

The Influence of Keynesian Thinking in the United States

Author(s): Alvin H. Hansen

Source: *Weltwirtschaftliches Archiv*, 1952, Bd. 69 (1952), pp. 1-16

Published by: Springer

Stable URL: <https://www.jstor.org/stable/40434724>

---

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



Springer is collaborating with JSTOR to digitize, preserve and extend access to *Weltwirtschaftliches Archiv*

JSTOR

# The Influence of Keynesian Thinking in the United States

By  
Professor Alvin H. Hansen  
Cambridge, Mass.

---

I am very happy to be here at Kiel to address the student body on the subject that has been assigned to me, namely: the influence of Keynes on economic thinking and economic policy in the United States.

Now, I must say that this is not an easy subject to present in an objective and comprehensive manner. One reason is that the United States is a very large and very complex country. We have in the United States in each State a State-University; that makes 48 universities. We have moreover a large number of private institutions. Some of our most famous universities are private and we have some five or six hundred smaller private colleges, all of which have departments of economics. Consequently it is very difficult to give a general picture of the state of economic thinking in a country like the United States. Perhaps, I might say a word first about the smaller institutions.

In general, I think it could be said that among the faculty members in the smaller institutions the younger men are very much influenced by the thinking of Keynes while the older men who studied their economics twenty years ago or more are inclined to be anti-Keynesian. By and large, I should say, one would find that in the smaller institutions the men over the age of fifty are very little influenced by Keynes, while the younger men are very much influenced by Keynes.

When it comes to the larger universities it is also not so easy to give a picture of the role of Keynes in economic thinking in the United States. Let us first consider the matter of pure theory. Here I think we may divide our leading economists into perhaps four groups.

---

Note: This article is a recast by the author himself of a lecture which, following an invitation from the *Institut für Weltwirtschaft*, and the *Wirtschaftswissenschaftliches Seminar* at the University of Kiel, he gave at this Institute on July 9th, 1951.

Weltwirtschaftliches Archiv Bd. LXIX.

1

The first is the group that are definitely anti-Keynesian; I should say that is relatively small. The outstanding example would perhaps be Frank Knight, distinguished University of Chicago economist.

Then there is a second group, a much larger group, that has been influenced very much by Keynesian thinking, but nevertheless prefers not to use the Keynesian language, the Keynesian concepts, and the tools of analysis that Keynes developed. We have some distinguished economists at Harvard, for example, who have been influenced by Keynes but are reluctant to use the Keynesian terminology and the Keynesian tools of analysis.

Then we have a third group that is not Keynesian but is very much influenced by Keynes. These economists have adopted the new tools of analysis, the language, and the terminology. I think a very good example of this group would be my distinguished colleague Professor Haberler who I believe would not regard himself as a Keynesian. His work shows, however, the influence of Keynes and he freely uses the Keynesian tools of analysis in anything he writes.

When John R. Hicks of Oxford came to Harvard, three or four years ago, he said that in England nearly all economists are Keynesians in the sense that they all use the Keynesian tools of analysis, the Keynesian terminology. I believe this would only to a limited extent be true of D. H. Robertson, who uses Keynesian analysis sparingly and is not sympathetic with the Keynesian approach. In general, however, the English economists—whether they are Keynesians or not—make use of Keynes' theoretical analysis even though they may be unsympathetic toward some of his policy recommendations.

Then, of course, there is finally the group that are out and out Keynesians. This includes, I believe it is fair to say, very many of the brilliant young economists in the United States.

Now we must also consider the range of opinion in the universities with respect to Keynesian policy. I think we should distinguish sharply between Keynesian theory and Keynesian policy. For example, one of my former students, David McCord Wright, is certainly a Keynesian in the sense that he has adopted and uses the Keynesian tools of analysis, but he is not always sympathetic with some Keynesian policy recommendations. Nearly all economists, whether sympathetic with Keynes or not favor the Keynesian compensatory cyclical policy, though some would argue that it is really pre-Keynesian.

A good many are rather sceptical of what one might call the longer range correlaries of Keynesian doctrine—implications, for example, with respect to programs involving redistribution of income and efforts to raise the consumption function. There are a good many American economists

who are very sympathetic with the compensatory cyclical aspects of Keynesian policy, but not very sympathetic with what one might call “structural aspects” of Keynesian policy.

Let me give you a few illustrations of thinking in the United States with respect to anti-cyclical policy. A group of business men organized some years ago the CED—Committee for Economic Development. Paul Hoffman was one of the leaders of that group. Now, this group of business men issues publications, bulletins, and also books written by economists but published under CED auspices. In addition they issue their *own* reports on economic policy for which the organization itself assumes responsibility.

