by its title) a book that is devoted almost entirely to theory. I wish nevertheless to deal with Meltzer's discussion of this point because it illustrates some additional pitfalls of interpretation.

To begin with, there is no evidence that Keynes ever gave specific thought to the issue of rules vs. discretion, and I share Quentin Skinner's (1969, pp. 32–4) scepticism about attributing to earlier writers specific views about issues with which they were never concretely confronted. Furthermore, even if Keynes had thought of this issue, its meaning in his days was different from what is is today. Specifically, when in 1936 Henry Simons published his famous essay on 'Rules versus Authorities in Monetary Policy', the rule that he advocated as a contracyclical policy was that of stabilizing the price level by means of variations in the quantity of money—with no indication of how the extent of this variation should in each case be determined. Clearly, this policy would today be described not as one of rules, but of discretionary 'fine-tuning'.

Let me for the moment leave this fundamental point aside and consider the two pieces of evidence that Meltzer cites in support of his contention. The first is the fact that from his earliest writings on through Bretton Woods, Keynes adovated 'rules for international monetary arrangements' that called for 'fixed, but adjustable, exchange rates' (Meltzer, 1988, pp. 242–3; see also pp. 209–11). Now, the policy issue of fixed vs. flexible exchange rates is one frequently considered to be in a category of its own, unrelated to the issue of rules vs. discretion. Suffice it to note the views of Milton Friedman (1953, pp. 157ff.), who with equal forcefulness has advocated both a monetary rule and flexible exchange rates.

The second piece of evidence on which Meltzer attempts to base his contention that Keynes was an advocate of rules as against discretion consists of excerpts from Keynes' contributions to the wartime discussions that took place in the Treasury on the problem of maintaining full employment in the post-war period. In this connection, Meltzer (1988, Chap. 4, p. 187) cites Keynes' statement in a 1943 letter to Meade (who played a major role in these discussions) that 'if the bulk of investment is under public or semi-public control and we go in for a stable long-term programme, serious fluctuations are enormously less likely to occur' (*JMK* XXVII, p. 326), and on the basis of this statement contends that 'Keynes's stabilization proposal did not depend on prompt changes in the amount of public works.' Similarly, at a later point in his book, Meltzer (1988, p. 294) refers to his discussion in Chapter 4 and writes: 'Keynes's postwar fiscal policy proposals ... aim at stabilizing the rate of investment at a permanently higher level.'

Now, the passage in Keynes' letter to Meade which Meltzer cites is actually a loose quotation from a memorandum that Keynes had just written on 'The Long-Term Problem of Full Employment' and which he enclosed with his letter. In particular, this memorandum contains the following passage:

> if two-thirds or three-quarters of total investment is carried out or can be influenced by public or semi-public bodies, a long-term programme of a stable character should be capable of reducing the potential range of fluctuation [in the level of employment] to much narrower limits than formerly. (*JMK* XXVII, p. 322)

And what is significant about this passage for my present purpose is that it does not specify any rule for the government to use in determining its actual level of investment in the 'two-thirds to three-quarters [range] of total investment', or in the 'less than 7½ per cent or more than 20 per cent [range] of the net national income' indicated in the passage in the memorandum which follows. In brief, what Keynes regards as 'stable' is not the level of 'public or semi-public' investment, but the need to carry it out. And in this he was reflecting the policy conclusion of the *General Theory* that 'a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment' (*GT*, p. 378; see also p. 164).

That Keynes was not thinking in terms of a fixed rule that would determine the level of government investment is also clear from the fact that he goes on in the aforementioned memorandum to say that:

> The main task should be to *prevent* large fluctuations by a stable long-term programme. If this is successful it should not be too difficult to offset small fluctuations by expediting or retarding some items in this long-term programme. (*JMK* XXVII, p. 322, italics in original)

Similarly, in a related 1943 memorandum, Keynes wrote:

> ... if we can find ways of retarding or accelerating the long-term programme to offset unforeseen short-term fluctuations, all the better. No reason, surely, why the Treasury should not be fairly constructive and optimistic on this heading. (*JMK* XXVII, p. 356; see also the similar statement on p. 323; see also the first paragraph of his letter to Meade reproduced on p. 319)

