



II. J. M. Keynes and *The General Theory* (1936)

2. The impact of *The General Theory* on economic policies during the last thirty years (1886-2016)

1. As if Keynes had never lived: the second UK and world crisis of financial globalization

by Geoff Tily
Trades Union Congress & Prime Economics



1. Introduction

... the task of monetary theory is a much wider one than is commonly assumed ...
nothing less than to cover a second time the whole field which is treated by pure
theory under the assumption of barter ...

Hayek, *Prices and Production*, 1930

cited (with approval) by Keynes, Nov. 1931, *CW XIII*, p. 254



Structure

1. Introduction
2. Very brief remarks on 1930s
3. Theoretical framework
4. Post-war 'bastard golden age'
5. 1970s inflation
6. Financial globalisation
7.)
8.) The position today

2. *Treatise on Money*

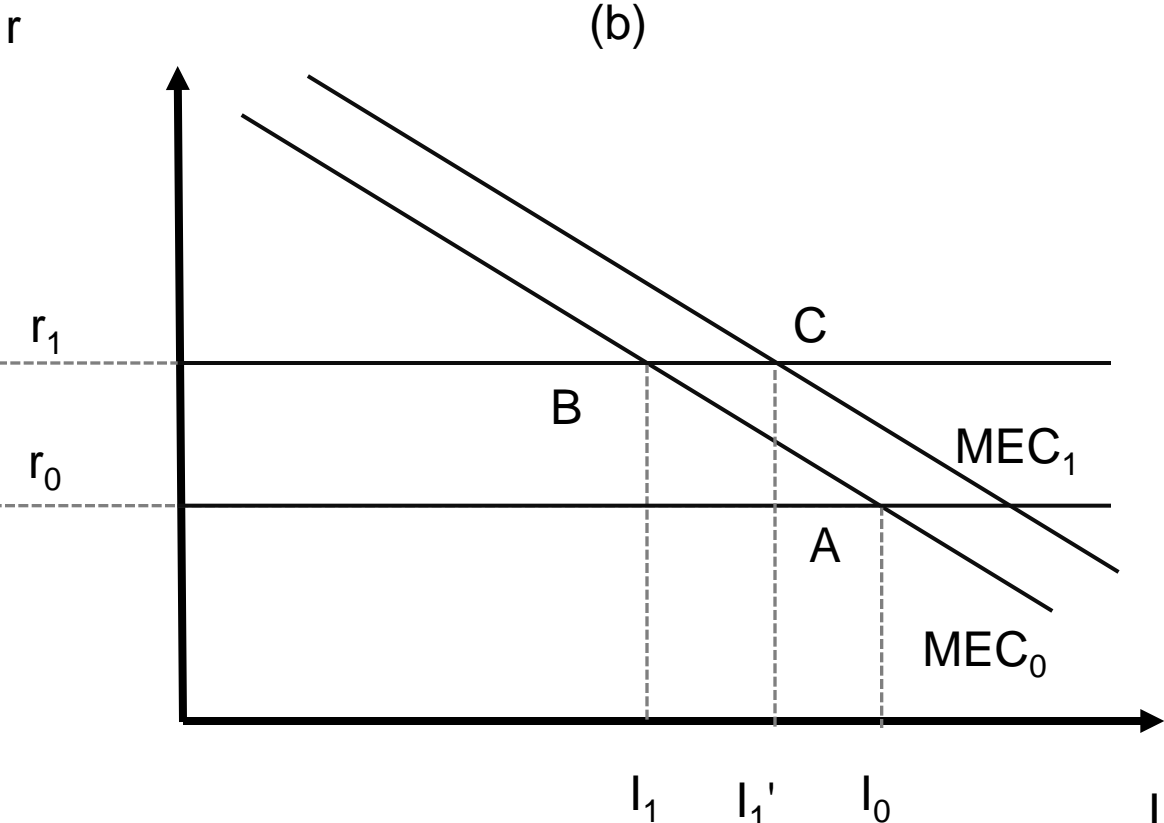
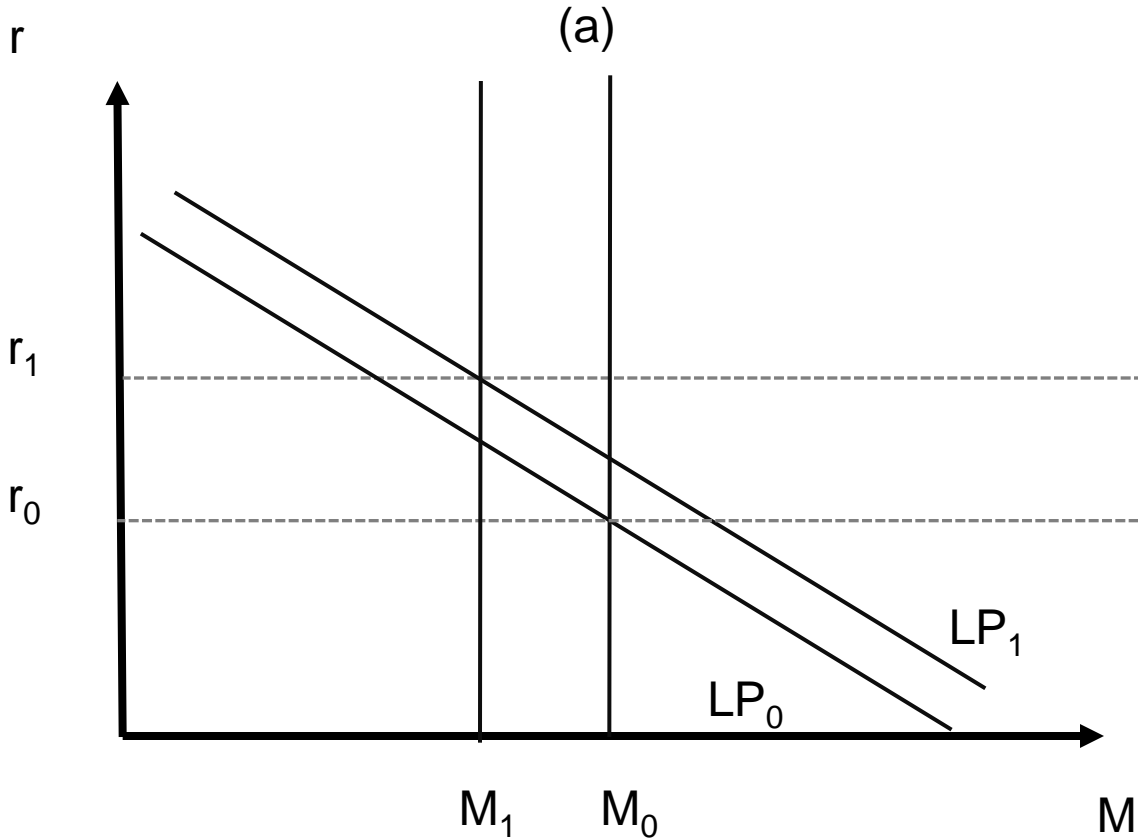
I am writing these concluding lines in the midst of the world-wide slump of 1930 ...
Thus I am lured on to the rash course of giving an opinion on contemporary events
... namely, my view of the root causes of what has happened ...The most striking
change in the investment factors of the post-war world compared with the pre-war
world is to be found in the high level of the market-rate of interest.