Now, these reports of the CED have certainly been influenced more or less by Keynesian thinking. From the standpoint of compensatory fiscal policy, they have adopted the principal that it is not desirable to balance the budget every year, though they do favor balancing it over the long-run. They have emphasized what we now call “built in flexibility.” For instance, social security expenditures tend to increase in depression times, while tax receipts flowing into the funds decline so that a deficit is developed. Similarly with respect to the highly progressive Federal Income tax; in boom-times the tax returns rise (and fall in depression periods) more rapidly than income. Thus a surplus tends automatically to develop in a boom and a deficit in a depression. With respect to the Government budget the CED takes the position that the Government should not curtail expenditures and raise taxes in order to balance the budget in a depression period. Indeed, in serious emergency conditions, the CED would *reduce* taxes and *raise* expenditures on worthwhile development projects.

What I have said only indicates in a very general way the thinking of the CED, a business organization with very great influence on informed opinion in the country, and also on the thinking of the more intelligent members of Congress. One cannot read the bulletins of this organization without realizing that its members have been very profoundly influenced by the recent trend of thinking on economic problems, and this in turn has been very much influenced by Keynesian theory<sup>1</sup>.

Now, I turn to some other examples. In 1949 at Princeton, N. J., there was gathered together a group of sixteen economists from different sections of the United States. These men represented quite a wide range of thinking. Many of them were certainly not ardent Keynesians (for example Jacob Viner, one of our most distinguished economists). Now, this group of economists issued a compensatory fiscal policy program<sup>2</sup>.

<sup>1</sup> *The New Economics, Keynes' Influence on Theory and Public Policy*, Ed. with Introd. by Seymour E. Harris, New York, 1950.

<sup>2</sup> See *The American Economic Review*, Vol. 39, Evanston, Ill., 1949, pp. 1263 sqq.

That program could not, I think it is fair to say, have been written fifteen years ago. It is directly a result of Keynesian thinking with respect to fiscal policy. I cite this as an illustration of the influence of Keynes upon economists who are not all Keynesian in their point of view.

Another illustration is a report issued by a committee of the American Economic Association<sup>1</sup>. The committee was appointed by the American Economic Association with the idea of drawing up a fiscal policy program which might serve as a standard reference for classroom study all over the United States. Now this committee consisted of people with a wide range of opinion with respect to Keynesian thinking. The Committee issued a report which I recommend for you to read. That report, as Professor Arthur Smithies of Harvard said recently, could not have been written fifteen years ago. I cite it particularly because it represents a consensus—a compromise, so to speak—between people who represent different points of view.

Then, there is the United Nations Report on "Full Employment"<sup>2</sup> on which we have two representatives from the United States, Arthur Smithies from Harvard who, while a Keynesian is a highly independent thinker, and J. M. Clark who in some respects anticipated Keynes, but is neither a Keynesian or an anti-Keynesian.

Now, that report is, as I am sure you are well aware, essentially a Keynesian document.

Now, I must say a word about the President's "Economic Report"<sup>3</sup>, and the Council of Economic Advisers. The Council of Economic Advisers consists of three men whose duty it is to report to the President on the current economic developments of the country<sup>4</sup>. Under the Employment Act of 1946, the President is required by law to present each year an economic report to the Congress, in which he surveys developments, and in which he makes definite policy recommendations. If there are inflationary developments he may make recommendations with respect to curtailment of Government expenditures and increases in taxes in order to bring aggregate demand into relation to aggregate supply. Or if it appears that a depression is impending he may make recommendations involving an increase of capital and other expenditures, and perhaps a reduction of the tax rate. These are merely illustrations. His policy

<sup>1</sup> *The American Economic Review*, Vol. 40, September 1950, pp. 505 sqq.

<sup>2</sup> "National and International Measures for Full Employment, Report by a Group of Experts Appointed by the Secretary-General, UN.," *United Nations Publications*, 1949, II, A. 3. New York, 1949.

<sup>3</sup> *The Economic Report of the President to the Congress*, Washington, D. C.

<sup>4</sup> *Annual Report to the President by the Council of Economic Advisers*, Washington, D. C.

recommendations may involve a great many things not narrowly related to fiscal policy matters.

The President makes this report to the Congress each January, and it has become practice to issue a second report each July. The Report is sent to a joint congressional committee, representing the House of Representatives and the Senate. And this joint congressional committee has a staff of economists to advise it with respect to the President's Report. I should add that, attached to the Council of Economic Advisers—the three-man board—are some eight or ten distinguished economists, of whom Dr. Gerhard Colm, formerly of Kiel, is in my judgement the ablest and most outstanding representative.

Thus there is placed before the country an economic report made to the Congress twice a year. No one, I think, can read this report without being impressed with the Keynesian influence which pervades it. Whether that may continue in the future remains to be seen.

I should also mention certain governmental papers that have been very much influenced by Keynesian thinking. There was, of course, the famous white paper on employment policy in England, issued by the Churchill Government in 1944. Of course, Keynes himself had a hand in that Report. It was something of a compromise but it was an outstanding document. That was followed by a similar report on employment policy in Canada, where a number of very able economists, very much influenced by Keynesian thinking, occupy important positions in the Government service.