Thus, unlike many of today's advocates of, say, the constant-money-growth rule, Keynes' advocacy of a 'long-term programme of a stable character' did not exclude the desirability of also carrying out short-term discretionary policies when necessary.[21]

All this is brought out more clearly and systematically in the historic May 1944 White Paper on *Employment Policy* ([Great Britain], 1944) which—I think it fair to say—largely reflected Keynes' view on how to carry out the full-employment policy that he advocated. Indeed, not only did Keynes write the foregoing memoranda in the context of the Treasury discussions which culminated in this White Paper, but he even prepared notes for the Chancellor of the Exchequer to use in presenting it to the House of Commons (see *JMK* XXVII, pp. 374–9). Now, Chapter V of the White Paper is entitled 'Methods for Maintaining Total Expenditure' at its fully-employment level and *inter alia* outlines 'the measures by which the Government propose, *as part of their long-term policy*, to influence the volume of capital expenditure, private and public' (ibid., Section 57, italics added). The chapter then goes on to say that

> for the purpose of maintaining general employment it is desirable that public investment should actually expand when private investment is declining and should contract in periods of boom. ... The procedure which the Government have in mind is as follows. All local authorities will submit annually to the appropriate Department their programme of capital expenditure for the next five years. ... These programmes will then be assembled by an appropriate co-ordinating body under Ministers and will be adjusted, upward or downward, in the light of the latest information on the prospective employment situation. ... The machinery envisaged in this paragraph will enable the Government to set each year a target for the whole volume of public works in the succeeding year.
>
> In order that public investment may be more quickly mobilized to redress the balance of private investment the Government also intend to seek means of reducing the time-lag which ordinarily intervenes between a decision to undertake public capital expenditure and the actual start of the work. Speed here is crucial, for if a decline in demand can be caught quickly enough and corrected, a comparatively modest

[21] This would also seem to be the conclusion that Dimsdale (1987, p. 224) draws from his study of Keynes' wartime memoranda: 'His [Keynes'] views on the design of counter-cyclical policy were a development of the ideas which he had put to the Committee on Economic Information from 1935 onwards. He favoured the use of fiscal measures, based on variations in public and semi-public investment, to offset the trade cycle.'

amount of compensating expenditure will be sufficient to restore the balance. ... The Government believe that in the past the power of public expenditure, skilfully applied, to check the onset of a depression has been underestimated. ... (ibid., Sections 62–6)

And, significantly enough, this passage echoes one of the comments that Keynes made in February 1944 on what was essentially a draft of the White Paper.[22, 23]

I have quoted these passages *in extenso* in order to clarify the nature of Keynes' policy proposals, and in particular the meaning of 'long-term policy'. The picture that thus emerges from Keynes' wartime writings is quite at variance with Meltzer's contention (1988, p. 293) that they present Keynes as a 'proponent of discretionary action constrained by well-defined policy rules'—and my emphasis is of course on 'well-defined'. Thus, to say the least, Keynes' wartime memoranda and correspondence provide little if any support for Meltzer's repeated contention that they show that Keynes 'did not favor the discretionary policies to manage short-term changes in aggregate demand that are called Keynesian' (ibid., p. 308; see also pp. 4–5, 122, 295)—by which I presume he means policies of the kind advocated in the US by (say) Robert Solow and James Tobin.

Meltzer (1988, p. 294) also tries to create the impression that Keynes was not in favour of 'deficit financing'. Here, however, Meltzer fails to take account of the fact that there is a fundamental difference between his usage of this term and Keynes'. For as part

[22] Namely, the comment in which he advocated preparing

a regular survey and analysis of the relationship between sources of savings and different types of investment and a balance sheet showing how they have been brought into equality for the past year, and a forecast of the same for the year to come. If aggregate demand gave signs of being deficient, the analysis would indicate a deflationary gap exactly corresponding to the inflationary gap which we have so often discussed during the war. This survey and balance sheet ... would give an annual opportunity for examining whether the state of demand during the ensuing year looked like being adequate to maintain employment and national income at the desirable level and for the Government to explain to Parliament what steps it had in view to remedy a prospective disequilibrium in either direction. (*JMK* XXVII, pp. 368–9)

[23] In the sentence before the one that Meltzer quotes from Keynes' aforementioned letter to Meade, Keynes said that 'it is quite true that a fluctuating volume of public works at short notice is a clumsy form of cure and not likely to be completely successful' (*JMK* XXVII, p. 326). And I think that Keynes was here making a distinction between public works carried out in this way and those that would be carried out in accordance with the 'long-term programme' that he advocated in the following sentence of the letter.

of his post-war proposals, Keynes recommended dividing the overall government budget into a current (or ordinary) budget (which ideally would be financed in its entirety by taxes) and a capital budget (within which framework the government would carry out its long-term programme of investment, which would be financed primarily by borrowing). And he used the term 'deficit financing' only with respect to borrowing to finance a deficit in the ordinary budget.

This basic distinction is spelled out in the following passage from a 1945 memorandum in which Keynes advocated the establishment of a separate capital budget:

> It is important to emphasise that it is not part of the purpose of the Exchequer or the Public Capital Budget to facilitate deficit financing, *as I understand this term.* On the contrary, the purpose is to present a sharp distinction between the policy of collecting in taxes less than the current non-capital expenditure of the state as a means of stimulating *consumption,* and the policy of the Treasury's influencing public capital expenditure as a means of stimulating *investment.* (*JMK* XXVII, p. 406; first set of italics added)

Keynes then goes on in this memorandum (ibid., pp. 406–8) to list the various kinds of receipts on capital account to finance the expenditures on this account, including, of course, loans from the public ('net receipts ... of public debt held by the private sector').[24]

And the distinctly different roles that Keynes assigned to these two budgets in his contracyclical policy is brought out most clearly in the following comment that he made in 1942 on proposed post-war budgetary policy: 'I should not aim at attempting to compensate cyclical fluctuations by means of the ordinary Budget. I should leave this duty to the capital budget' (*JMK* XXVII, p. 278;

[24] The financing by borrowing of the public-works expenditures that he advocated for dealing with depressions was a consistent feature of Keynes' policy thinking. Thus see his statement in a 1933 letter to *The Times* that 'I contemplate that public works would be paid for out of loans' (*JMK* XXI, p. 200), as well as his description of the financing of the government 'programme of domestic investment' that (under certain conditions) he advocated in the *Treatise* (II, pp. 337–8). Indeed, in his pre-war writings Keynes frequently referred to such public-works expenditures as 'loan expenditures': see, e.g., the 1929 *Can Lloyd George Do It?* (*JMK* IX, especially pp. 115–21; written together with Hubert Henderson); the 1933 *Means to Prosperity* (*JMK* IX, pp. 346–50, 354–5, 364–6); the *General Theory* (p. 128, n. 1); and the 1937 'How to Avoid a Slump' (*JMK* XXI, p. 390). The discussion in *Means to Prosperity* (*JMK* IX, bottom of p. 347) also makes it clear that when Keynes speaks of 'balancing the budget', he is not including 'loan expenditures' in the budget.

see also pp. 352–3). Thus it was only in his specific sense of the term that Keynes objected to 'deficit financing'. In, however, the sense in which it is used in (say) the United States and the United Kingdom (where the budget is an overall one, which includes both current and capital expenditures), the contracyclical policy that Keynes advocated can only be described as one of deficit financing.

