

KEYNESIAN ECONOMICS

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By

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PREFACE

THIS book is based upon the analysis of the *General Theory of Employment, Interest and Money*. In the three years since actual writing was begun, certain differences between the analysis presented here and the analysis of the *General Theory* have developed. In the technical apparatus of this study, the long-term rate of interest, typically used as "the" rate for Keynesian analysis, has been abandoned in favour of the short-term rate, interpreted as a margin of substitution binding many markets together; the internal structure of the interest-rate complex has taken on practically equal importance with the average level of interest-rates; and the "liquidity-preference" theory of the rate of interest, so important in the *General Theory*, is represented as only one aspect of the determination of rates. Because under the methods used it is possible to connect the operations of the individual firms of an economic society straightway to the margins of substitution of the system, Mr. Keynes' Aggregate Functions have been omitted.

The book developed from a doctoral dissertation written at Seattle, Washington, during the year 1939-40 and accepted in July, 1940, by the University of Washington. During the two years since that time the study has been shortened by the excision of practically all institutional material; the whole has been rewritten, some sections many times; and new material has been introduced. Chapters III and XIV are, for example, completely new; Chapter XIII consists almost altogether of new material; and Chapter VI has been considerably extended. The long general bibliography of the original has been omitted with the expectation that the numerous bibliographical foot-notes, related to specific subjects, will prove more useful.

I am indebted to the staff in Economics of the University of Washington for the training in advanced economics which made this study possible. In the preparation of the dissertation my greatest obligation was to Professor R. F. Mikesell. Dean H. H. Preston and Professor Joseph Demmery also gave valuable advice and encouragement. A number of other favours, too numerous to be detailed here, were conferred on me by Dean Preston and the University of Washington during my sojourn in Seattle.

The 1940 draft was read by Dr. Oscar Lange of the University of Chicago and by Professor A. F. W. Plumptre of the University of Toronto, and a number of suggestions made by them have had influence upon the revision. I have also to thank them and Dr. Mikesell for their kindness in reading and criticizing Chapter III in its final stages, and Dr. Lange and Dr. Mikesell for similar services with respect to Chapter VI.

The final draft has been written mainly at the University of Toronto during the spring and summer of 1942. Professor H. A. Innis extended the hospitality of the University of Toronto during that period, and in the previous summer. Professor V. W. Bladen kindly assisted in making the business arrangements for publication and gave useful editorial advice. Professor H. S. M. Coxeter of the Department of Mathematics of the University of Toronto redrew my charts and his fine draughtsmanship has added greatly to the appearance of the book. He also made suggestions for the clarification of figures and sections of the text in Chapters VIII and IX. My colleague, Dr. J.-O. Clerc of the University of Saskatchewan, and Miss E. M. Rosengren of the University of Toronto assisted in the reading of proof. Mrs. Hewitt and her staff in the Editorial Department of the University of Toronto Press gave valuable assistance in seeing the manuscript through the Press; the compositors of the Press by careful workmanship lightened the work of proof-reading and have beautified the finished book. To all of these I am greatly indebted.

The book contains extended quotations from *The General Theory of Employment, Interest and Money* (Macmillan and Company, Ltd.), Professor Hicks' *Value and Capital* (Oxford University Press), Professor Ohlin's article, "Some Notes on the Stockholm Theory of Savings and Investment," published in the *Economic Journal*, and Mr. Lerner's note on "Savings and Investment: Definitions, Assumptions, Objectives," from the *Quarterly Journal of Economics*. Permission to make these quotations has been received from the respective publishers and editors and is hereby acknowledged.

I must also express my gratitude to the members of the Canadian Social Science Research Council for the generous assistance by which publication of the book was made possible, and to President J. S. Thomson, Dr. W. W. Swanson, and the Board of Governors of the University of Saskatchewan for the conditions under which leaves of absence were freely granted.

Those who are familiar with the field of monetary theory will have no difficulty in seeing, in addition to the influence of Lord

Keynes, how strong have been the influences upon my thought of Dr. Oscar Lange, Professor J. R. Hicks, Mr. A. P. Lerner, Dr. P. N. Rosenstein-Rodan, Professor D. H. Robertson, and Professor Bertil Ohlin. The faults of analysis and exposition are all mine. The light is all theirs.

MABEL F. TIMLIN

The University of Saskatchewan,
October, 1942.

PREFACE TO SECOND PRINTING

THIS book is being reprinted with only minor corrections. Had more extensive changes been possible, I should have undertaken some rewriting, in particular of Chapters IX and XIII. However, since under present conditions a complete revision was not feasible, the publishers and I felt that, in view of continuing demand for the book, this reprint should not be postponed.

An error in logic, called to my attention by Professor Carl Shoup, has been corrected on page 23. On page 112, I have made certain alterations to allow for the possibility that the propensity to consume may be a linear function. Minor changes have been made on pages 49, 80, 123, 126, 139, and 144.

M. F. T.

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