A similar report was issued in 1945 in Australia. Now, of course, this kind of thinking, Keynesian thinking with respect to compensatory fiscal policy, is less new to Australia than it is to many other countries. Australia and Sweden to a degree anticipated Keynes with respect to fiscal policy.

One other matter I should like to mention. All over the world nowadays countries are preparing a new kind of budget, not a treasury budget, not a finance budget, but a budget of the Nation as a whole—a national economic budget in which there are set forth the gross national product and the breakdown of the gross national product into its main component parts: government outlays, investment outlays, consumption outlays, and the international balance.

Now almost every country in the world is preparing a budget of that sort. That kind of a budget was in the first instance developed to a very considerable degree by Keynes himself, and by his associates in the British Treasury who were thinking through the problems of national income. Also in the United States, pioneer studies had been made on these problems, notably that by Simon Kuznets of the National Bureau of Economic Research.

I should say, however, that this new development was to a very large extent directly influenced by Keynes himself, and fits into the whole Keynesian frame-work of thinking. Here we have for the first time for the Nation something akin to the international budget—the balance of payments with which we have worked for a long time. At long last we have a truly *national* budget. And it is in terms of this *national* budget that the President of the United States sets out his program each year in his Economic Reports. This development, I should say, is one of the important consequences of Keynesian thinking.

Now I should like to say a word more particularly about Keynesian theory. Of course, it is not possible in the course of a short popular lecture to go into any technical discussion of Keynesian theory. I have myself developed that in some considerable detail in my last two books “Monetary Theory and Fiscal Policy”<sup>1</sup> and “Business Cycles and National Income”<sup>2</sup>.

I should say that if one casts a glance at the long history of economic thinking in England one could divide economists into three groups: the early classicals including Adam Smith, Ricardo, and John Stuart Mill; second, Alfred Marshall and all of his disciples of which Keynes, of course, was one in his younger years; and finally Keynes himself.

I should say that Alfred Marshall, while he was an ardent follower of the old classicals, in a way really turned economic thinking away from the early classicals. The early classicals were profoundly interested in what we have come to call “macro-economics.” They were very much interested in very broad questions of national policy, broad questions relating to investment and savings, and the influence of long-run changes upon the national economy. There was very much macro-economics in Adam Smith, Ricardo and John Stuart Mill.

Now, Alfred Marshall directed economics rather more rigorously towards “micro-economics,” the economics of the firm, cost analysis, etc. Cost and price theory along Marshallian lines became the dominant note in Anglo-American thinking after Alfred Marshall.

Now it seems to me that Keynes—to a large measure—has reverted to the early classicals in the respect that he took a large view of the broad forces influencing the economy. While the classicals were concerned with macro-economics dealing with aggregate wealth, Keynes particularly directed his attention to the general problem of aggregate demand and the factors that determine the level of employment.

---

<sup>1</sup> Alvin H. Hansen, “Monetary Theory and Fiscal Policy”, *Economics Handbook Series*, New York, Toronto and London, 1949.

<sup>2</sup> *Idem*, *Business Cycles and National Income*, New York, 1951.



In this respect Keynesian theory is certainly not altogether new. It was, indeed, one of the purposes of my last book to show that one of the three essential elements in the Keynesian theory, namely, the investment demand function, played an important role in Continental European thinking, particularly in business cycle thinking. There is really nothing new in the Keynesian theory so far as the investment demand function is concerned. You find it developed by the Swedish economist Wicksell, and much later by our own distinguished economist Irving Fisher. And you find a vast amount of discussion about the factors which determine investment, and about the role of investment in the economy, in Tugan-Baranowsky, in Spiethoff, and in a great many of the leading continental thinkers on business cycles. In this respect one can say that there is nothing new in Keynes, so far as this particular important element is concerned. One may say that Keynes himself was not fully aware of the continental thinking. He had—and this is true of many other English economists—read very little that was not printed in England. Keynes was not very well versed in continental thinking. He got some ideas vaguely from Wicksell. He had thought the matter through by himself without much aid from other writers. And I am sure he thought this brand of his thinking was more original than in fact it was.

But now we come to the other two fundamental strands in this thinking: the consumption function, and the analysis of liquidity preference.

The consumption function analysis I regard as one of the most important contributions by Keynes. I think it is fair to say that this tool of analysis casts a flood of light on the older business cycle literature. Matters formerly in the dark now become quite clear for the first time by applying this powerful search-light on the problem. I regard the consumption function as the most important single contribution of Keynes. This does not mean that others had not earlier seen that there was a relation between consumption and income. That is one thing. It is another thing to make a precise formulation, including the multiplier analysis, and to integrate the consumption function with other functional relations into a general theory.

The third strand in the Keynesian thinking relates to the liquidity preference function. Here also, I think, is an original and brilliant contribution by Keynes. It is a very important tool of analysis with respect to both short-run and long-run aspects of the cycle, and with respect to both cyclical and secular policy. The relationship of monetary policy to fiscal policy was never clearly seen in my judgment prior to Keynes' "General Theory"<sup>1</sup>.