Let me now return to Meltzer's interpretation of Keynes' views on the issue of 'rules vs. discretion' and note that over and above my foregoing criticisms, is the fundamental question that I raised above as to the meaningfulness of attributing to writers views about issues with which they were never concretely confronted. And in the case of Keynes, this question is particularly relevant. For Keynes was—and is—well-known for the fact that he changed his policy recommendations in accordance with changing circumstances. Thus in 1929–30 he advocated public works, as against a lowering of the rate of interest, as the means of dealing with Britain's problem of unemployment; but after Britain abandoned the gold standard in 1931, he advocated doing so by lowering this rate (the 'cheap-money policy'); and when by 1933 this failed to produce the desired results, he returned to the advocacy of public works.[25]

Now, the post-war world which Keynes generally envisaged in the various wartime documents referred to above was one—in the words of the *General Theory* (p. 249)—'capable of remaining in a chronic condition of sub-normal activity for a considerable period without any marked tendency either towards recovery or towards complete collapse.' So even if we accept the validity of Meltzer's interpretation of Keynes' views in these documents on the issue of 'rules vs. discretion' (and I have expressed serious doubts about that), there is little if any validity in his attempt to infer from it how Keynes would today regard this issue for the post-war world of vastly different circumstances that has actually emerged: a world which, far from remaining in *any* 'chronic condition', has experienced prolonged investment booms and unprecedented rapid growth in some periods, and unemployment and recessions in others; a world which in different periods has experienced different degrees of both demand-inflation and cost-inflation, accompanied sometimes by full employment and

[25] This is an obvious oversimplification of what was actually a complex sequence of events. For a detailed explanation of these events, including the changes in circumstances that brought about the changes in Keynes' policy views, see Patinkin (1982, Chap. 8).

sometimes by different rates of unemployment; a world with an international monetary system which for the past two decades has been in a constant state of flux, and thus vastly different from the relatively stable system that Keynes envisaged at Bretton Woods.

Might I finally say that if one nevertheless insists upon making inferences from Keynes' writings about what his view would today be on the issue of 'rules vs. discretion' (and needless to say, I do not), then a more appropriate basis for such inferences in his 1930 *Treatise on Money*, which deals with a world that experiences significantly changing circumstances, a world subject to both booms and depressions, to both inflation and deflation. The contracyclical policy that Keynes advocated for this world was one that he termed 'The Management of Money' (title of Book VII of the *Treatise*) and described in the first chapter (31) of this Book as follows:

> Thus the art of the management of money consists partly in devising technical methods by which the central authority can be put in a position to exercise a sensitive control over the rate of investment, which will operate effectively and quickly, and partly in possessing enough knowledge and prognosticating power to enable the technical methods to be applied at the right time and in the right degree to produce the effects on prices and earnings which are desirable in the interests of whatever may be the prescribed ultimate objective of the monetary system which is being managed. (*Treatise* II, pp. 189–90)

And the 'technical method' which Keynes went on to specify in Chapter 37 of the Book—after having taken due account of the fact that the monetary authorities could not produce effects 'instantaneously', and could not be 'expected always to foresee the operation of non-monetary factors in time to take measures in advance to counteract their influence on prices'—was to stabilize the price level by central-bank monetary policy in the form of variations of the short-term rate of interest, with the purpose of influencing the long-term rate and hence the level of investment (see ibid., especially pp. 304–5, 309–10, 315–16, 325–35): in brief, a policy that (like that of Henry Simons' described above) would today clearly be regarded as an example of discretionary 'fine-tuning'.[26]

[26] Note that this fact in itself constitutes a refutation of Meltzer's contention (1988, p. 8) that 'from the [1923] *Tract [on Monetary Reform]* through his subsequent major works', Keynes 'favored principal reliance on rules, with strict limits on discretionary action and policy surprises.'

VII

I conclude this lecture with an attempt to answer the question with which I began: Why are there different interpretations of the *General Theory*? and why are there not different interpretations of *Value and Capital* and *Foundations of Economic Analysis*? All of these are canonical texts, and canonical texts attract different interpretations. A partial answer to this question is to be found in the fact that there is a fundamental difference between these texts. For without minimizing their basic contribution to our discipline, *Value and Capital* and *Foundations* were books that elaborated, rigorized and extended economic theory within the existing paradigm. Furthermore, they were books that presented their analysis in mathematical terms, thus leaving little if any ambiguity as to their intended meaning.

