

## The 2011 Veblen-Commons Award Recipients: Geoffrey Harcourt and Jan Kregel

It gives me tremendous pleasure to introduce the 2011 Veblen-Commons Award co-recipients. Each of them has written profoundly original and – every bit as useful – accessible critiques of mainstream economic theory. Each of them has also contributed to our knowledge of the history and theory of economics. Finally, each of them has written many important papers on concrete and applicable policy proposals that, regrettably, were not taken up as the world’s economic and political elites steered us toward Neoliberalism with the consequences that we see around us today. This is an exceptionally deserving pair, and it is not surprising that they are today’s co-honorees.

Professor Geoffrey Harcourt spent the bulk of his career teaching economics at Cambridge and Adelaide Universities. I, and I suspect most Americans, first came to know his work through his lengthy article and later book titled *Some Cambridge Controversies in the Theory of Capital* (1972). This book is a brilliant and accessible reconstruction of that formative debate with a detailed discussion of the major points raised by its primary protagonists – Piero Sraffa and Joan Robinson (Cambridge, UK) on the one hand and Robert Solow and Paul Samuelson (Cambridge, MA) on the other. Space does not permit a detailed description of what is now remembered as the “reswitching debate” that proved to be so devastating to the Neoclassical theory, but let me remind the audience that it was proven that the Neoclassical theory of capital was circular, that is to say that the “quantity of capital” could not be calculated unless the level of profit was already given. For that reason it could not, in logic, be claimed that the rate of profit was determined by the marginal product of capital. With no theory of capital, it followed that the Neoclassical theory of distribution was incoherent. However, more than a simple apologia for the distribution of income was at stake. Policy-wise it could now be demonstrated that mainstream economists had no theoretical basis to assert that the demand for labor schedule sloped downward to the right, meaning that there was no theoretical reason to believe that lower real wages will increase employment. Something useful to know as we consider the problem of mass unemployment in the midst of the greatest recession since the 1930s! Professor Harcourt’s wonderfully clear and detailed exposition of the arguments and counter-arguments of this formative debate, written in accessible English and drawing exclusively upon “middle-brow” mathematics and graphs, enabled so many of us to

access it, understand it, and perceive its powerful implications. This achievement cleared the way for several alternative theories of distribution, including those favored by many of us in today's audience. Thank you for that.

However, Professor Harcourt will be ill served if we conclude that his reputation is based solely on an important article and book, however excellent, on technical problems in economic theory. Over the years he has written and blogged extensively on Keynesian economic theory and policy - including a number of original and actionable proposals to enhance economic conditions in Australia and elsewhere. Likewise, he has studied the effects of different tax and accounting rules on the structure of investment, incomes policies to combat inflation, policies to promote growth and employment in Australia and elsewhere, and a myriad of other subjects. There is no doubt in my mind that Australia and several other polities, including our own, would have been wealthier, wiser, and happier if they had taken up some of Professor Harcourt's proposals.

Nearer to my own heart, he has written an extensive body of work on the history of economic thought with a particular emphasis on Keynes, Keynesian economics, and a number of fascinating tributes. For the practical-minded among us, he has also written extensively on the measurement of important economic categories such as profits or income. Now this latter subject might sound a bit dull and I will concede that it is a "learned taste," but having spent some time on the subject myself, I will use my presidential bully-pulpit to assert that it is a fascinating and underappreciated area of scholarship. Measurement and the consequent construction of index numbers is, if one thinks about it, the place where theoretical abstractions such as "the price level" or "aggregate income" interact with reality and our theories of how that reality is put together. More scarily, our theoretically-imbued sense of measurement is our "reality." But let us move on before we get distracted by a digression into Kantian epistemology, and say thank you, Professor Harcourt, for your tireless effort to improve our discipline of economics and especially your effort to improve economic policy-making in Australia, the UK, and the world more broadly.