<sup>1</sup> John Maynard Keynes, *The General Theory of Employment, Interest and Money*, London, 1936.



To many people who read Keynes, the liquidity preference function, and the consumption function seem like common sense—very simple, very easy, and not particularly new. Many people, when the book first appeared, were not impressed by either the liquidity function analysis, or the consumption function analysis. This appearance of simplicity, however, very soon vanishes the minute one really gets down to a close analysis of the problems involved. And the proof of that, I think, can be found in the enormously complicated and highly technical literature which has appeared relative to the consumption function and liquidity function. Anyone who may think that these are quite superficial and simple matters has not read the literature. And it is of course true that the literature since 1936 has in a measure corrected imperfections that appeared in Keynes.

Keynes was certainly not perfect, and yet I do wish to say, as I read and re-read Keynes and his critics, that I am amazed at the degree to which he avoided pitfalls into which he might so easily have fallen. Very frequently, if one carefully reads Keynes, one finds that he had already anticipated many criticisms and provided a good answer. Nevertheless, there has emerged over the past fifteen years a very useful critical literature that has in various respects made important improvements upon Keynes.

Let me just mention one point of some importance here. And that is the increasing role of dynamic analysis. Sometimes it is said that Keynes' book is static in conception. And in a certain formalistic way that is true. Yet in reality it is highly dynamic, and many of our brilliant younger mathematical economists are doing, I think, a very important work in developing and dynamizing Keynesian theory. That is one of the areas of development and improvement that is going on.

So I should like to leave at least the thought that Keynesian economics did not end and has not remained frozen as of the date 1936 when the book was published. Here one could mention the work of Hicks, Harrod, Samuelson, Smithies, Goodwin, Duesenberry, Domar, Patinkin, Tobin, Lerner, Metzler, Higgins, Musgrave, Wright, Alexander, and many others.

But now let me turn to a rather different matter. I have been discussing very briefly Keynesian theory and Keynesian policy. Keynes himself in the early twenties wrote a little book which he called "The End of Laissez-Faire"<sup>1</sup>. Now this is rather interesting. This book appeared long before Keynes had developed his later monetary and fiscal theories.

Everybody knows, of course, that the private enterprise system has been undergoing profound changes, particularly since, let us say, 1900.

---

<sup>1</sup> John Maynard Keynes, *The End of Laissez-Faire*, London, 1926.

In all sorts of ways *laissez faire* was disappearing, even in England and in the United States. More and more state intervention of one sort or another was introduced. There were also other institutional changes that involve the curtailment of *laissez faire*. For example, there was the widespread development of trade unionism and collective bargaining. This obviously influenced very much the degree to which a free price system controlled a very important area in the economy. Moreover the increasing development of labor legislation interfered with the free price system in a very important manner. Add to this the development of social security systems all over the world beginning in the last quarter of the nineteenth century and expanding in the twentieth century. In all these respects the economic system veered away from the *laissez faire* state.

But there remained two related areas in which *laissez faire* still controlled, in which the *automatic* system was relied upon, and in which statesmen did not dare to interfere with the automatic system. This fact proved to be extraordinarily costly in the interwar period and played a role, in my judgment, in bringing on the Second World War.

The automatic system continued to prevail in the two areas of monetary policy and fiscal policy.

The fiscal dogma that held sway was the dogma of an annually balanced budget. It was believed quite wrongly that this established a certain neutrality of governmental influence on the economic system.

In the monetary sphere there was the gold standard with which statesmen were unprepared to interfere. Countries, highly dependent on world trade, were utterly unable (so long as they adhered to the gold standard) to prevent deflation in their economies whenever a general world depression set in. It was quite impossible for any country to engage in an expansionary policy so long as it adhered to the gold standard if the rest of the world was undergoing contraction.

Now Keynes devoted very much of his life to show the fundamental policy fallacies involved in these two dogmas. To be sure the shattering of these dogmas poses new problems. All progress entails risks and dangers which must be faced and overcome. To return to outworn institutions will not solve our problems.

In the thirties all governments were tied to dogmas that they were afraid to abandon. In consequence they did not know how to tackle the major problem confronting the world, the problem of preventing the terrific depression of the thirties.

In general a policy of deflation and wage reduction was advocated. Also it was argued that it was important for the government to reduce expenditures and to balance the budget.

Now we have learned from the Keynesian analysis that a decline in the flow of total expenditures (and so in income) will result in a smaller volume of saving. Thus a decrease in the propensity to spend both by the governments and by individuals may, via the decline in income, cause total savings to decline. The "income effect" on total realized savings was formerly not understood.

It is impossible to go back over the pronouncements of statesmen in this period, or even the writing of economists, without being profoundly impressed with the fact that erroneous policies sprang from a preoccupation with "price effects" and a failure to recognize "income effects."

In a similar situation in the future there would certainly be less confusion. After the appearance of the "General Theory," it is not possible to discount or overlook the "income" effects.