Not so the *General Theory*: here was a book which presented a new and at-the-time strange paradigm. It was a pioneering work that introduced new concepts (e.g., the 'aggregate demand function') and new ways of thinking (see Patinkin, 1976, pp. 83, 98–9), and so it is not surprising that it left some obscurities and even inconsistencies, as well as some loose ends. Indeed, it never pulled together its various analytical components into an explicit and complete model: this task was left for its contemporary interpreters.

An equally if not more important difference is the fact that the works of Hicks and Samuelson had no political implications. This is not true from the Marxist viewpoint, which presumably regards them as rationalizing and hence justifying the functioning of a capitalist market economy. It is, however, true from the viewpoint of the Western democratic society to which these works were addressed: for neither of them expressed any specific view as to the extent and manner in which government should intervene in such an economy. In contrast, the *General Theory* had a clear political message: government intervention in the form of contracyclical public and semi-public investment was necessary to assure the existence of full employment in a capitalist economy; and only after full employment was thus assured could the market mechanism be relied upon to function without further intervention (*GT*, pp. 378–9).

And these are the differentiae of the *General Theory* which have created fertile ground for different interpretations.

Now, with two of the contemporary interpreters of the *General Theory*, Joan Robinson at Cambridge and Roy Harrod at Oxford, Keynes had carried out intensive discussions of earlier drafts of the book (see *JMK* XIII, *passim*). Three others (Bryce, Champernowne, Reddaway) had been students who had attended the lectures that Keynes had given in the process of writing it (see Rymes, 1989, p. ix; *JMK* XIV, p. 59; Austin Robinson, 1977, p. 33). Others (Hicks, Lerner, Meade) had in one way or another been aware of the work in progress.[27] And all of the contemporary interpreters were directly experiencing the seemingly endless years of the Great Depression which formed the background of the *General Theory*. So despite its ambiguities, there was little difference between them as to both its analytical and political message.

A quarter of a century later, however, and *a fortiori* half a century later, some of the interpreters and most of their readers were of a generation who knew not the Great Depression. Furthermore, the memories of those years had in general dimmed in a post-war world that was vastly different from the pre-war one. And—no less important—Keynes was no longer around to defend himself against various would-be interpreters (as he had on at least one occasion, when in April 1938 he concluded a long correspondence with E. S. Shaw on a note that the latter had sent him on the 'finance motive', with the comment that 'there is a good deal in it which I cannot accept as anything like an accurate version of what I am driving at. ... I am really driving at something extremely plain and simple which cannot possibly deserve all this exegesis' [*JMK* XXIX, pp. 281–2]). In these circumstances the obscurities and loose ends of the *General Theory* left opportunities for different interpreters with different —and quite familiar—motivations: in particular, some interpreters wanted to invoke the authority of a canonical text in support of their prior theoretical views; and others wanted to

[27] Joan Robinson and others had discussed the *General Theory* with Lerner before the latter wrote his review of the book (*JMK* XIV, p. 148, especially n. 1). Robinson (1978, pp. xiv–xv) and Kahn (1984, pp. 182–3) have also described a weekend meeting in August 1933 with Meade (who, together with them, had been a member of the 1931 'Cambridge Circus') and Lerner which was devoted to clarifying various aspects of Keynes' thinking up to that point. Meade was also in close contact with his Oxford colleague, Roy Harrod, as well as with Kahn (see Young, 1989, pp. 52–6, 70–3, *et passim*), in other contexts, and it is reasonable to assume that in this way he continued to receive some information about the development of the *General Theory*. There was also some minimal contact between Hicks and Keynes (Hicks, 1973, pp. 7–8).

invoke the authority of a canonical figure in support of their prior political views.[28]

Milgate, Shackle and Weintraub were clearly motivated by the first of these considerations. In Section V above, I have said enough about Milgate's attempt to recreate Keynes in the image of the 'Modern Cambridge School'. In so far as Shackle is concerned, already in his 1938 book on *Expectations, Investment and Income,* he had emphasized the importance of expectations and uncertainty in economic life; at the same time, while acknowledging his indebtedness to Chapter 12 of the *General Theory,* he did not claim that the 'animal spirits' of this chapter constituted the central message of that book. Quite the contrary: he went on to describe the analysis of the book in a way that is completely consistent with Hicks' IS-LM interpretation. In Shackles' words at that time:

