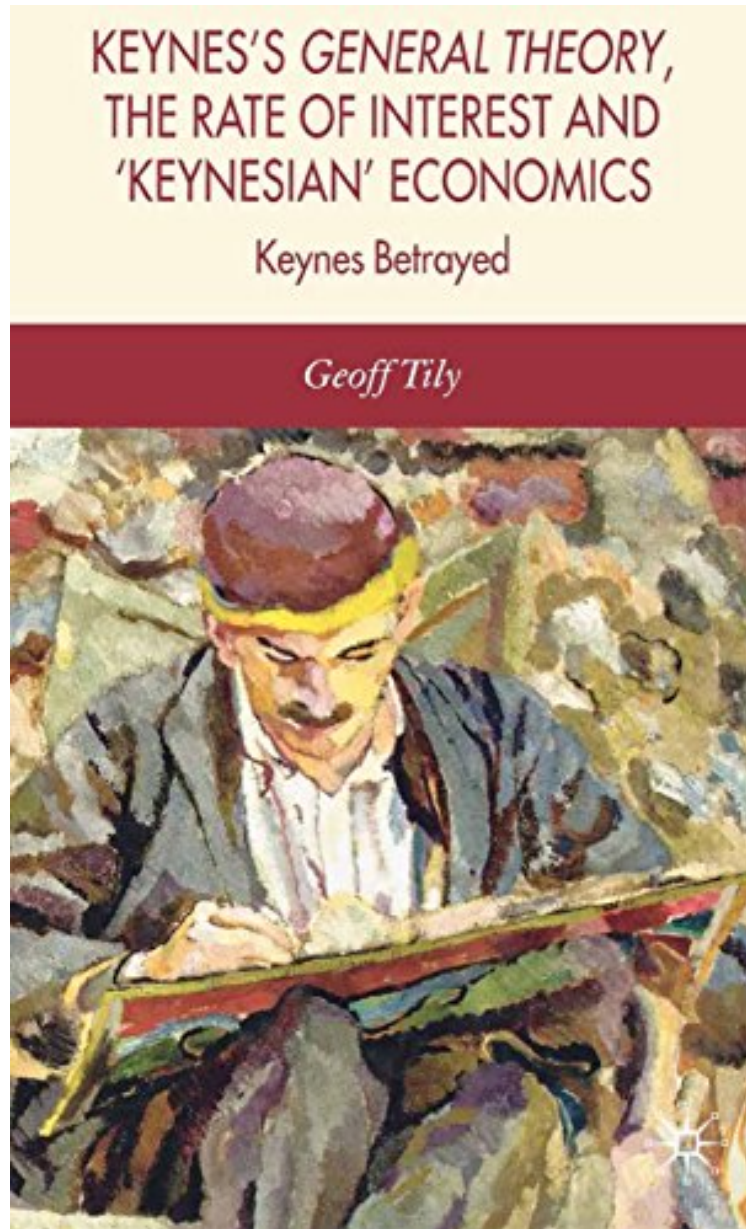


# Keynes's General Theory, the Rate of Interest and Keynesian' Economics

*G. Tily*

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**G. Tily : Keynes's General Theory, the Rate of Interest and Keynesian' Economics** before purchasing it in order to gage whether or not it would be worth my time, and all praised Keynes's General Theory, the Rate of Interest and Keynesian' Economics:

1 of 1 people found the following review helpful. This is a most excellent book the product of a great deal of research ...By Schofield This is a most excellent book the product of a great deal of research and effort by Geoff Tilly. His aim is to put the record straight on the main aims of Keynes particularly to keep credit cheap and to avoid using it as regulator for inflation as far as this is possible. He does this very well. Tilly doesn't, however, take this to its logical conclusion which is that for an individual economy suffering from abnormal inflation fiscal drag regulation through increased taxation as well as control over base (Fed) rate setting must logically be under the control of central (Federal) government in a form that maximizes democratic accountability. Societies must recognize that a quasi independent central bank is always subject to capture by interests vested in maximizing profits from lending money. 3 of 7 people found the following review helpful. Yes. Keynes generalized the monetary Equation of Exchange in chapter 21 of the GT By Michael Emmett Brady This book appears to be a revised edition of an earlier 2007 book. In general, the author is correct, although he is unable to follow Keynes's technical analysis in chapters 20 and 21 that allowed Keynes to successfully generalize the basic monetary equation of exchange,  $MV=PO$ , where  $M$  = the money supply,  $V$  = Velocity of money,  $P$  = the price level and  $O$  = real output to  $MV = pO = D$ , where  $p$  is an expected price and  $V$  is now the income velocity, in order to incorporate uncertainty/the speculative demand for money through the specification of the elasticities  $e_{ep}$  subscript and  $e_{ed}$  subscript. Money used for speculative purposes,  $M_2$ , is thus the root cause of inflation, deflation and involuntary unemployment.  $M = M_1 + M_2$ . If  $M_2 = 0$ , then the standard equation of exchange holds. The author is correct that Keynes wanted to maintain a permanent, low, fixed rate of interest while simultaneously minimizing the  $M_2$  component so that the vast majority of loans would be lent to Adam Smith's sober people who create the jobs. Unfortunately, the forces of banking and finance, represented by Wall Street, will object. There are two errors in the book. First, Paul Samuelson, Sir John Hicks and Alvin Hanson did not betray Keynes. All three were misled by Joan Robinson, Richard Kahn and Austin Robinson into believing that the GT was full of major mathematical and microeconomic errors because Keynes had not taken the 20 minutes necessary to master the theory of value. Keynes's microeconomic analyses in chapters 20 and 21 was thus overlooked. The "What did Keynes mean by  $Z$ " quagmire is the direst result of the failure of Joan and Austin Robinson and Kahn to recognize that Keynes was using the standard theory of pure competition with one fixed input-one variable input while simultaneously incorporating expectations through the use of expected prices and expected profits. Second, the claim made by Post Keynesian economists, who follow the dogmatic claims of Joan Robinson and Richard Kahn, that Keynes did not understand the mechanics of his aggregate supply function and curve, is simply false. Post Keynesians still can't work out the simple footnote 2 on pp.55-56 of the GT that specifies that  $dZw/dN = 1 = dDw/dN = pO'(N)/w$  so that  $w/p = O'(N)$  or the real expected wage,  $w/p$ , equals  $O'(N)$ , the marginal product of labor. Post Keynesians are still trying to figure this out 75 years after Keynes published the GT. How can they possibly expect to meet high powered, mathematically trained neoclassical economists in intellectual battle if they can't work out a calculus I problem ?????? The answer is that they can't and will not be able to survive in a one-on-one debate.

This book argues that Keynesian economists have betrayed Keynes' theory and policy conclusions, and that the world has been misled about those policies. Keynesians have focused attention on policies for dealing with effects of economic failure as they arise, whereas Keynes was concerned with the cause and then the prevention of economic failure.

' such an important book not merely another book on the history of Keynes's monetary thought. It provides compelling evidence of where 'Keynesians' of all shades have gone wrong and simultaneously provides them with the ammunition to generalize what passes for modern monetary theory and macroeconomics. It enables macroeconomists to put Keynes back into Keynesian economics.' - Colin Rogers, University of Adelaide, Australia 'This is an extraordinary book and a major and significant contribution to Post-Keynesian literature.' - Jan Toporowski, School of African and Oriental Studies, University of London, UK 'Above all, this book is a good read, which may achieve that rare combination of a high level of scholarship with relevance to the policy advisor.' - Mark Hayes, University of Cambridge, UK What's all the fuss about then? Well, unlike most books on economics, this one is beautifully written, with only the simplest few equations, no acronyms or abstruse jargon in sight, and not too long. In three parts History, Theory, and Macroeconomics after Keynes Tilly explains carefully and clearly what Keynes was concerned about and actually wrote; how that was used and abused by his contemporaries for their own academic purposes; and what are the implications of his persuasive arguments for the contemporary policy debate. . Tilly argues in his new preface, at first surprisingly but ultimately convincingly, that it follows that Keynes's own view would have been that the problems of the last decade have been caused by so much credit advanced not at interest rates that were too low, but rather too high and that the multitude of derivatives (CDOsup2; and so on) were then spawned in a doomed attempt to lower the effective cost of the debt burden assumed. It is a work of inspiring scholarship that will surely make a great present for someone interested in both economics and the history of the mid-twentieth century who would like to understand more about whom to support in the current vigorous policy debates: Krugman or Rogoff? Wolf or Osborne? And just what Keynes himself would have thought about what they have to say, . Do buy! - Diana Hunter,

Financial World About the Author GEOFF TILY works as an economist at the Office for National Statistics, UK. He has been a member of the Government Statistical Service since 1989. He did his MSc in Economics at University College London and a PhD under the supervision of Victoria Chick.