Now I must say a word about the inflation problem because very many people think that Keynesian economics relates only to depression. Some people mistakenly believe that Keynesian economics is always expansionist. Some superficial critics assume that a Keynesian always wants to spend more, and tax less. That, of course, is completely false. The Keynesian policy is designed to secure a balanced and growing economy with monetary equilibrium. This means an economy in which aggregate demand is—by monetary and fiscal means—brought into line with aggregate supply.

Therefore, if there develops an inflationary situation caused either by a large increase in private investment expenditures, or by a necessary increase in governmental expenditures as, for example, in the current defense program, Keynesian policy aims at curtailment of aggregate demand. During the war, Keynes vigorously addressed himself to the problem of controlling inflation in his famous pamphlet on "How to Pay for the War"<sup>1</sup>.

In periods of undue expansion Keynesian policy calls for reduction of unnecessary government expenditures, and unnecessary private investment. It seeks to curtail consumption by means of higher taxes. It seeks to bring about an overall balance. The overall situation would, in fact, be brought into balance if planned government outlays plus private investment on the one side are balanced by taxes and savings out of current income on the other side.

So Keynesian economic policy is in fact not one-sided. It is not just expansionist. It is just as applicable for inflationary problems as it is for depression problems. And, indeed, in World War II the countries that

---

<sup>1</sup> John Maynard Keynes, *How to Pay for the War, A Radical Plan for the Chancellor of the Exchequer*, London, 1940.

most successfully coped with war inflation attacked the problem in terms of Keynesian analysis. The inflationary gap concept, together with ways and means of closing this gap, stem from Keynes' thinking.

And here I should say a word about Keynesian full employment policy under peacetime conditions. Let us suppose that the current international tensions dissolve and we face normal peacetime conditions. This would give us a wonderful opportunity to use our resources to raise standards of living. But this will require a policy of full employment. Some countries can indeed be expected to pursue a full employment program. Other countries will do so more or less according to the political climate in each country. And the arguments that will be raised pro and con will be cast in terms of the issues so forcefully raised by Keynes.

In this connection, one question that is raised by many economists is this: does not a full employment program inevitably cause inflation: As one approaches full employment, are there more and more bottlenecks that cause price inflation?

There is, of course, the special problem of wages. Now, with respect to wages I think one must conclude that in a democratic society the wage level must be controlled by collective bargaining, and not by the monetary authority. A democratic society must learn how to solve the wage problem or it will not be able to control inflation. But those who would control wages by creating deflation and unemployment are harking back to a world that lies in the past. It is not the job of the monetary authority to control the wage level.

Trade unions and labor leaders must learn, as the more responsible ones have, that it is just no use to ask for higher and higher wages in a condition of full employment for this can only cause inflation. The wage problem is a special problem that democratic countries must face in a statesmanlike manner via the process of responsible collective bargaining.

But now let us suppose that the wage question is reasonably well settled via collective bargaining. Is there still not danger as one approaches full employment? Will there not be serious bottlenecks? In a peacetime situation one can I believe let the price system take care of bottlenecks. In the bottleneck areas, prices will indeed rise but production, in consequence, will increase and the bottlenecks will rapidly be broken. *General* price stability is compatible with *some* price increases. A bottleneck indicates that some prices ought to rise in order to stimulate production. Experience in the post-war years in the United States has shown that the price system can often break these bottlenecks very rapidly. In the ordinary situation I should not fear bottlenecks too much. The danger of full employment has, I believe, been exaggerated by some economists.

Some years ago we had discussions about how low unemployment might go without creating a dangerous inflationary situation. I myself guessed that we might consider 5% unemployment as a practical goal for full employment policy in the United States.

Lord Beveridge in his "Full Employment in a Free Society"<sup>1</sup> said that he thought in a country like England, one might bring unemployment down to 3% without serious inflationary consequences. With higher seasonal unemployment in the United States the corresponding figure for us might be set down as 5%.

Well now I should like to mention a fact of which adequate cognizance has not been taken by most economists. In the United States we had a period of substantial price stability for two and a half years before Korea broke—from January 1948 until July 1950. Two and a half years of price stability. The year 1948 I should say was broadly speaking as balanced a year as we have had since World War I. Prices were a little lower at the end of the year than at the beginning of the year. It was a year of substantial price stability. Yet in that year we had no more than 3% unemployed. We actually achieved 97% full employment without any strong price inflationary pressures.

I think economists have exaggerated the danger of driving the economy up fairly close to full employment.

But now, of course, we are confronted with a serious international situation. War and defense present really tough and difficult problems. In such a situation, I think it is fair to say, we do not in the United States take a dogmatic position with respect to a free price system. We are quite prepared in special emergency situations, as our policies since Korea have shown, to introduce controls of various kinds. Such policies, forced by unusual emergency situations, are in fact departures from the purely Keynesian monetary and fiscal policies.

Public opinion in the United States is sufficiently flexible so that dogmas do not prevent us from using emergency measures. We have in fact, in the emergency now confronting us, introduced a large number of general and selective controls involving consumer credit, real estate credit, allocation of scarce materials, and price and wage controls. In a serious emergency situation such controls are necessary. To retain the dogma of a complete free price system when we are confronted with an emergency condition is quite unrealistic. But we have no desire in the United States to retain controls for their own sake. We believe in a free price system. And even in an emergency situation a primary reliance must be placed upon fiscal and monetary measures.

---

<sup>1</sup> William H. Beveridge, *Full Employment in a Free Society*, London, 1944.

Governmental expenditures and private investment must be brought into line with taxes and savings. There are the Keynesian measures. And under ordinary peace-time conditions, these measures are usually adequate. They are not only compatible with the free price system; but even necessary for its proper functioning.

In moderate emergency conditions—when the problem is not terribly serious—one may succeed in preventing inflation merely through increased taxation, and some credit restraint; and on the other side by *selective* controls including consumer credit, real estate credit, and prohibition of certain kinds of construction. These are rather limited control measures. If, however, the problem becomes really serious, and military expenditures are raised to a very high level, then these more limited measures may not be adequate. In this event there is no way out other than to introduce wage and price controls in order to prevent the wage-price-spiral. And that is what we have done in the present emergency situation in the United States.

So, I repeat, in general American thinking is in line with Keynesian policy which, within the pattern of stabilizing fiscal and monetary measures, leaves the economy free under ordinary conditions. The controls which we introduce in emergency situations are not regarded as permanent. There is no danger that we shall maintain price control permanently. That is not possible in the United States. But we are quite prepared to introduce controls if emergency situations require such controls.

\*                    \*  
\*

**Zusammenfassung:** Der Einfluß Keynesschen Denkens in den Vereinigten Staaten. In bezug auf ihre Stellung zu Keynes teilt sich die Wirtschaftswissenschaft der Vereinigten Staaten in vier verschiedene Lager: 1. diejenigen, die ausgesprochen gegen Keynes sind, 2. die, welche sehr stark von Keynes beeinflusst sind, es aber vorziehen, die von ihm herausgearbeiteten Begriffe nicht zu verwenden, 3. die Nicht-Keynesianer, die sich seiner wirtschaftsanalytischen Werkzeuge bedienen, und 4. die Keynesianer. Die hervorragenden jüngeren Wirtschaftsforscher in Amerika gehören entweder der dritten oder der vierten Gruppe an.

Die Keynessche Geld- und Fiskalpolitik spielt im staatswirtschaftlichen Denken der Vereinigten Staaten eine große Rolle. Das diesbezügliche Programm der als CED bekannten Wirtschaftsgruppe, das sehr wichtig ist und eine weite Verbreitung gefunden hat, steht weitgehend unter dem Einfluß Keynesscher Gedanken. Eine Gruppe von sechzehn Wirtschaftswissenschaftlern sehr verschiedener Richtungen (mit Einschluß von Nicht-Keynesianern) hat ein wichtiges Dokument über Fiskalpolitik veröffentlicht (den National Planning Association Report von 1949), das im wesentlichen Keynes folgt. Der Bericht des Economic Association Committee



über Fiskalpolitik (in der *American Economic Review* vom September 1950) hätte vor der »Allgemeinen Theorie« von Keynes gar nicht geschrieben werden können. Trotzdem waren unter den Mitgliedern des Komitees auch Nicht-Keynesianer. Der United Nations Bericht über Vollbeschäftigung enthielt Beiträge von zwei bedeutenden amerikanischen Wirtschaftswissenschaftlern — Arthur Smithies und J. M. Clark. (Clark ist weder Keynesianer noch Anti-Keynesianer.) Und dieser Bericht ist ganz wesentlich von Keyneschen Gedanken beeinflusst. Das Beschäftigungsgesetz (*Employment Act*) von 1946 und die Berichte des Rates der Wirtschaftsberater (*Council of Economic Advisers*) sind grundlegend an Keynes orientiert. Das sogenannte Nationalbudget (das Bruttosozialprodukt und seine Zusammensetzung), das heutzutage in allen Ländern eine so große Rolle spielt, leitet sich weitgehend von der Keyneschen Wirtschaftsanalyse her.

Keynes übersah die Bedeutung der kontinentalen Investitionslehre und hielt diesen Teil seiner eigenen Theorie für origineller, als er wirklich war. Sein eigenster Beitrag zur Wirtschaftstheorie besteht in Begriffen wie der Gebrauchsfunktion und der »liquidity preference«. Obwohl sie auf den ersten Blick einfach erscheinen mögen, haben diese Hilfsmittel der Wirtschaftsanalyse eine hochtechnische Literatur ins Leben gerufen, und die Unvollkommenheiten der Keyneschen Theorie werden heute in wachsendem Maße bereinigt und beseitigt.

Auf dem Gebiete der praktischen Wirtschaftspolitik gab sich Keynes die größte Mühe, zwei fest eingewurzelte Dogmen auszurotten, nämlich das vom alljährlich auszugleichenden Staatshaushalt und das vom starren Goldstandard. Das Festhalten an diesen Dogmen hinderte die Staatsmänner daran, die zur Überwindung der großen Wirtschaftsdepression notwendigen Maßnahmen zu ergreifen, wodurch dann die Katastrophe des Zweiten Weltkrieges heraufgeführt wurde. Heute ist es fast allgemein anerkannt, daß Keynes viel dazu getan hat, daß diese Probleme jetzt anders, und zwar von einem weltweiten Blickpunkt aus, angesehen werden.

\*

Résumé : L'influence de la pensée de Keynes aux Etats-Unis. — On peut dire que les économistes américains forment, quant à leur attitude envers Keynes, les quatre groupes suivants: a. ceux qui sont carrément contre Keynes, b. ceux qui ont été profondément influencés par Keynes, mais qui préfèrent ne pas se servir de ses concepts, c. ceux qui ne sont pas pour Keynes, mais qui tout de même font emploi de ses moyens d'analyse économique, et d. les Keynesiens. Les plus brillants économistes de la jeune génération américaine appartiennent ou au troisième, ou au quatrième groupe.

La politique monétaire et fiscale de Keynes joue un grand rôle dans la pensée américaine en matière d'économie publique. Le programme monétaire et fiscal du groupe qu'on connaît sous le nom de CED, programme qui est très important, et qui a eu une publicité très étendue, fut profondément influencé par la pensée de Keynes. Un groupe de seize économistes, qui représentent des positions extrêmement variées, (y compris des non-Keynesiens) a publié un document significatif (le rapport de la National Planning Association de 1949), qui traite de politique fiscale, et qui est essentiellement Keynesien. Le rapport du Economic Association Committee en matière de politique fiscale (dans la *American Economic Review* de septembre 1950) n'aurait pas pu être écrit avant la «Théorie générale» de Keynes. Pourtant, le comité comprenait des non-Keynesiens. Le rapport des Nations Unies sur le plein emploi contient des travaux de deux économistes américains distingués — Arthur Smithies et J. M. Clark. (Clark n'est ni Keynesien ni anti-Keynesien.) Ce document est profondément influencé par les idées de Keynes. La loi américaine sur l'emploi (*Employment Act*) de 1946, aussi bien que les rapports des conseillers économiques (*Council of Economic Advisers*) suivent essentiellement la pensée de Keynes.



Ce qu'on appelle le budget national (le produit national brut et sa composition), et qui aujourd'hui joue un si grand rôle dans tous les pays, dérive largement de l'analyse économique Keynesienne.

Keynes n'a pas su apprécier l'importance de la théorie continentale de l'investissement. Il prenait donc cette partie de sa propre théorie pour plus originale qu'elle ne fut. Sa contribution toute à lui consiste en l'élaboration de la fonction de la consommation et de la «liquidity preference». Quoiqu'ils peuvent paraître simples à première vue, ces moyens d'analyse économique ont stimulé une littérature extrêmement technique, et les imperfections de la théorie de Keynes sont en train d'être rectifiées de plus en plus.

En politique économique pratique Keynes se donnait beaucoup de peine pour mettre au jour les erreurs de base contenues dans deux dogmes fortement établis, c'est à dire, l'équilibre annuel du budget et l'étalon-or rigide. L'adhérence à ces dogmes empêchait les hommes d'état de prendre les mesures nécessaires pour vaincre la grande dépression, qui, à son tour, amena le désastre de la seconde guerre mondiale. Aujourd'hui il est presque unanimement reconnu, que Keynes a fait beaucoup pour rendre plus universelle la vue que nous avons sur ces problèmes.

\*

Resumen: Influencia del pensamiento de Keynes en los Estados Unidos. — Respecto a su actitud frente a Keynes los economistas en los Estados Unidos pueden ser divididos en cuatro grupos: (a) los que son decididamente anti-Keynesianos, (b) los que han sido influidos profundamente por Keynes, pero que prefieren no usar sus conceptos, (c) los que no son Keynesianos, pero que sin embargo emplean sus medios de análisis económico, y (d) los Keynesianos. Los más prominentes economistas de la joven generación americana forman parte o del tercer o del cuarto grupo.

En los Estados Unidos la política monetaria y fiscal de Keynes es de gran importancia para el pensamiento en asuntos de economía pública. El pensamiento Keynesiano ha tenido profunda influencia sobre el programa monetario y fiscal del grupo conocido bajo el nombre de CED, programa que es muy importante y que ha tenido una difusión muy amplia. Un grupo de dieciséis economistas que representan opiniones extremadamente diferentes (incluso no Keynesianos) ha publicado un documento significativo (el informe de la National Planning Association de 1949) que trata de política fiscal y que es esencialmente Keynesiano. El informe del Economic Association Committee sobre política fiscal (en la American Economic Review de septiembre de 1950) de ningún modo habría podido ser escrito antes de la «Teoría general» de Keynes. No obstante, pertenecieron al comité no Keynesianos. El informe de las Naciones Unidas sobre la plena ocupación comprende el trabajo de dos distinguidos economistas americanos — Arthur Smithies y J. M. Clark. (Clark no es ni Keynesiano ni anti-Keynesiano.) Sobre este documento han tenido influencia profunda las ideas de Keynes. La ley americana sobre la ocupación (Employment Act) de 1946 así como los informes de los miembros del Consejo de Economía (Council of Economic Advisers) esencialmente siguen el pensamiento de Keynes. El llamado balance económico nacional (el producto nacional bruto y su composición) que hoy día desempeña un papel tan grande en todos los países, se deriva extensamente del análisis económico Keynesiano.

Keynes desatendió la importancia de la teoría continental de la inversión y, por o tanto, tomó esta parte de su teoría por más original que era efectivamente. Su contribución muy personal estuvo en la elaboración de la función del consumo y de la preferencia de liquidez. Por simples que parezcan a primera vista, estos medios de análisis económico han provocado una literatura extremadamente técnica, y las imperfecciones de la teoría Keynesiana están a punto de ser rectificadas cada vez más.

En la política económica práctica Keynes hacía todo lo posible para revelar los errores fundamentales contenidos en dos dogmas arraigados, a saber: el equilibrio anual del presupuesto y el patrón oro rígido. El adherirse a estos dogmas hacía que los estadistas no tomaban las medidas necesarias para superar la gran depresión, la que, a su vez, dió lugar a la fatal segunda guerra mundial. Hoy día se reconoce casi con unanimidad que Keynes ha contribuido mucho a ensanchar de un modo universal la vista que tenemos sobre estos problemas.

\*

Riassunto: L'influenza del pensiero Keynesiano negli Stati Uniti. — In quanto concerne la loro attitudine di fronte al Keynes, gli economisti negli Stati Uniti possono essere divisi in quattro gruppi: (a) quei che sono decisamente anti-Keynesiani, (b) quei che sono stati influenzati profondamente dal Keynes, però che preferiscono non usare i suoi concetti, (c) quei che non sono Keynesiani, però che nondimeno applicano i suoi mezzi d'analisi economica, e (d) i Keynesiani. I più prominenti economisti della giovane generazione americana appartengono o al terzo o al quattro gruppo.

Negli Stati Uniti la politica monetaria e fiscale del Keynes è molto importante per la maniera di pensare in materia d'economia pubblica. Il pensiero Keynesiano ha esercitato una profonda influenza sul programma monetario e fiscale del gruppo conosciuto sotto il nome di CED, programma che è di gran rilievo e che ha avuto una vasta diffusione. Un gruppo di sedici economisti che rappresentano opinioni estremamente differenti (inclusive non-Keynesiani) ha pubblicato un documento significativo (la relazione della National Planning Association del 1949) che tratta di politica fiscale e che è Keynesiano nella sua essenza. La relazione dell' Economic Association Committee su politica fiscale (*American Economic Review*, 1950, Settembre) non del tutto avrebbe potuto essere scritta prima della «Teoria generale» del Keynes. Eppure appartennero al comitato non-Keynesiani. La relazione delle Nazioni Unite sulla piena occupazione comprende il lavoro di due distinti economisti americani — Arthur Smithies e J. M. Clark. (Clark non è nè Keynesiano nè anti-Keynesiano.) Su questo documento le idee del Keynes hanno avuto profonda influenza. La legge americana sull'occupazione (*Employment Act*) del 1946 come anche le relazioni dei membri del Consiglio dell'Economia (*Council of Economic Advisers*) essenzialmente seguono le idee del Keynes. Il così detto bilancio economico nazionale (il prodotto nazionale brutto e la sua composizione) che oggidì è tanto importante in tutti i paesi, si deriva estensamente dall'analisi economica Keynesiana.

Keynes non ha inteso di apprezzare l'importanza della teoria continentale dello investimento. Giudicava dunque questa parte della sua teoria come più originale che era di fatto. Il suo contributo più proprio consisteva nell'elaborazione della funzione di consumo e della preferenza di liquidità. Benchè semplici allo sguardo superficiale, questi mezzi di analisi economica hanno fatto nascere una letteratura estremamente tecnica e le imperfezioni della teoria Keynesiana sono sul punto di essere rettificate sempre più.

Nella politica economica pratica Keynes ha fatto di tutto per scoprire gli errori fondamentali contenuti in due dogmi che si sono radicati tanto fortemente, cioè l'equilibrio annuale del bilancio preventivo ed il regime aureo rigido. L'attenersi a questi dogmi impediva agli statisti di prendere le misure necessarie per superare la grande depressione che, da parte sua, causò la catastrofe della seconda guerra mondiale. Oggidì si riconosce quasi con unanimità che Keynes ha contribuito molto a rendere più universale la vista che abbiamo sopra questi problemi.