> [Keynes'] *General Theory of Employment, Interest, and Money* really deals with the formal interdependencies of economic variables at a moment of time. *Expectations,* the quantity of money, and the schedules of propensity to consume and of liquidity preference being all given, there is a certain level of the investment-flow, which, in view of the aggregate income corresponding to it, and the given quantity of money, will both evoke and be evoked by a certain rate of interest. In other words, from the knowledge specified we can determine values of certain main economic variables which are mutually consistent and can hold simultaneously. (ibid., p. 2, italics in original)

Similarly, Shackle's 1949 book on *Expectation in Economics* (p. 60, footnote) contains only one passing reference to the *General Theory*; and, what is even more significant, does not contain any reference to Keynes' 1937 *Quarterly Journal of Economics* article. To the best of my knowledge, it was only in a 1953 article on 'A Chart of Economic Theory' (pp. 217, 222–4) that we find the first indications of Shackle's interpretation of the *General Theory cum QJE* 1937 article that has been described in Section IV above.

A similar story, albeit over a much shorter time span, and somewhat more complicated, holds for Sidney Weintraub and his wage-cost-markup theory of price. In order to present this story in its proper perspective, let me first note that there is little concern with the theory of price *per se*—and *a fortiori* little concern with this specific theory—in Weintraub's 1958 book on *An*

[28] For different approaches to *The Politics of Interpretation,* see the 1983 collection of papers and related discussions under that title, edited by W. J. T. Mitchell.

Approach to the Theory of Income Distribution, whose main concern is precisely what its title says (but see p. 57, n. 16; and pp. 100–1). And though this book contains many references to the *General Theory*, I think it fair to say that Weintraub did not contend that the concern of his book is a major one of the *General Theory*. In any event, it is a fact that the latter contains no significant discussion of the distribution of income; and that, indeed, at the beginning of the *General Theory* (p. 4), Keynes distinguishes sharply between his concern with the level of total output, and the 'Ricardian tradition ... [which] expressly repudiated any interest in the *amount* of the national dividend, as distinct from its distribution' (ibid., n. 1, italics in original).

There is, however, one respect in which Weintraub's 1958 book foreshadows the interpretation of the *General Theory* that he was to present in his 1961 book on *Classical Keynesianism, Monetary Theory and the Price Level*: for in Chapter 2 of the 1958 book, Weintraub develops the properties of what he denotes as aggregate demand and aggregate supply curves and states (ibid., p. 24) that 'in a way, then, this chapter constitutes a restatement of the main part of macroeconomic theory [and here a footnote provides references to various articles and notes on the aggregate supply curve]. Like all such analysis, its origin is to be found in Keynes's *General Theory*.'[29] On the other hand, and in sharp contrast with his 1961 book, Weintraub's 1958 book (ibid., pp. 153–6) presents Hicks' IS-LM analysis without in any way criticizing it.

We come now to Weintraub's 1959 book on the *General Theory of the Price Level, Output, Income Distribution, and Economic Growth*, whose central message is precisely his theory of price determination

[29] In the opening footnote of this chapter, Weintraub notes that 'with some minor changes', it is reproduced from his 1957 *Economic Journal* article on 'The Micro-Foundations of Aggregate Demand and Supply'. Though it is most unlikely that this was one of the 'minor changes' that he had in mind, it does seem to me that the connection he makes in this chapter between his aggregate supply curve and that of the *General Theory* is somewhat stronger than the connection he made in his 1957 article. Specifically, the opening paragraph of that article consists of the following declaration:

> This article attempts to construct an aggregate supply function without reference to what Keynes 'really' meant. Unlike recent contributions to the *Economic Journal* [and here a footnote provides references to the same articles and notes that were later listed in the footnote at the beginning of Chapter 2 of his 1958 book, just referred to in the text], it foregoes the attempt to link the concept, in detail and with supporting references, to Keynes. While discretion replaces valour, it remains beyond dispute that the very discussion must acknowledge the *General Theory* as the source and inspiration.

by wage-cost-markup. And in the Preface to the book, he describes this theory as 'a glimmer of an idea that had been stirring in [his] mind for some time. ... a single idea ... able to unify important parts of the theory of the price level, output, income distribution and growth theory.' It is, however, most significant that Weintraub does not yet ascribe this theory to Keynes.

