

*An Unfortunate, Disorderly,
Destructive Occurrence*

Keynesianism—Retrospect and Prospect, by W. H. Hutt. *Chicago: Henry Regnery Company, 1963. 477 pp. \$7.50.*

IT WOULD BE possible, and perhaps enlightening, to divide the large and growing volume of literature amending and evaluating the contributions of the late British economist and policy-maker, John Maynard Keynes, into several categories. There are the writings of the essential Keynesians, whose views constitute the new orthodoxy of modern economics, such as Roy Harrod, Seymour Harris, Paul Samuelson and many, many more; there are the numerous contributions of the modified Keynesians who have accepted some, but not all, of the concepts and language he introduced—such as D. H. Robertson, A. C. Pigou, and Sumner Slichter, to mention a few; there are the painstaking, inductive studies of Keynes' premises by many economists—such as those associated with the National Bureau of Economic Research; and lastly, there are the writings of the anti-Keynesians who have clung stubbornly to the classical traditions and who accept little, if any, of the Keynesian language and few of the concepts or underlying premises. Among the many in this last-mentioned category are Arthur W. Marget (*The Theory of Prices*), Henry Hazlitt (*The Failure of the New Economics* and, as editor, *The Critics*

of *Keynesian Economics*) and, perhaps, David McCord Wright (*The Keynesian System*). We must now add to the major contributions of this group this extended critique by W. H. Hutt, currently Professor of Commerce at the University of Cape Town, Union of South Africa.

Both the title (*Keynesianism—Retrospect and Prospect*) and the sub-title (*A Critical Restatement of Basic Economic Principles*) are somewhat inadequate. Professor Hutt has produced a sort of sandwich, the meat of which is an elaborate notebook covering the pertinent economic literature of the past quarter century and the bread of which—top and bottom slices—appraises the retrospect and prospect of Keynesianism. It is somewhat a Hero or Poor Boy sandwich, containing chapters devoted to an intensive examination of particular parts of Keynes' apparatus (such as, for example, "The Consumption Fallacy" . . . "The Marginal Propensity to Consume" . . . "The Multiplier" . . . "The Acceleration Fallacy"), each of which could be the subject of a volume in itself. It also contains some expositions of the classical position, as interpreted by Hutt, such as "The Nature of Coordination through the Price System" . . . "The Nature of Money" . . . "Concepts of Inflation and Deflation" . . . "Depression and Boom" . . . "The Say Law." Nor should one overlook the spices, inserted here and there as appendices, such as, to mention only a few, "The Limitations of Mathematical Method in Economics" . . . "The Use of the Term Neutral" . . . "J. S. Mill on the Say Law."

Professor Hutt, as the phrase goes, has made a significant contribution to the literature. His approach is that of a mature, capable, courageous and independent thinker, fully cognizant that he has undertaken the difficult and, indeed, unpopular task of undermining the base on which most modern economics textbooks rest.

Hutt regards the essential difference between Keynesian and classical economic doctrines as being exemplified by their re-

spective diagnoses and prescriptions for remedying the evils of inflation and unemployment. The Keynesian blames a lack of purchasing power or "effective demand" and prescribes the creation of more purchasing power in monetary terms. The classicist blames discoordination or disharmony among prices and prescribes the elimination of barriers to price adjustments in order to achieve price stability and full employment. "It is only confusing," writes Hutt, "to suggest that Keynes was partly right and partly wrong. I shall maintain that where he was right he was not original, and that where he was original he was wrong."

It is not possible, within the space limitations of a review, to do justice to the depth and diversity of Professor Hutt's interests as revealed in this volume. His erudition is obvious, but he does not flaunt it before the reader; indeed, it is clothed in considerable modesty. There is something of special interest to almost everyone, expressed well and intelligibly to all who have had a reasonably good grounding in economic theory and the history of economic thought. A few quotations, intriguing at least to this reviewer, may serve to illustrate and to whet the appetite:

. . . In recommending recourse to monetary policy in order to restore the "effective demand" needed to employ idle resources, the Keynesians tend to blame for the idleness, not errors in pricing, but changes in freely expressed preferences—including time and liquidity preference—and changes in entrepreneurial predictions. . . The weakness of the Keynesian nostrum is. . . that it tries, not to correct that behavior, but to offset it. (pp. 78-9)

Since 1936, the economists have become sharply divided about the nature of the price changes which ought, in the interests of "full employment," to take place in any given situation. . . The Keynesian theory on this point proved

enormously attractive. . . . It gave many economists what they seemed to have been waiting for, a non-casuistic argument for the tolerance of the collusive enforcement or State fixation of minimum wage rates. (p. 160)

I have found it impossible not to wonder, at times, whether some Keynesians do not recognize that the system they advocate is . . . a useful means of destroying the institutions of the free economy, and hence a method of building up a totalitarian, Marxist State. That may of course be the ulterior reason for much of the support of continued inflation. But many, if not most Keynesians, reject the totalitarian ideal. Yet when they advocate deliberate inflation . . . they somehow fail to perceive that it must have an effect they would deplore. (p. 414)

Professor Hutt is an optimist. He looks on Keynesianism in retrospect as an unfortunate, destructive and disorderly occurrence; in prospect, somewhat hopefully, he regards its future as bleak. He does not espouse a Devil theory of politico-economic affairs. Without actually expressing it in so many words, Hutt recognizes that Keynes' ideas were seized upon because they offered a systematic body of thought in support of government intervention in economic affairs to people who wanted to intervene anyway. Keynes and his doctrines were not the cause of this intervention; they merely provided a theoretical justification for it, and if Keynes had not supplied the theory, someone else would certainly have done so.

It is to be hoped that Professor Hutt's book receives the attention and wide circulation it deserves. If so, it will be examined carefully by those, like this reviewer, whose value judgments are reinforced as well as by those whose basic value judgments are challenged. But do not expect it to be easy reading. To get the full import of his message requires reading and

rereading and study. One cannot use the old cliché that the book is difficult to put down. But the diligent reader will find it difficult to avoid picking it up again—and again, and again.

Reviewed by ARTHUR KEMP

Marshall: Man and Myth

George C. Marshall. Volume I: Education of a General, 1880-1930, by Forrest C. Pogue. Foreword by General Omar N. Bradley. *New York: The Viking Press, 1963. 421 pp. \$7.50.*

GENERAL GEORGE C. MARSHALL, chief of staff of the United States Army in World War II, refused to write his memoirs but made certain that his life would become the subject of a work of hagiography. He entrusted his records to the George C. Marshall Foundation, and the task of writing his biography to Forrest C. Pogue, director of the George C. Marshall Research Center. Pogue had demonstrated in official army histories and in a defense of the infamous Yalta conference that he was a safe custodian of Marshall's reputation—beyond suspicion of impartiality.

Marshall once remarked that he could not write a book because the truth, if he told everything, would hurt too many of his former associates. A more reasonable explanation is that he knew the truth might be unendurably painful to George C. Marshall. A man whose memory for inconsequential details of army life was a source of great pride could not pretend, with any plausibility, that he had no recollection of where he was or what he did the night before Pearl Harbor. And the truth about Pearl Harbor might hurt Marshall far more than it would hurt the unfortunate army and navy commanders who were dishonored and ruined by Marshall and his coterie in Washington. As the Army Pearl Harbor Board of Inquiry reported: