PORTRAIT: Joan Robinson

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2010. This gives us pause in two respects: Is due process served by permitting inflation to work such fundamental changes? And are we prepared for possibly dangerous effects on capital formation if estate and gift taxes are allowed to become so effective? The earmarking of these taxes for OASI may make the higher burdens relatively acceptable, but effective rates might rise so high that it would be worthwhile to study whether potential side effects might dictate some cutting of estate and gift tax burdens.

There is another, more important, reason why this form of revenue will increase in the long run. After the year 2010, actuarial tables suggest, death will overtake the retired war-baby generation. The long-run OASI deficit problem, a demographic one, thus strikingly contains seeds for its own solution if the proper taxes are harnessed. Estate and gift tax revenues alone, among federal revenues, will rise as the dependency ratio rises. Other current federal tax revenues will tend to decline.

It is relatively simple to estimate future estate and gift tax revenues if we assume that Congress restored the recent level of effectiveness. The revenues then are a function of the tax structure and the number and taxable value of descendants' estates. We assume that the tax structure and rates will remain constant at pre-1977 levels. We also assume that avoidance (by the use of trusts, for example) will not progress beyond 1976 levels.

The number of taxable estates depends upon population and deaths. A bulge in deaths will follow by only a few years the troublesome bulge in war-baby retirements. This factor may have a more important effect than inflation on estate and gift tax receipts. If the number of deaths is projected based on Census estimates of future death rates, and if the same population figures as those of the Social Security Administration in their revenue and expenditure estimates are used, then calculations reveal that federal estate and gift tax collections will increase dramatically during the next 75 years. The projections given in the table indicate that earmarking these taxes could not only eliminate projected OASI deficits, but in most years would produce surpluses. Thus some reduction in effective estate and gift tax rates would be possible even while growing OASI needs were fulfilled.

Restoration of a structure approximating the pre-1977 structure along with early earmarking of these progressive taxes for the needs of OASI would avoid the stresses on the working population that would be created by raising payroll or income taxes. It would instead utilize taxation on wealth created by one generation to assist in providing retirement benefits to members of the same generation.

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PORTRAIT

Joan Robinson

It is rather paradoxical that whilst, on the one hand, Joan Robinson is acknowledged to be one of today's foremost economic theorists with an impressive list of path-breaking contributions to her name, on the other hand, many economists, even those who regard themselves as "theorists," approach her writings with apprehension and confess to bewilderment. Her books and articles are often outstanding examples of English prose, and the ideas are novel and exciting, but they do not fit within the framework used by most economists to define their subject.

A frequent reaction to the paradox is to argue that if only she would express herself in mathematics the true substance of her argument would be clarified. But this is to miss the point. For Joan Robinson's originality rests on intellectual foundations that are fundamentally different from those of orthodox economists, and no amount of formalization can squeeze her ideas back into the orthodox mold. Both in her approach to economic theory and in her perception of the relationship between theory and reality, the essence of her thinking derives from Keynes' *General Theory,* in the writing of which she collaborated as a member of the small team of exceptionally brilliant young economists that Keynes gathered together in the early 1930s. (Two of the other members of this group have had an important influence on Joan Robinson. Richard Kahn has been a constant collaborator, his remorseless logic an ideal complement to her innovative enthusiasm. The work of Piero Sraffa, whose rare publications have rocked the foundations of economic thinking, has been a major source of inspiration.)

In Joan Robinson's view the ideas of the *General Theory* constitute a fundamental revolution in economic thinking, calling into question *all* received doctrine. None of the principles enunciated prior to the *General Theory* are valid unless they can pass the test of compatibility with its central theses. Indeed, Joan Robinson has devoted considerable effort to purging Keynes' own propositions of Marshallian vestiges which are inconsistent with his main ideas and which, in his thrust toward the main point, he neglected to abandon.

The basic thesis of the *General Theory,* as Keynes himself stressed, is that the equality of saving and investment is maintained by variation in the level of income (and hence in the level of employment), and not by "market clearing" adjustments of the rate of interest. Joan Robinson argues that this proposition, with its ramifications, is immensely destructive of neoclassical theory. The essence of neoclassical thinking is the subjugation of all economic phenomena to the single principle of individual utility maximization subject to the constraint of technology and endowment, and hence the simultaneous determination of prices, distribution, output, and the employment of inputs. The refutation by Keynes of part of this interdependent structure implies the refutation of the whole. Thus, Joan Robinson has rejected the "neoclassical synthesis" as a methodological aberration—macroeconomics and microeconomics cannot exist in separate boxes and be logically consistent one with the other. Her repudiation of neoclassical theory includes her own *Economics of Imperfect Competition* (1933), the work which first brought her international recognition. Although the analysis of *Imperfect Competition* is designed as an internal critique of certain principles of orthodox theory, the book is clearly pre-Keynesian in conception and execution.

Once the influence of Keynesian thinking is appreciated, both Joan Robinson's work on the analysis of growth (*The Accumulation of Capital,* 1956; *Essays in the Theory of Economic Growth,* 1962), and the position she adopted, and successfully defended, in the recent debate on the theory of capital, fit into a logical pattern. The former represents the elaboration and innovation necessary to dynamize the *General Theory,* the latter embodies the logical counterpart of Keynes' critique of the neoclassical theory of interest.

Two interrelated principles are fundamental to Joan Robinson's approach to economics. First, a prerequisite of any satisfactory economic theory is the specification of the relevant characteristics of the society, the economic life of which it purports to explain. The analysis must relate, directly or indirectly, to the ownership of the means of production and the control of the process of production, as reflected in the superstructure of social organization. Second, economic analysis must take time seriously. Joan Robinson is fond of emphasizing that the present is a moment which lies between an irrevocable past and an uncertain future. The components of a theory must be susceptible to location in historical time. Thus, her spirited rejection of the "book of blueprints" approach to technology—an approach she has herself used in the internal criticism of neoclassical theory—is based on its essential ahistoricism.

Given these two fundamentals, it is not surprising that Joan Robinson has found a kindred spirit in Marx. It is perhaps true that she sees Marx through excessively Keynesian eyes, especially in her *Essay on Marxian Economics* (1942), but Marxian theory fills important lacunae in Keynesian thought, not least its lack of a theory of value. Joan Robinson pointed out that whilst the neoclassical critics of Marx focus on the transformation problem, they fail to notice that Marx's theory of prices of production is quite different from the neoclassical theory of price, and is compatible with the principle of effective demand.

The first synthesis of a theory of price formation and the principle of effective demand was performed by Michal Kalecki. Joan Robinson was the first of Keynes' collaborators to realize that not only had Kalecki developed the principle of effective demand before Keynes, but also his version contained important elements which Keynes' lacked. The Kaleckian analysis, supplemented and enriched by ideas derived from Marx and from Piero Sraffa's *Production of Commodities by Means of Commodities,* provides the technical framework within which Joan Robinson's theory is set. This theory is still developing, with an increasing leaning toward Marxian ideas on the evolution of technology, the development of industry, and the relationship between capitalism and development in the Third World.

Joan Robinson's unique contribution to economics lies not only in her recognition of the full significance of the Keynesian revolution, and its relationship to Marxian theory, but also in the manner in which, on these bases, she has forged new theoretical tools to tackle a remarkable variety of economic problems. Moreover, beneath the sophistication of her theoretical writings lies a clarity of vision, exemplified by the way she dissects and simplifies the most complex of problems. It is this combination of originality, sophistication, and the ability to identify the crucial elements in complex phenomena, which gives her writings such vitality. Her work has always been, and continues to be, a formidable challenge to orthodoxy of all kinds.

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