It is only in his article a year later on 'The Keynesian Theory of Inflation: The Two Faces of Janus?' (1960) that Weintraub (after referring to his 1959 book) does make such an ascription. And here he described the relation of his wage-cost-markup theory of price to Keynes' in the following words: 'I think I "know" what Keynes would have emphasized, but I refrain from any attempt at documentation, for it is equally possible for those who hold alternative views to find appropriate supporting passages in Keynes' *General Theory* or his later discussion in *How to Pay for the War* to sanction their doctrinal interpretation' (1960, p. 144). A year later this article was reprinted as Chapter 2 of his *Classical Keynesianism, Monetary Theory, and the Price Level* (1961), in which the foregoing quotation appears on p. 27. A similar ascription to Keynes—which has already been cited in Section IV and footnote 9 above—also appears in Chapter 1 of the book (1961, p. 3). And in presenting his interpretation of the *General Theory* in both the article (1960, Sections 1–2) and the book (1961, pp. 5–10, 18–22, 35–8), Weintraub emphasizes the role of the aggregate supply curve in Keynes' analysis, and now firmly rejects both the 45°-cross diagram and the IS-LM one.

Needless to say, the distinction that I have made between theoretical and political motivations is not an absolute one. Thus Milgate's attempt to identify Keynes' theory with that of the 'Modern Cambridge School' is implicitly also an attempt to invoke Keynes' authority for the more radical policy views of this School. Similarly, Weintraub's 1961 interpretation of the *General Theory* as having a primary concern with wage-cost-push inflation was clearly related to his policy proposals—in opposition to those that he attributed to the 'Keynesians'—for dealing with the inflation of the 1950s (1961, pp. 5–9).

Meltzer's book too reflects a combination of both motivations. Thus at many points in it (see 1988, e.g., pp. 9, 15, 177, 207) he invokes Keynes' authority for his (Meltzer's) specific theoretical view of uncertainty as imposing on the economy an 'excess burden' that manifests itself in a lower rate of investment, and hence lower stock of capital, than would otherwise exist. But what stands out most in Meltzer's interpretation is his political motivation, and particularly his desire to claim the political mantle of Keynes for the conservative rules-as-against-discretion type of contracyclical policy that he advocates (see, e.g., Meltzer, 1983, 1987; Brunner & Meltzer, 1983, especially pp. 97–100), and for the related conservative opposition to 'deficit financing'. And no less important is his desire to deny that mantle to the 'Keynesians': to drive a wedge between 'Keynes and the Keynesians' by denying that the latter are the legitimate heirs of the Master's views on the nature of the contracyclical policy that should be adopted.

Let me conclude this disussion of politically motivated interpretations by noting that the nature of such motivations is well illustrated by the following passage:

> On questions of policy the differences can never be resolved. Even such an apparently simple problem as, for instance, the extension of public works as a remedy for unemployment, is found to give rise to violent conflicts of interest. ... Revolutionaries who regard unemployment as only one of the evils of a system of private enterprise are not anxious for capitalist governments to learn the trick of reducing fluctuations in trade, and so deprive them of the most obvious, though not the most fundamental, of their objections to the system. The adherents of *laisser-faire*, on the other hand, fear that, if it once became clear to the public that state interference can reduce unemployment, the public might begin to think that state interference could do much else besides.

This is a passage from the *Introduction to the Theory of Employment* (pp. 126–7) by Joan Robinson—in her pre-war period.

At the beginning of this paper I expressed the view that though the original meaning which an author intended might not be the only legitimate one, at the same time this meaning can be used to justify the rejection of interpretations that differ greatly from it. And now I leave it for you the reader to decide which if any of the interpretations of the *General Theory* that I have discussed—including my own version of the IS-LM interpretation—should be rejected on those grounds.

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