Geoff Harcourt, a true Cambridge economist

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The “Cambridge Economists”

- Pasinetti (2007) held that Joan Robinson, Richard Kahn, Nicky Kaldor and Piero Sraffa formed ‘a powerful school on the track of Keynes’s economic theory’ (2007: 61)
- While recognising that in reality this ‘school’ consisted of a group in which the strong intellectual and emotional links weighed no less than the differences in culture, attitude and political views, he nevertheless held that there was ‘something […] much deeper, that shaped their intellectual affinities or attractiveness and at the same time gave rise to their strong and stormy personal relationship’ (Pasinetti 2007: 63).
- That ‘something much deeper’, he held, lay in sharing a common approach to economics

Geoff’s approach

- Geoff’s position was on the same track as Pasinetti, in seeing Kahn, Kaldor, Keynes, Sraffa, Joan Robinson, but even Goodwin, Kalecki and Robertson as sharing the «Cambridge» identity
- The group identity stemmed from motivations, values, lifestyles and work styles which drew on the intellectual, academic and personal unconventionality of their lives
- Geoff’s personal life was not unconventional, he did not come from an elitist background, but he shared the same identity as an economist
- An identity which has many dimensions and it is not to be thought of as void of differences as I will show

Common Ground

- Sraffa, Keynes, Robinson, Kahn and Kaldor were a group characterised by personal cohesion and intellectual sharing, but also by pervading divergences and differences.
- the communication within this group, be it in the form of pair-wise collaboration on various intellectual achievements, as was the case between Keynes and Kahn and Joan Robinson and Kahn, or lack of it for the difficulty of communication, as was the case of Sraffa, to a greater or lesser degree, with the others, was marked by personal vicinity and affection in the midst of sometime heated controversies.

Divergences, differences and communalities

- The approach to be identified as “Cambridge” can be described under the headings of divergences, differences and communalities;
- Divergences: Keynes’s vs Sraffa’ approach
- Differences: Robinson’s vs Sraffa’s approach
- Communalities: money, method and policies
- Geoff had his own personal positions on these issues, but he never ceased to see them as part of an intellectual and personal effort to understand the nature of the capitalist system and to contribute to overcome its failures. This he saw as the main characteristic of the “Cambridge approach”

Marshall's imprinting: Keynes and Sraffa

- Be it in the form of criticism, or of refinements or of extension, Marshall was taken by this group as point of reference.
- Keynes and Sraffa exposed the shortcomings of both the trust in markets and the faith in market theory inherited by Marshall.
- Sraffa: Marshall's inconsistencies arising from his method of representing the equilibrating forces of the market with a pricing mechanism of goods and factors of production based on marginal magnitudes
- Keynes: Marshall's inconsistency of expecting full employment of resources in the aggregate from individuals maximizing either utility or profit.

Keynes’s and Sraffa’s imprinting: Kahn, J. Robinson and Kaldor

- Kahn helped Keynes in forging the tools of the multiplier and the aggregate supply function; supported schemes to intervene in the market in the public interest.
- A fierce Keynesian throughout her life, Joan Robinson was convinced more than Kahn and Kaldor by Sraffa’s arguments favouring the classical (and Marx’s) political economy.
- Kaldor’s growth models, theory of distribution and contributions to policy debates, made him a leading figure in Post-War Cambridge.
- Kahn and Kaldor joined forces to fight Monetarism in the 1970s.

Divergencies: Keynes's approach

- Approach to human behaviour resting on the two pillars of conventions and expectations, supported by a notion of probability, to be evaluated with evidence and judgment, as guide to action.
- Understanding how opinions are formed is instrumental to transforming them, through the joint effects of persuasion and artfully designed institutions, with the ultimate aim of attaining the common good
- Main task of economic policy, "managing" rather than "transmuting" human nature; in the last chapter of the *General Theory* he concluded that it is "wise and prudent statesmanship to allow the game to be played, *subject to rules and limitations"* (GT: 374, italics added).

Divergencies: Sraffa’s approach

- Given the quantities produced and the technical conditions of production for each commodity, prices are determined by a system of simultaneous equations, under the assumption that the rate of profit must be equal in all sectors.
- The distribution of the surplus is not made dependent exclusively on the technical conditions of production and the relative scarcity of productive factors, since one of the distributive variables is determined outside the system of prices and could be influenced by other economic, or even political and social, causes.
- No marginal analysis and marginal calculation in determining prices and distributive variables

Gulfs

- Had Keynes been dead for a decade when PCMC was published, but had lived long enough to see Sraffa's project disclosed to the world, he would never have endorsed it
- Sraffa was "secretly sceptical of the new [Keynes's] ideas", (Robinson 1978: xii), isolating himself from the Keynesian revolution and, in turn, depriving it of his own contributions.
- The critique that Keynes, Kahn, Kaldor and Joan Robinson raised against the neoclassical paradigm went together with their apparently unquestioning acceptance—at least at a disaggregate level—of marginal analysis.
- Notwithstanding the Keynesian Revolution, Cambridge economics remained Marshallian and therefore far away from Sraffa's background and frame of mind.

Robinson misinterpreting Sraffa

- Joan Robinson tried to incorporate Sraffa’s prices into the Keynesian framework; more willing than Kahn to enlarge the Cambridge approach beyond the boundaries of Keynesian economics.
- Some misunderstanding of Sraffa’s point
- *apparent* change in the quantity of output to be distributed whenever there is a change in its value due to a change either in wages or in profits (Introduction to Ricardo’s *Principles)*
- Robinson interprets it as the impossibility of comparing two different aggregates of commodities at two different points in time because of the impossibility of singling out the effects of a change in distribution.
- I think that Geoff sided with Robinson n on the issue of logical vs historical time, although he may have not her interpretation of Sraffa

Communalities: Money?

- The rate of interest as a monetary phenomenon, ruled by institutional and conventional factors (Keynes)
- The quantity of money necessary to bring about a fall in the rate of interest varies with the circumstances and the state and responsiveness of the market (Kahn)
- The quantity of money in a credit economy comes into existence as a result of bank lending. The increase in the supply of money in circulation is the response to demand and not an autonomous event (Kaldor)
- Sraffa shared the idea of the rate of interest as a monetary and a highly conventional phenomenon.

Communalities : Method

- Keynes: "we cannot hope to make completely accurate generalisations" (GT: 254) is because the economic system is not ruled by “natural forces”. The task of economics is rather to "select those variables which can be deliberately controlled and managed by central authority in the kind of system in which we actually live". (ibid.)
- Sraffa: “I have no intention to put forward another mechanical theory which, in one form or another, states again that income distribution is determined by natural, or technical or even accidental, circumstances, which in any case are such that they make any action taken by either part, in order to modify, futile….I do not see any difficulty in the determination of the rate of profit through a controlled or conventional interest rate, provided that the rate of profit will not be assumed to be determined by external unchangeable circumstances.” (SP D3/12/111)

Communalities: against market idols

- Rejection of the 'classical' conclusion that market forces are always at work to bring the economic system to full employment of resources.
- Market, taken as synonymous with supply and demand, is a misleading arena for representation of the rules of production and distribution.
- Cambridge approach is not self-contained theoretical apparatus, but a set of building blocks which have validity within their own, separate, domain (price and distribution theory, effective demand, monetary theory).
- Geoff was an eminent scholar in this tradition and rightly proud to be so.