CW VI, p 377, my emphasis

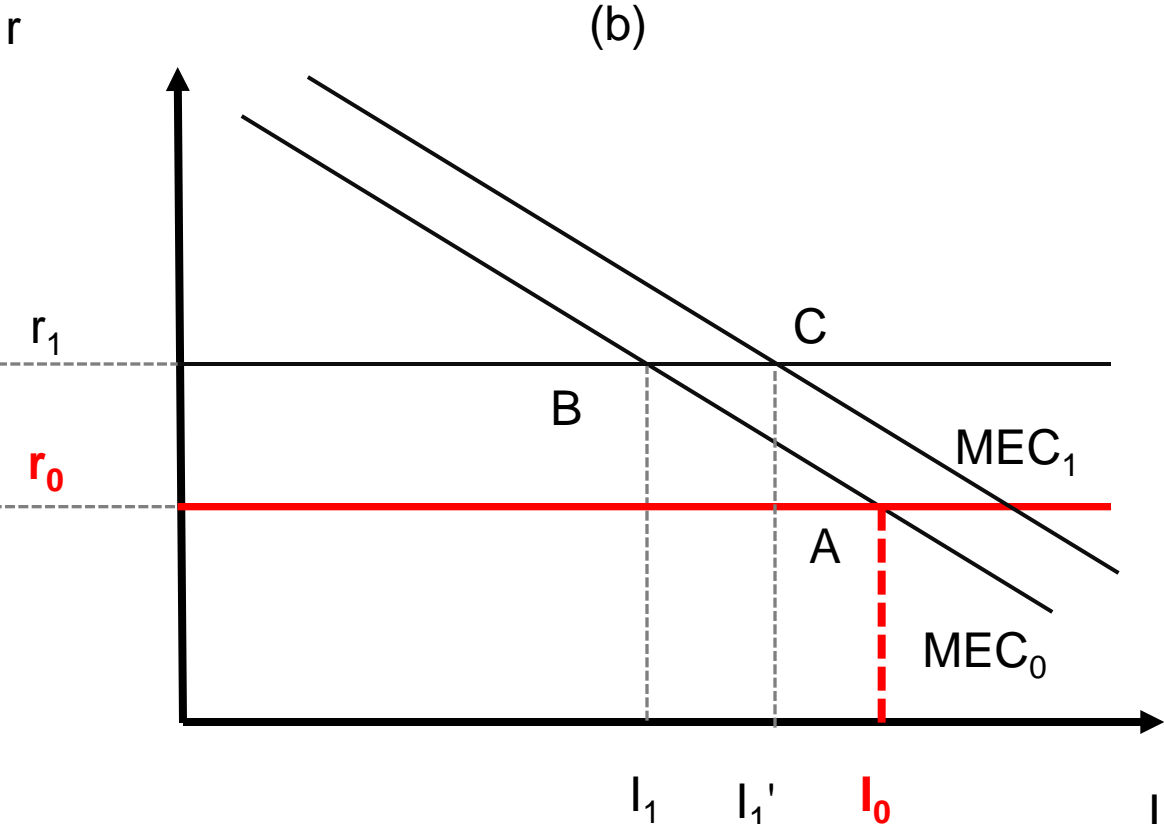
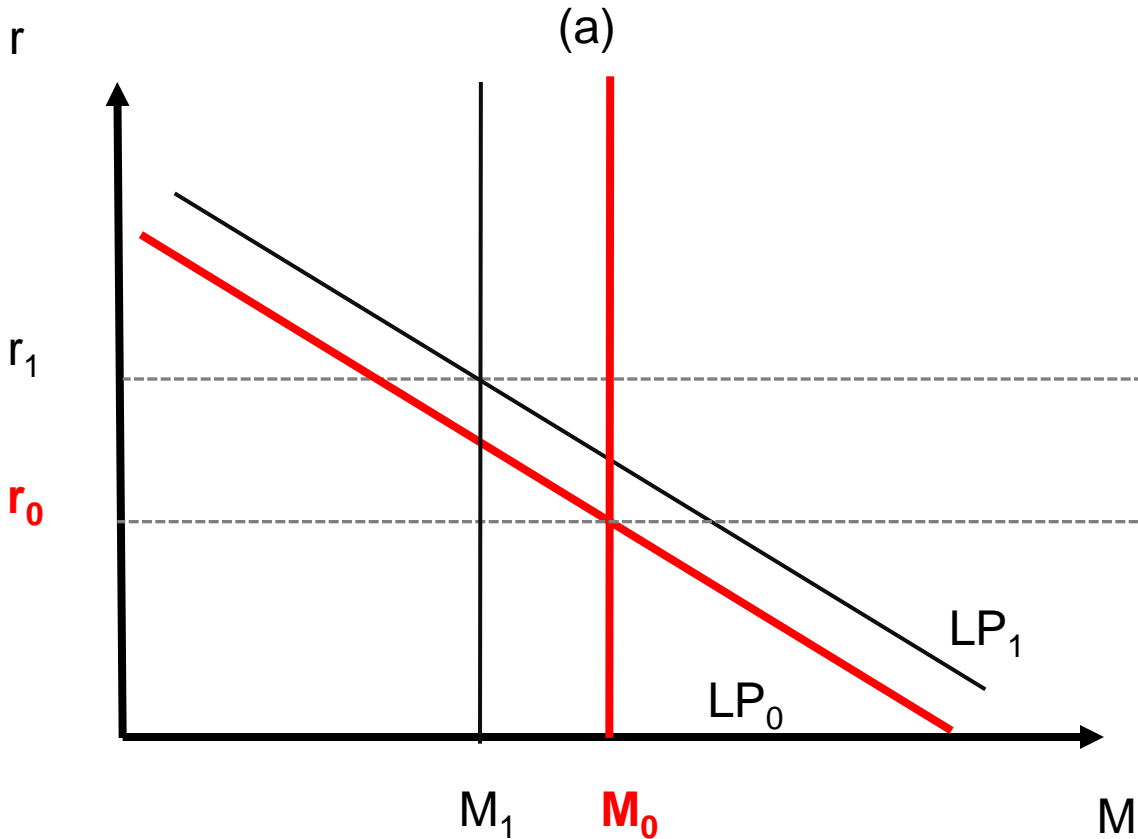
3. Theoretical framework

There is, I am convinced, a fatal flaw in that part of the orthodox reasoning which deals with the theory of what determines the level of effective demand and the volume of aggregate employment; the flaw being largely due to the failure of the classical doctrine to develop a satisfactory theory of the rate of interest. (*CW XIII*, p. 489)

3. Theoretical Framework



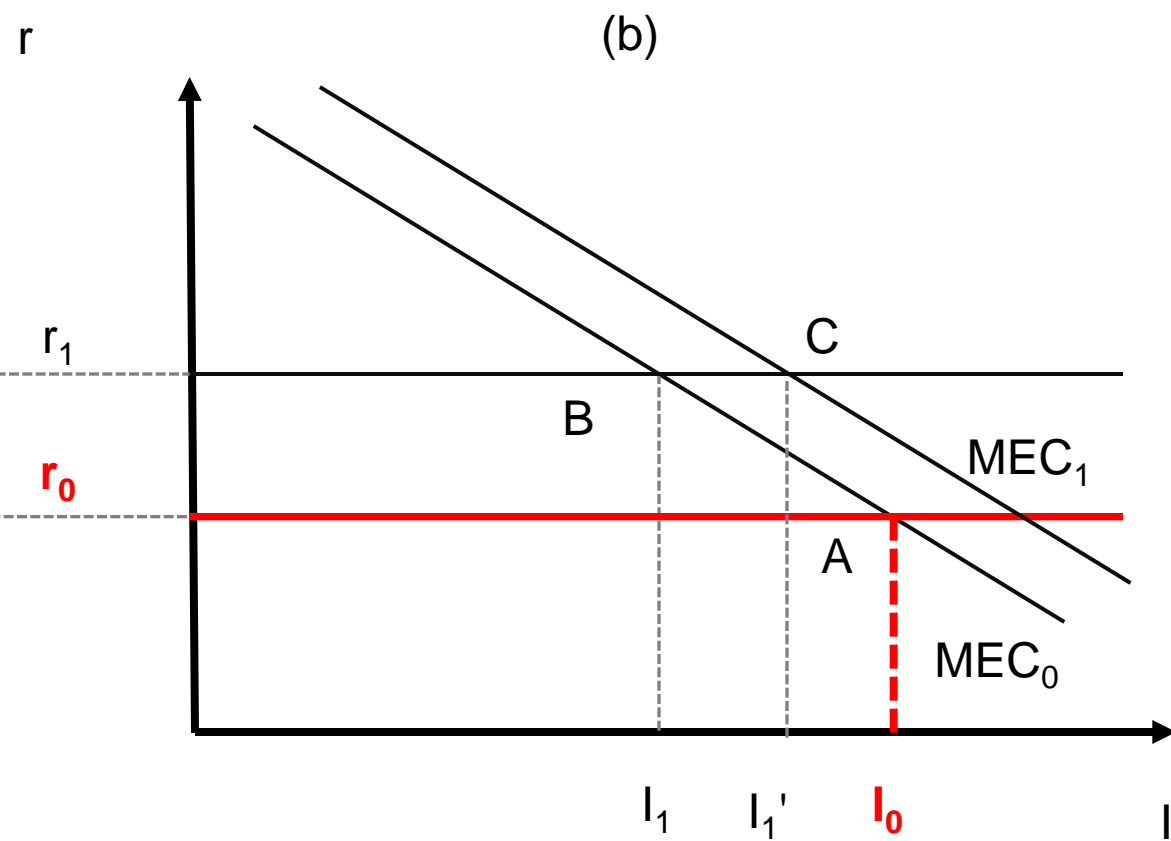
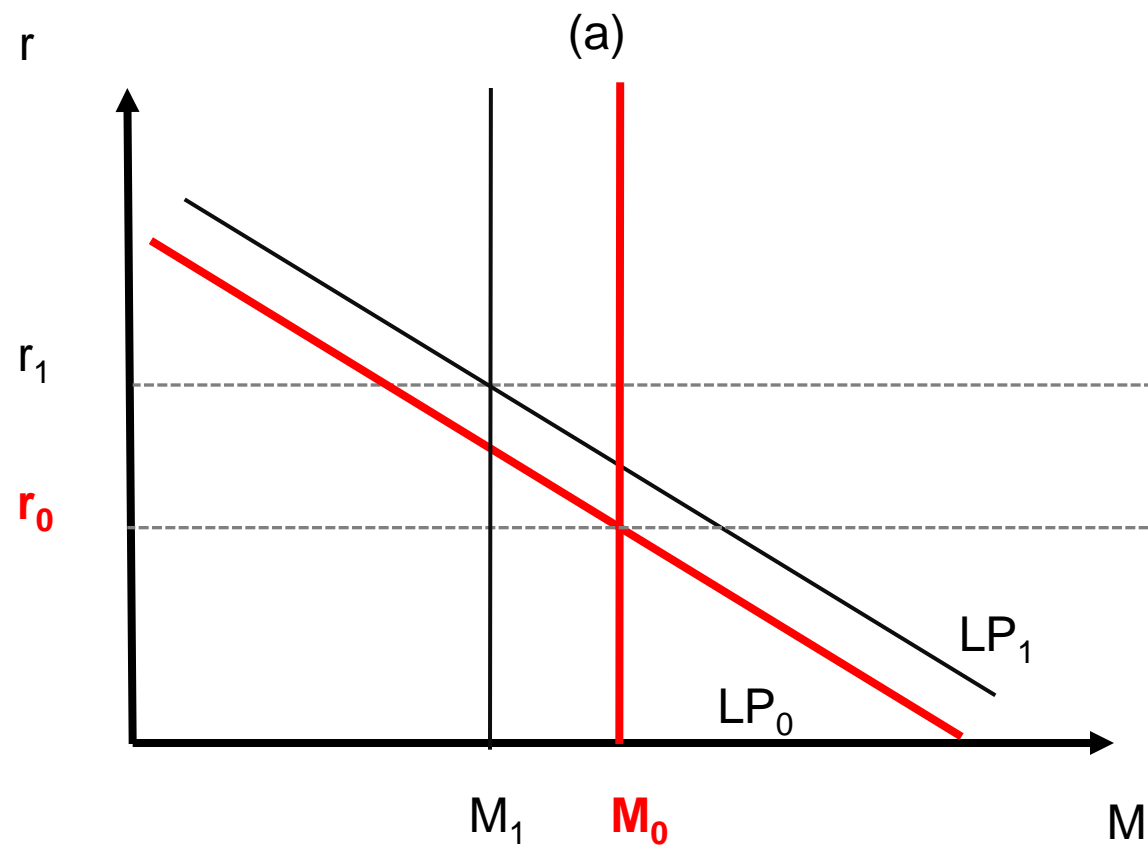
3. Theoretical Framework



US real long-term interest rates



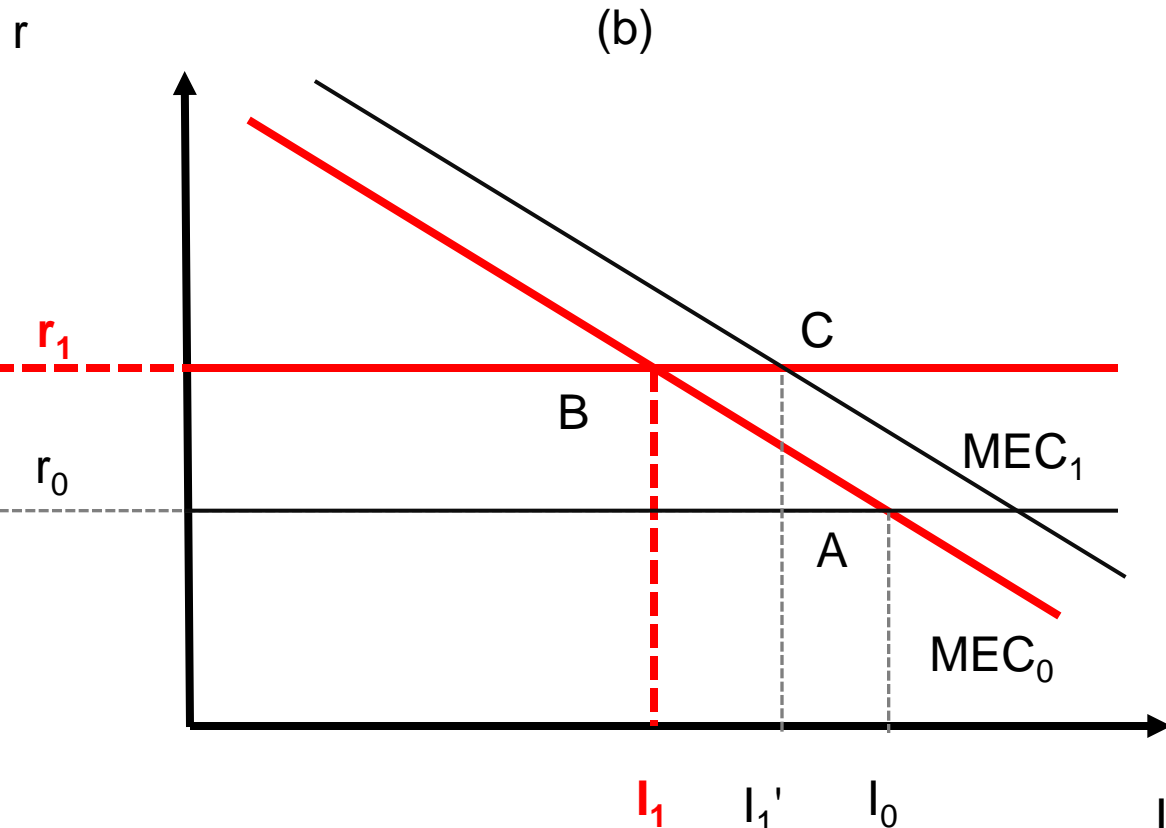
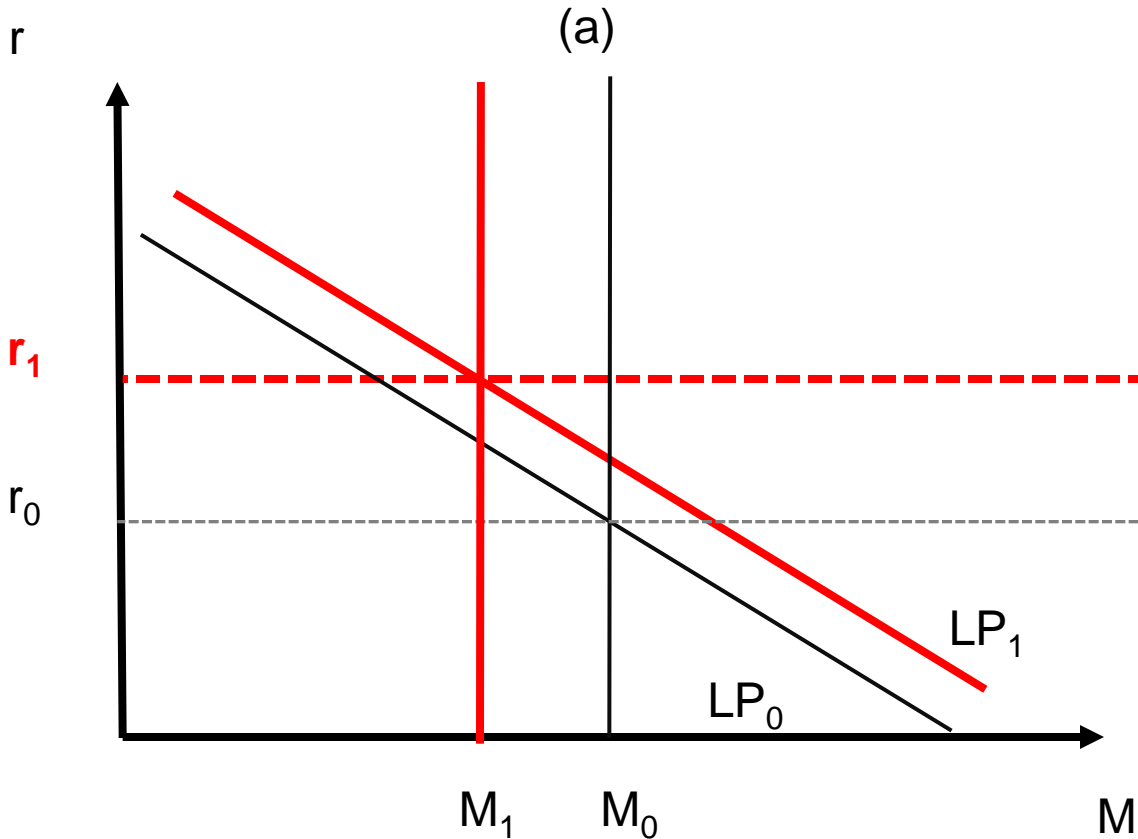
4. Post-war 'bastard golden age'



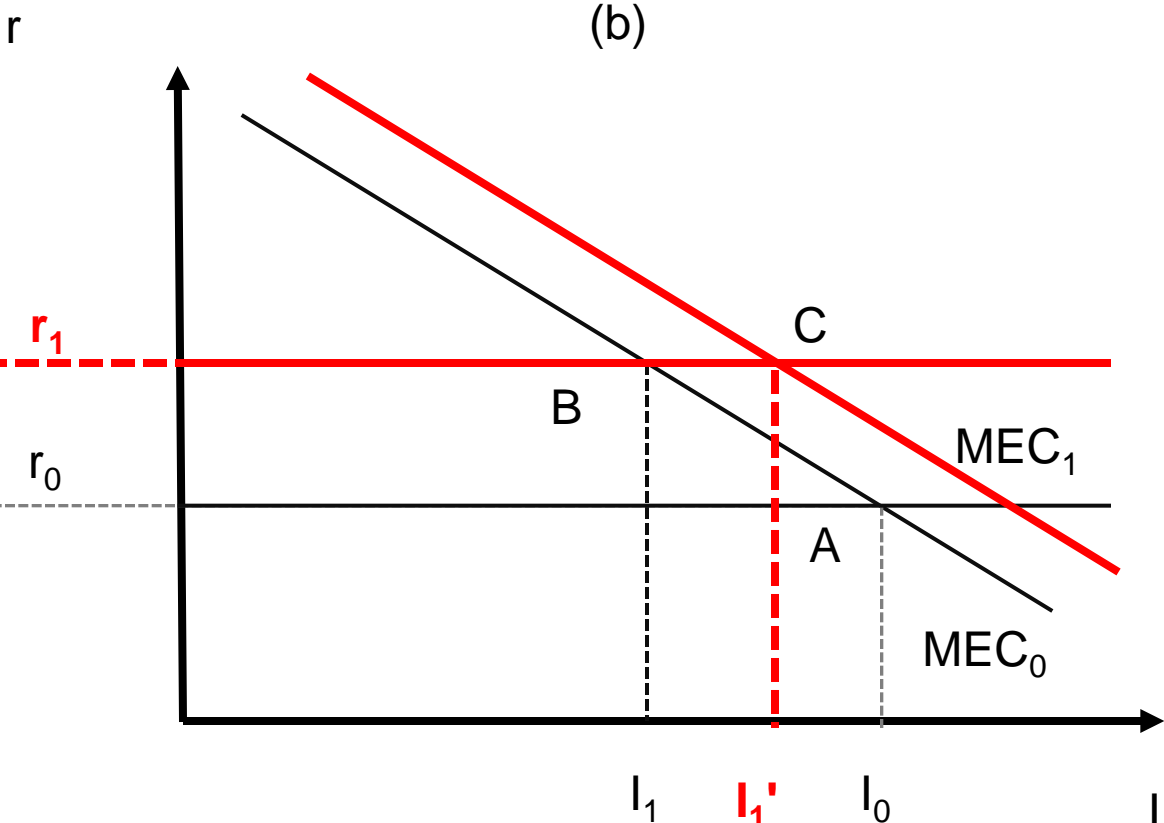
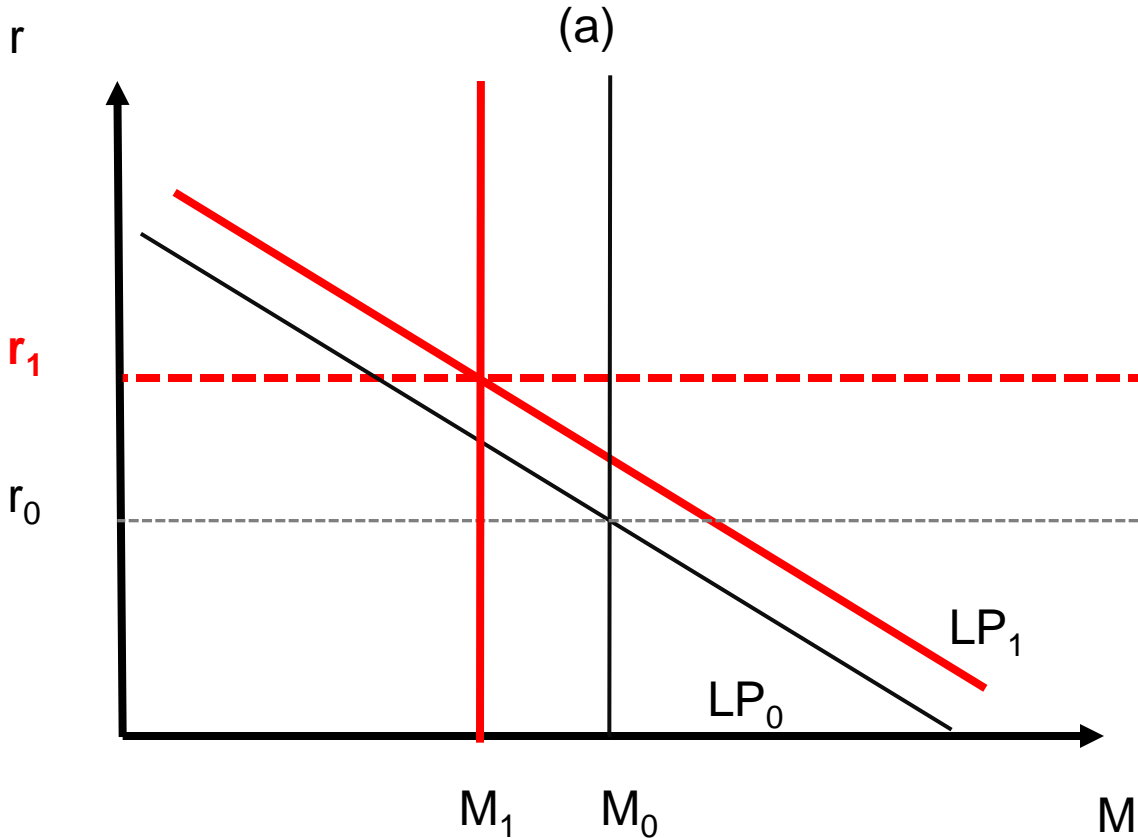
4. GDP(E) annual average growth, per cent

	household	investment	government	exports	imports	GDP
1950-59	2.2	8.9	1.3	2.2	3.1	2.8
1960-69	2.2	4.9	2.2	4.5	3.7	2.8
1970-79	2.4	1.7	2.3	4.7	4.0	2.3
1980-89	3.6	4.4	0.6	3.2	5.5	2.9
1990-99	2.6	0.5	1.3	4.9	5.1	2.0
2000-09	1.8	-0.4	2.5	2.2	2.3	1.4
2010-15	1.4	3.7	1.0	3.2	3.9	2.0
average	2.5	3.5	1.8	3.9	4.3	2.5

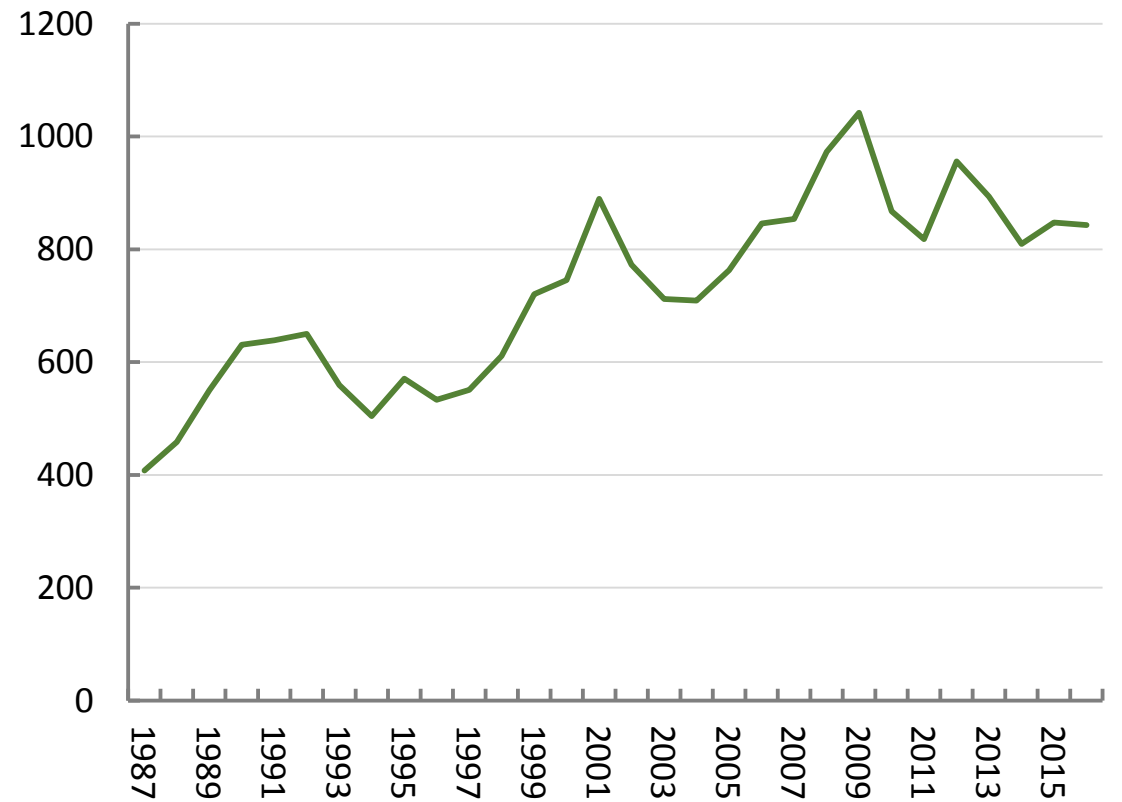
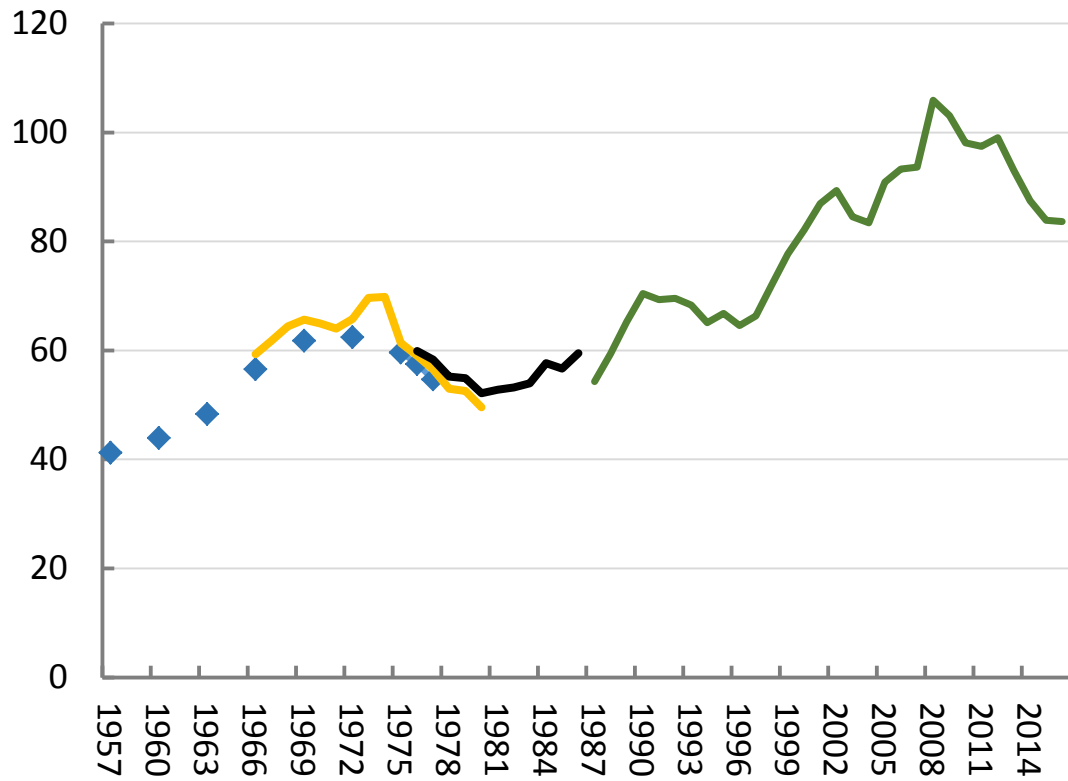
6. Financial globalization (1)



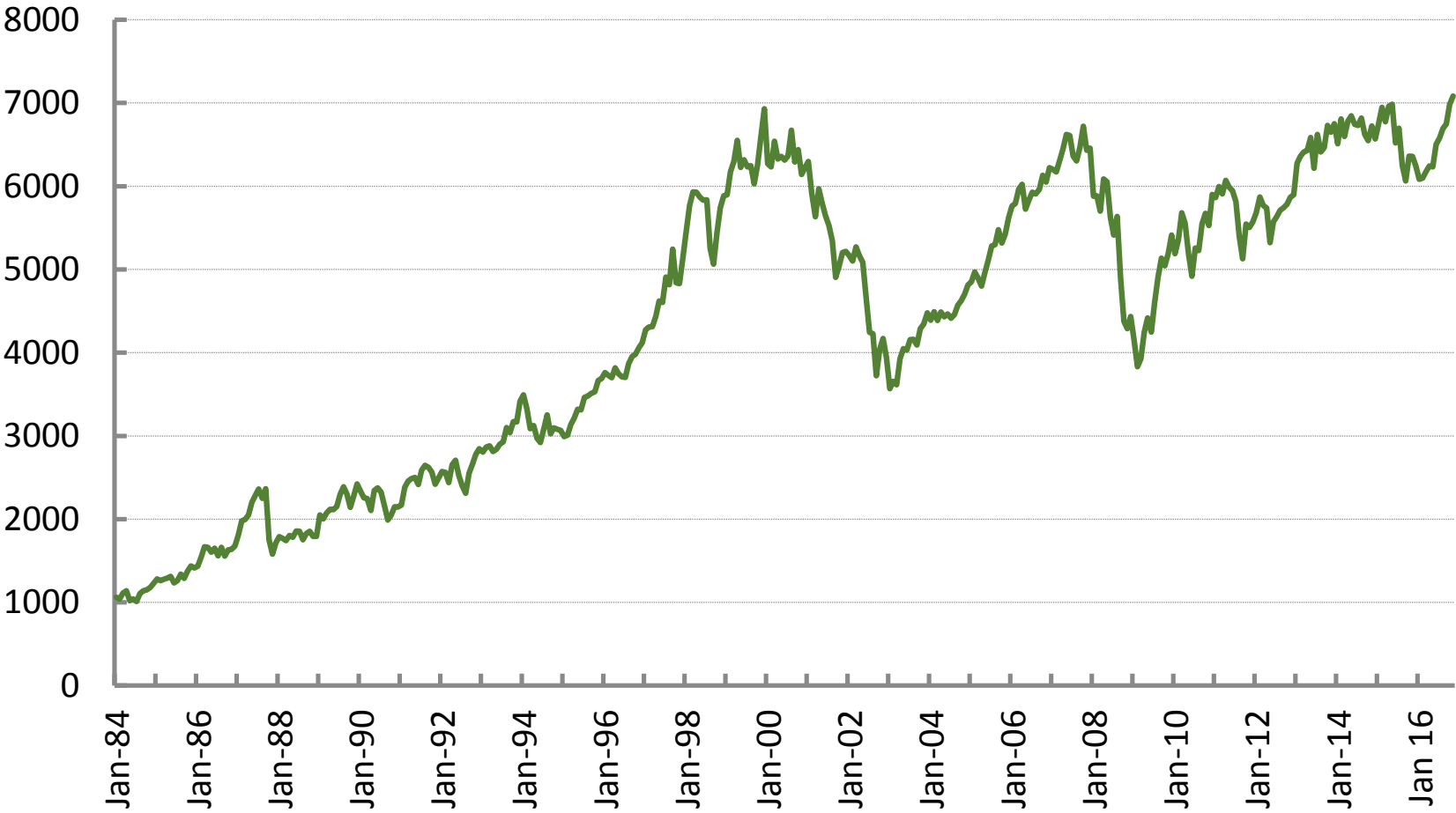
6. Financial globalization (2)



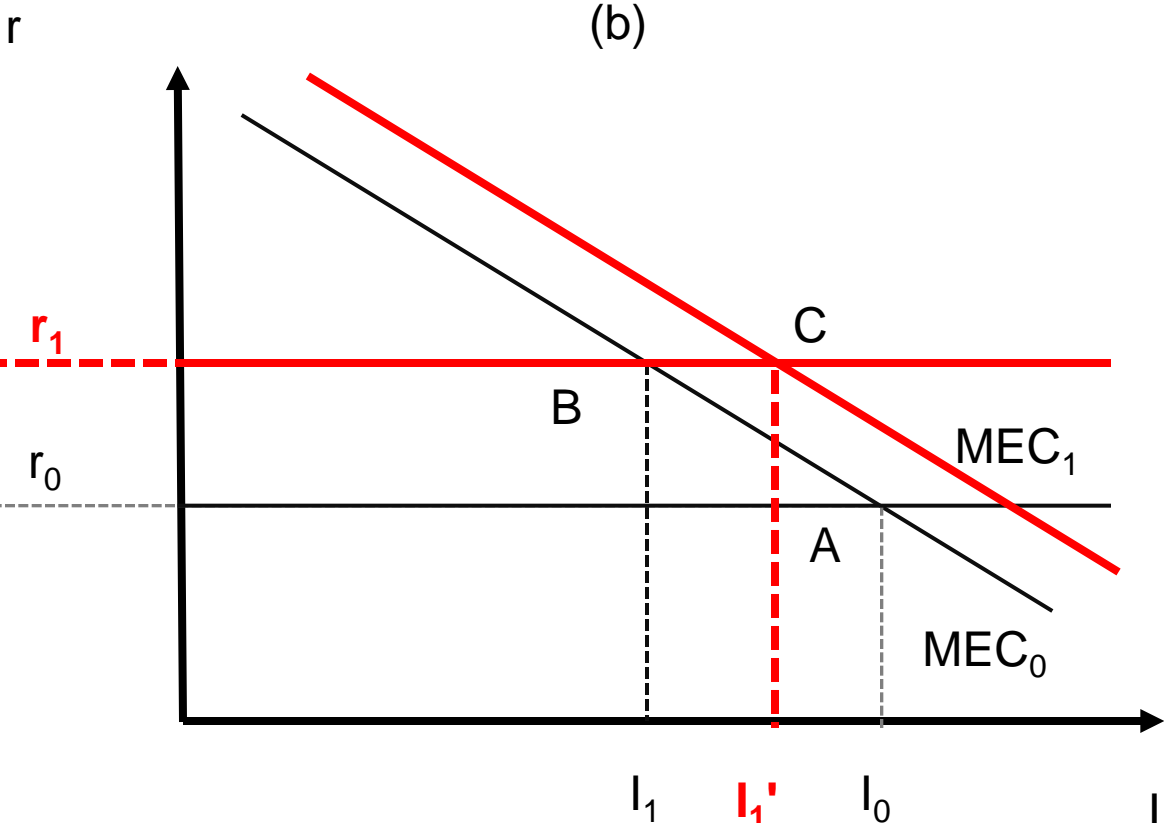
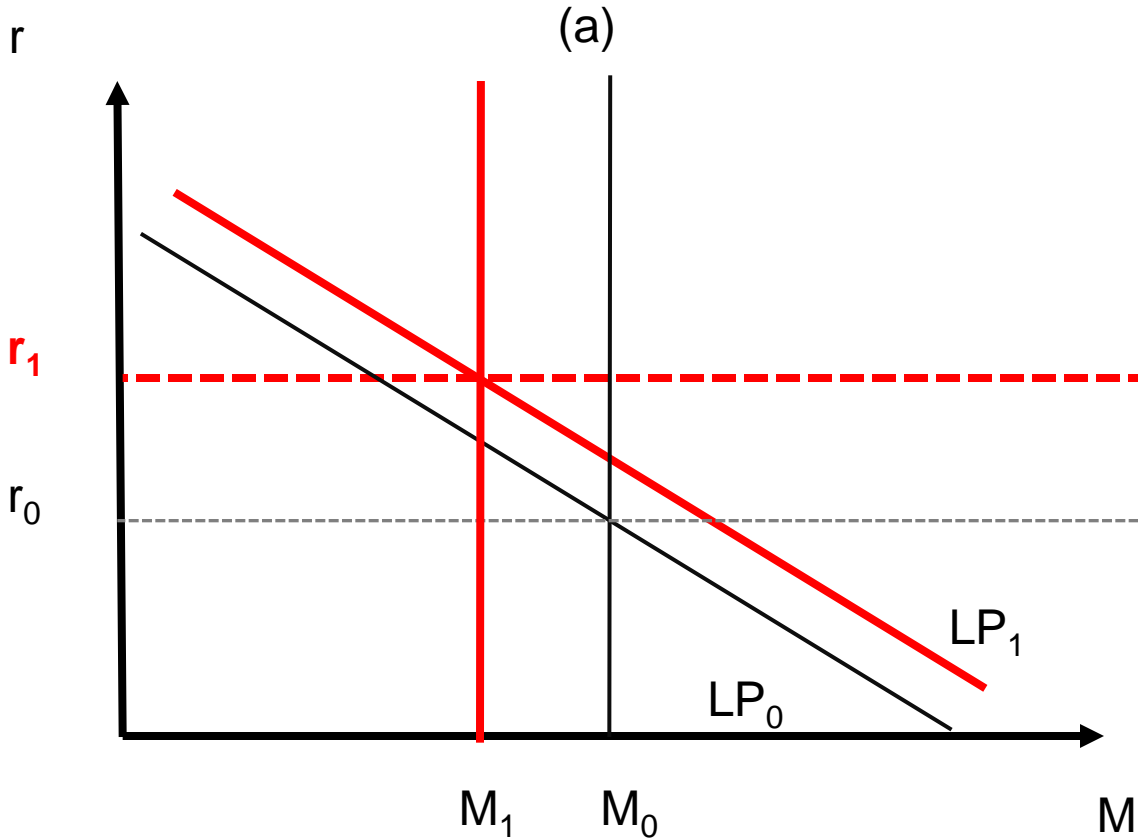
UK private non-financial corporation debt liabilities



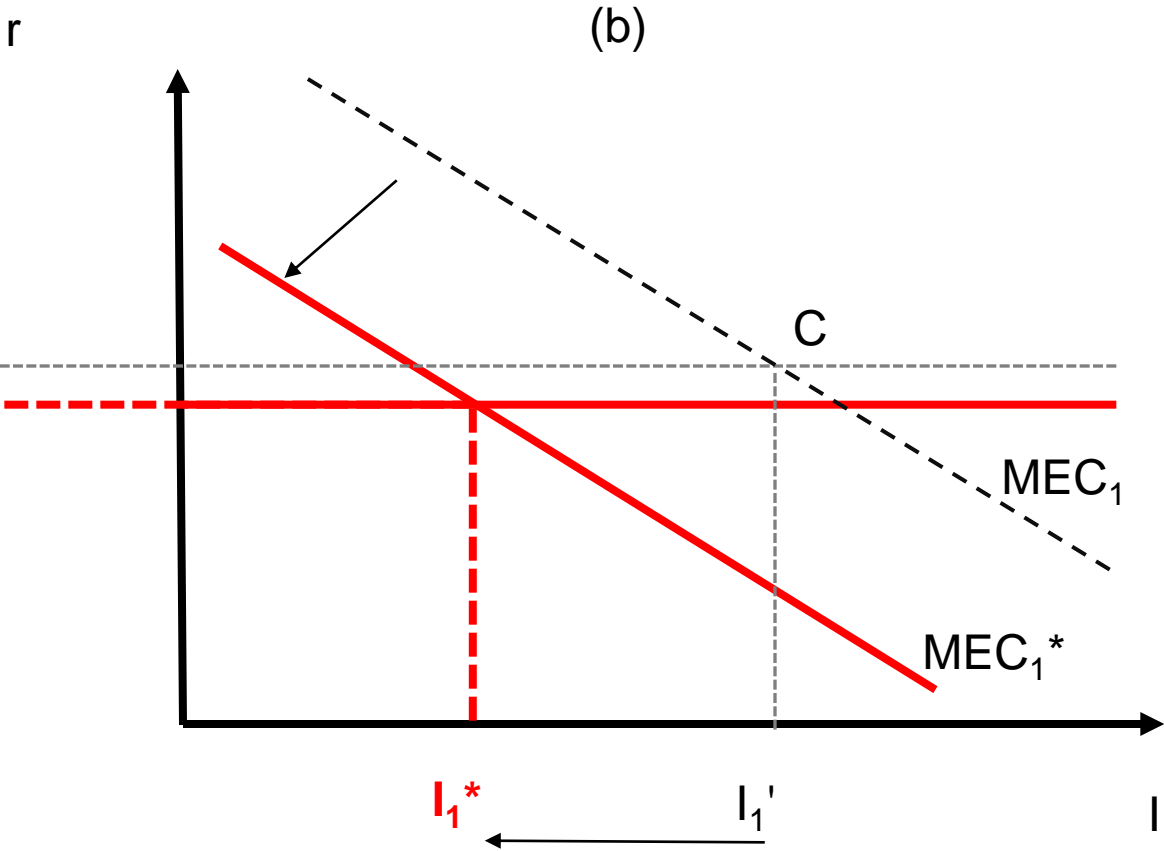
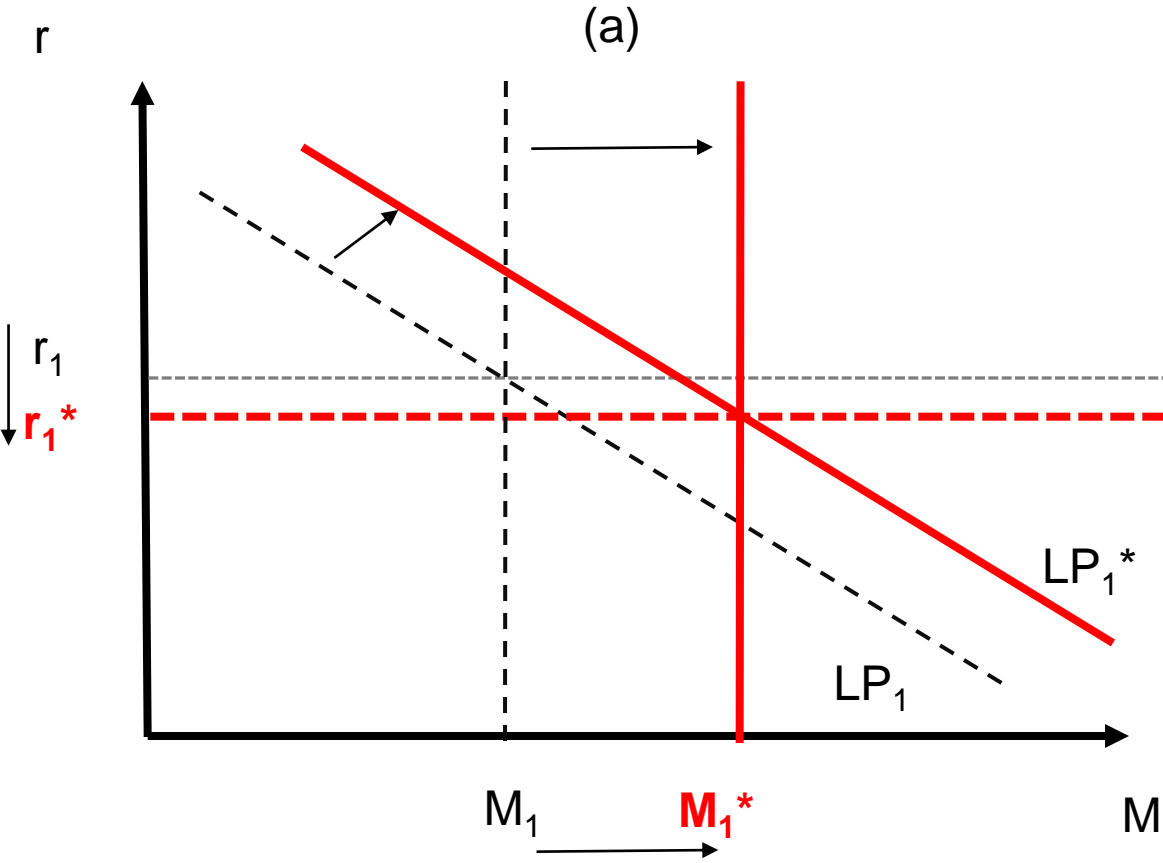
UK FTSE 100



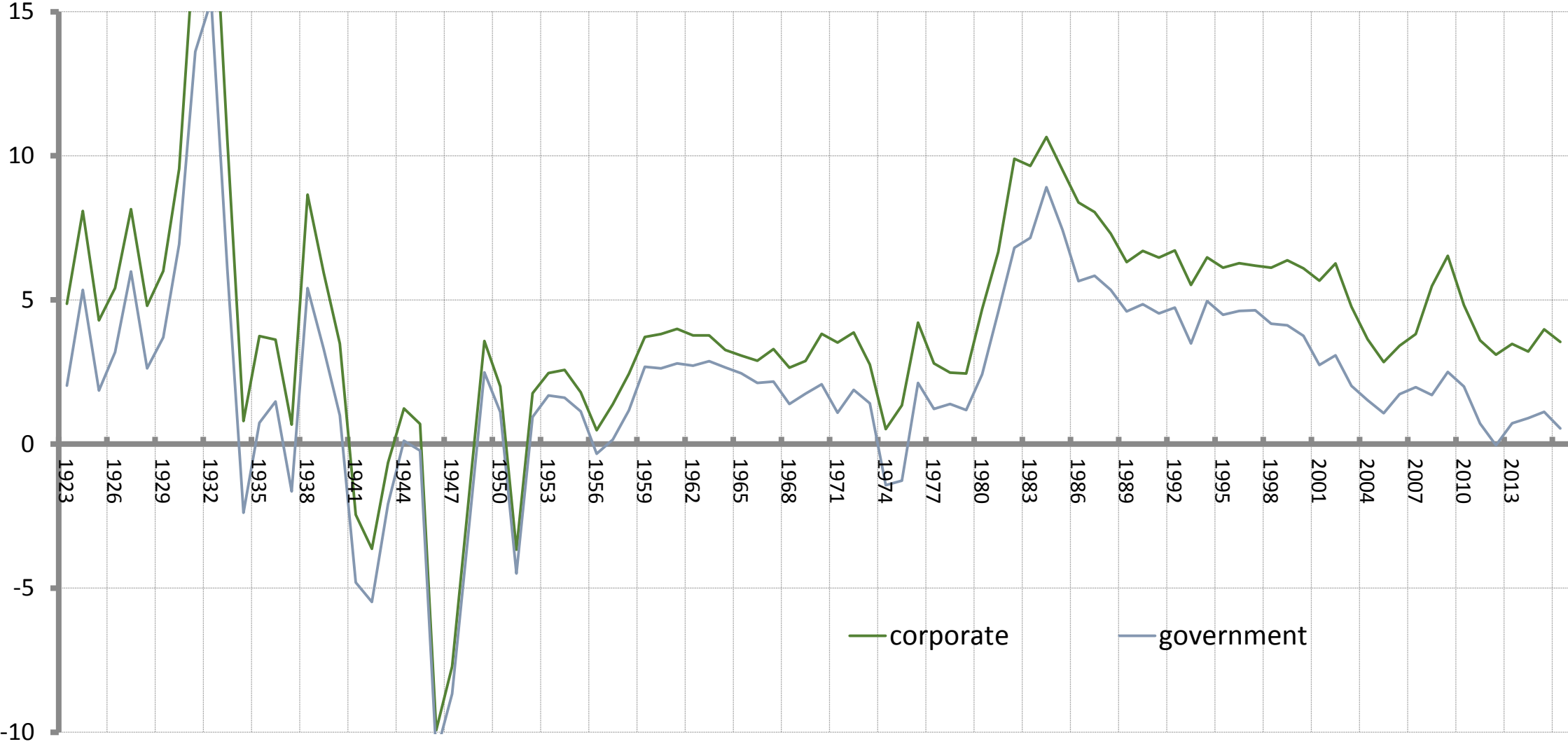
6. Financial globalization (2)



7. The present



US real long-term interest rates



Deflation risk and trade slump cast chill over global economy

Shawn Donnan in Washington

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Comments



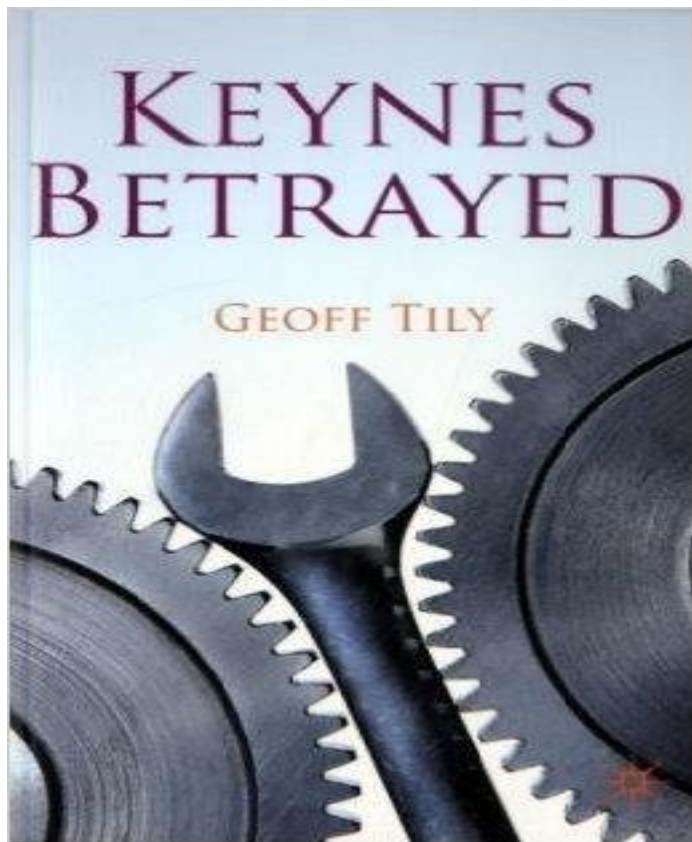
The world economy is at risk of slipping into a deflation trap and faces a historic slump in global trade that should serve as a wake-up call for governments around the world, two leading economic institutions have warned.

The [International Monetary Fund](#) warned on Tuesday that a “broad-based phenomenon” of low inflation, fed by a collapse in commodity prices and faltering demand, risked deteriorating into a full-blown

[More](#)

Financial Times on IMF World Economic Outlook





ALL FALSE

Keynes / The General Theory ...

- was not a monetary theory / omitted credit
- was concerned only with fiscal not monetary policy
- is adequately represented by IS-LM and 45° diagram
- had no impact on policy until after the war
- supported the case for fascism
- had crisis endemic to market economies
- disregarded inflation
- is non-equilibrium economics
- etc.

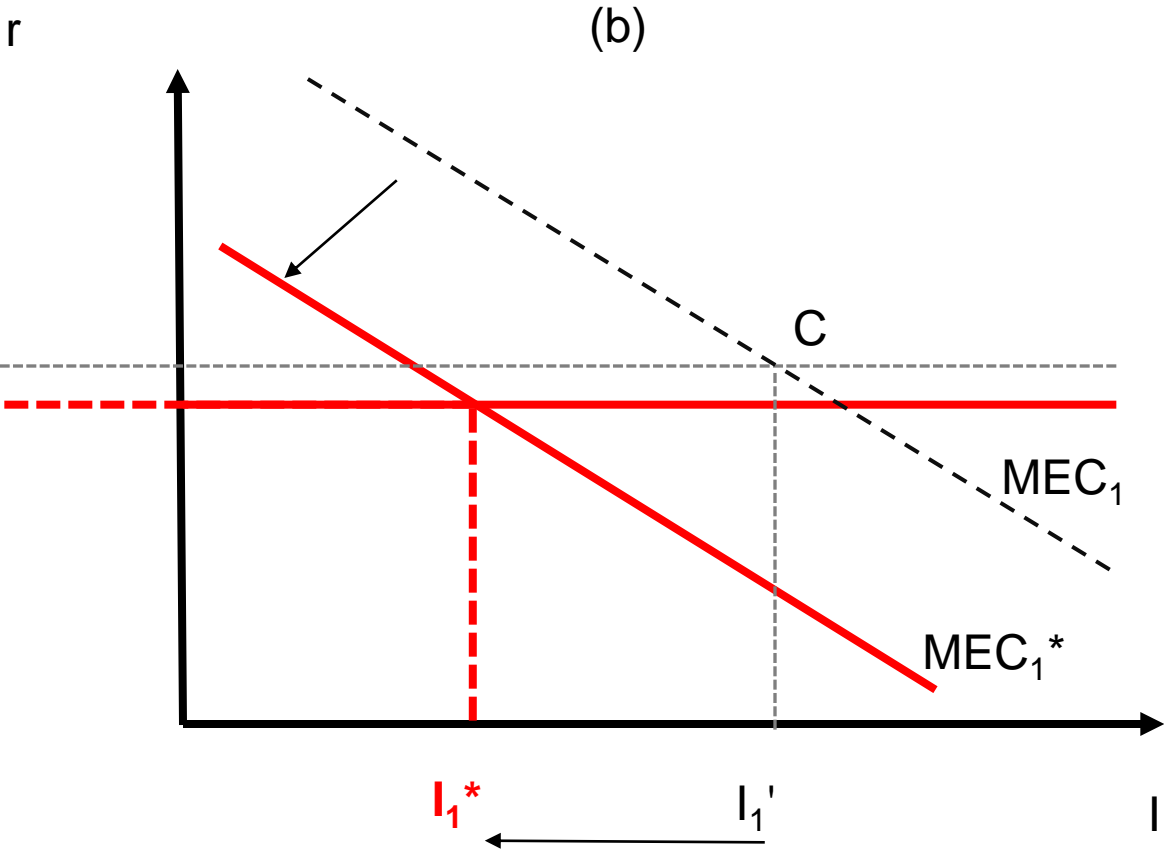
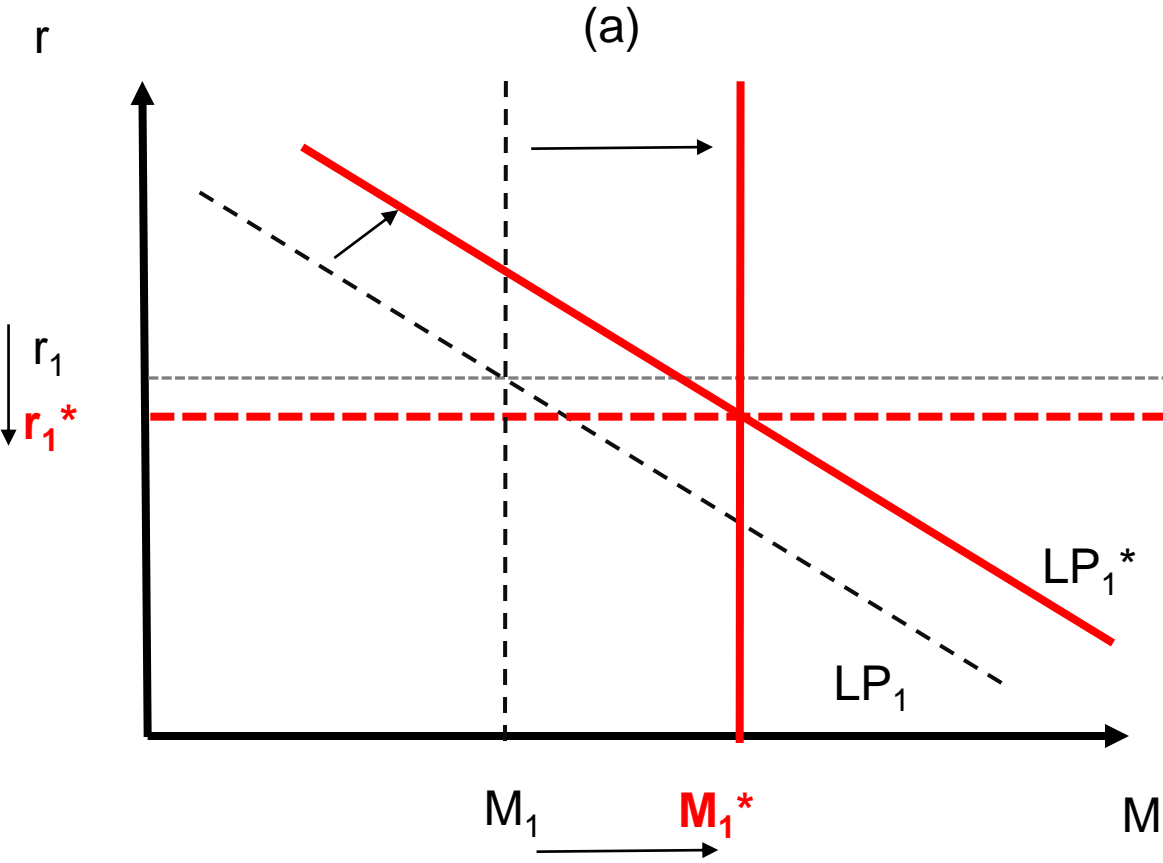
Dennis Holme Robertson, 1890-1963

But in the last resort I want him [the economist], too, to be rather humble – humbler than some of his great predecessors were disposed to be – content to bow to the judgement of the prophets or even the men of affairs if he is convinced that his case has been properly understood and fairly weighted.

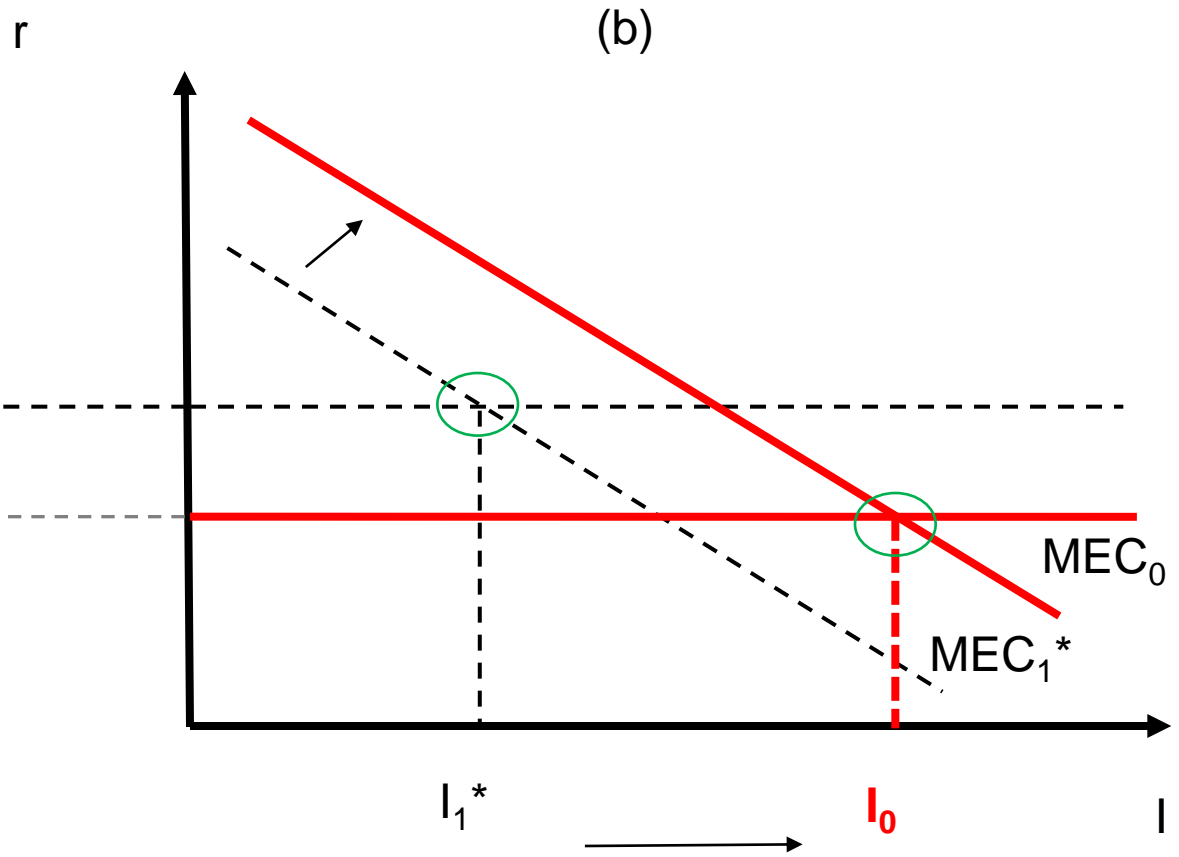
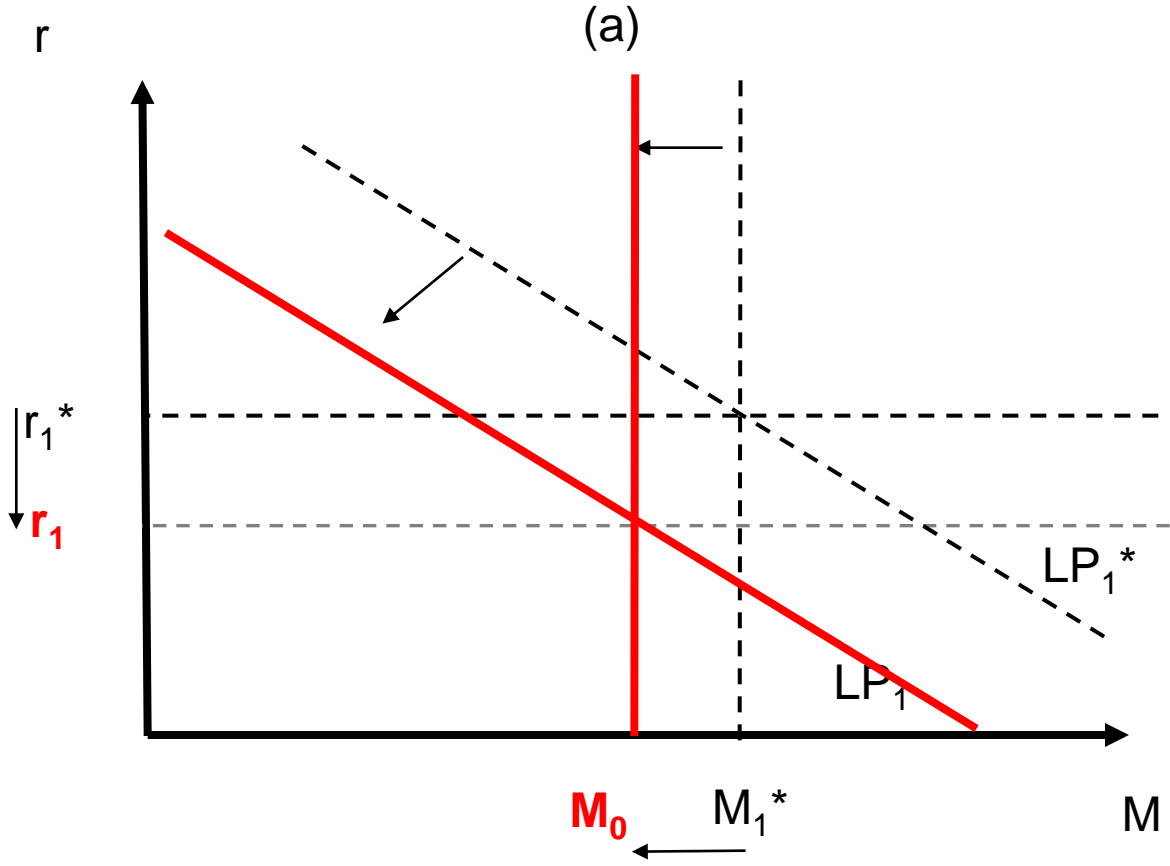
‘On Sticking to One’s Last’, *Economic Journal*, 1949



8. The present



8. Keynes Restored





END

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