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A History of Post Keynesian Economics since 1936 (review)

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Review

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Additional Information

In lieu of an abstract, here is a brief excerpt of the content:

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A History of Post Keynesian Economics since 1936. By J. E. King. Cheltenham, U.K.: Edward Elgar, 2002. vii; 316 pp. $95.00.

Suppose it is 1984, and someone reveals to you that in the course of the next 20 years there will be a very large speculative bubble in the American stock market, followed by a painful bursting of the bubble, in which billions of dollars of wealth will be destroyed. Suppose further you are told that many mainstream economists will declare that this bubble is not a bubble at all, but merely a reflection of the rational expectations of investors who understand the emerging "new economy." Finally, suppose you are told that when the bubble bursts, a marginal group of economic theorists who had been talking about speculation, bubbles, and irrational economic behavior for many years will gain considerable stature in the profession and dramatically increase their presence in mainstream journals. Suppose you are even told that these previously marginalized theorists will be lauded in the Nobel acceptance speech of one of the 2002 Nobel laureates in economics. The speech, you hear, will point to these theorists as the bright future of macroeconomic modeling, for their efforts to resurrect the important insights of Maynard Keynes (Akerlof 2002).

If you had been told all this, and you knew that the person telling it to you was correct, what school of thought would you have named as the likely beneficiary of the bursting of the bubble? The chances are very high that your answer would have been the post-Keynesians. After all, Paul Davidson had launched the *Journal of Post Keynesian Economics* only a few years earlier, in 1978. In 1982 Hyman Minsky had just published *Can "It" Happen Again? Essays on Instability and Finance*. G. L. S. Shackle had just finished publishing a string of excellent books with Cambridge University Press that evolved from his interest in Maynard Keynes and the role of uncertainty in the *General Theory*. Twenty years ago, in 1984, the post-Keynesians were the people who were talking the most about financial instability, uncertainty, and bubbles. And they must have been the most voracious critics of rational expectations in the early 1980s.

A historian of the post-Keynesians might then ask why this group was *not* the beneficiary of the bursting of the stock market bubble in 2001. Why were behavioral macroeconomics and behavioral finance—two offshoots of literature in economics and psychology that were nascent but already well established in 1984—the rising stars after the bubble burst?

Unfortunately, J. E. King does not try to answer this question. It is odd that he does not, for at several points in this interesting history, he does admit to the harsh criticism that has often been laid at the feet of the post-Keynesians. King seems quite keen to get to an answer to the question of why this insightful group of economists, who had the nerve (and good fortune) to say that rational expectations were a dubious assumption when it was not popular to say so, face "*survival as an embattled minority*" (259; emphasis in original). In an odd twist, however, the only serious criticism of post-Keynesians that King reports at any length is that of post-Keynesians themselves. For instance, King goes blow by blow through the peregrinations of Joan Robinson from Keynes, to Marx, to Sraffa, to her final focus on uncertainty, and her **[End Page 581]** tirades against Walrasian general equilibrium modeling. Likewise, he reports Lorie Tarshis's assessment, near the end of his life, of post-Keynesianism: "With a few notable exceptions, its ambitious claims seem empty of substance" (137).

If King is willing to air the dirty laundry of post-Keynesians, then why does he not ask hard questions, such as why behavioral macroeconomics and behavioral finance have flourished in the wake of the stock market's collapse, while post-Keynesians are largely ignored? There may be many answers to this question, but the likely answer is that King is not interested in mainstream economics. He does not take it seriously. It is not clear...

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