The Economic and Labour Relations Review (2023), **34**, 199–202
doi:10.1017/elr.2023.22

CAMBRIDGE UNIVERSITY PRESS

EDITORIAL

Introduction to the second symposium in honour of Geoff Harcourt

Peter Kriesler

UNSW, Canberra, Australia
Email: p.kriesler@unsw.edu.au

(Received 25 May 2023; accepted 25 May 2023)

Keywords: economic policy; GC Harcourt; Heterodox economics

The initial symposium in honour of our friend and colleague Geoff Harcourt, appeared in the previous issue of this journal, March 2023. Colleagues and students have produced some excellent papers to celebrate Geoff's contributions to economics, and this second symposium demonstrates this.

Geoff's early interests were with the interplay between accounting and economics. Mauro Boianovsky and Constantinos Repapis revisit Geoff's early work on accounting, tying it to the subsequent development of this thought. This is particularly relevant to his analysis of macroeconomic issues, where the accounting rate of profit plays an important role, yet, as they point out, despite its important influence on his work, it has been much neglected.[1] They stress Harcourt's comment from his undergraduate thesis that conventions that may work in stationary economies can become a drag when used in growing ones. This is particularly true of accounting conventions, the limitations of which are emphasised. Accounting rules play important roles in shaping the economic environment and the institutional framework of the economy, which, in turn, have profound effects on the economic dynamics. As one of Geoff's major influences has commented: 'The institutional framework of a social system is a basic element of its economic dynamics' (Kalecki 1970 111). So economic behaviour depends on institutions including conventions that structure the market environment.

This theme was to occupy Harcourt for his subsequent PhD thesis, and, in fact, throughout his academic career culminating in the publication of the jointly edited volume *Readings in the Concept and Measurement of Income* (Parker and Harcourt 1969) – the idea that accounting conventions were misguiding economic decisions both at the level of individual enterprises and also of public policy.[2] In particular, the issues associated with the use of historical cost accounting in times of inflation led to many of the problems with insufficient aggregate demand.

This is developed in Harcourt's 'the accountant and the golden age' where he considers the accuracy of accounting conventions in ideal conditions in a 'golden age' and shows that, even here, the accountants' measure of the rate of profit will not approximate the economists (Harcourt 1965). This highlights the difficulty of measuring the rate of profits, even in idealised circumstances. No one convention will do – rather we should rely on the box of tools and horses for courses.

In the second article in this symposium, Jayati Ghosh extends Geoff's analysis found in his 'The social consequences of inflation' (Harcourt 2001) to developing economies.

Rejecting the monetarist interpretation as of limited relevance for the current inflationary episode, the paper clearly locates the source of our inflation in cost-push factors associated with rising raw material and intermediate goods prices. Following the structuralist (and post-Keynesian) view, she argues that inflation is the result of struggles between different groups (classes). In low- and middle-income countries, a large proportion of the workforce is either in the informal sector or not in unions. Due to their weak bargaining power, they are unable to protect themselves from price rises. As a result, inflation in these countries will be lower as price increases will not lead to offsetting wage increases, but the impact on poorer workers will be higher. In terms of macroeconomic policy, monetary policy is an extremely blunt instrument for fighting inflation. By increasing unemployment, it serves to influence class struggle and undermine the power of the working classes.

Turning to the experience of recent inflation, Ghosh notes that it has been generally associated with less than full employment due to the Covid-19 pandemic, and so cannot be the result of excess demand. Rather it is related to cost plus pressures arising from supply shocks to raw material and intermediate prices resulting from supply chain problems and from the war in the Ukraine. The subsequent inflation is also related to corporate behaviour – organisations' ability to raise profit margins, reinforced by speculative activity in the financial sector.

Within this context, the impact of rising raw material and intermediate prices, reinforced by speculation-generated price instability, particularly affects middle- to low-income countries where food is a major component of household expenditures. This has been reinforced by exchange rate depreciations which add to the domestic price of imports. These, in turn, are the result of greater external debt resulting from increased international capital flows, which are the direct consequence of the neoliberal economic policies of the last half-century. The resulting damage is a perfect example of a vicious cumulative causation cycle. The costs of inflation are similarly borne by the weakest groups in high-income countries, where the gains mainly accrue to those better off. Ghosh concludes her paper with some important suggestions for policy reform.

In the third article, Ashwani Saith looks at the contributions of the early post-Keynesian pioneers to the analysis of development; it should be seen as a complement to the paper on similar themes by Amiya Bagchi, which was published in the previous symposium (Bagchi 2023). The paper raises important questions about the applicability of the Keynesian framework to developing economies, particularly questioning the meaning of "full employment" in these economies, with both labour force and employment being elastic concepts. As Saith notes, the "terms and quality" of employment are as important as its volume in developing economies. As a result, simple demand management policies would miss the point, with *decent* employment being at least as important as full employment. In addition, it argues that the employment problem cannot be solved by higher growth rates. The paper considers the role of the state in developing economies, questioning its autonomy from the class and power structures, and so also its ability to act in the "social" or "national" interest. Taking a sceptical view of the role of the state in recent development experience, the article concludes by arguing that advocating alternative development strategies is insufficient without also considering political strategies which would lead to their effective implementation.

Although we had previously published an enlightening review of the four volumes of Geoff's last joint collection *Post-Keynesian Essays from Down Under* (Halevi et al., 2016) in (Dixon 2008), we had the opportunity to include an extensive Review Essay by Prue Kerr, one of Geoff's students and a major collaborator on many of his important publications. After a brief introduction to each of the volumes, Kerr concentrates on Volume II *Essays on Policy and*

Applied Economics – with its detailed discussion of issues underlying Geoff's vision of policy. The historical approach is emphasised, with the result being a rejection of the silo-like approach to social sciences. Rather, economics is part of an analysis that acknowledges broader methodology and sources of knowledge. Policy needs to be analysed in a pluralistic multidisciplinary approach.

The essay documents the switch in aims of policy, both domestically and globally, from a concern with maintaining full employment to the neoliberal concern with inflation as the main policy target. The neoliberal assumptions about the primacy and efficacy of markets are questioned. They have led to significant deregulation of financial systems, both domestic and global. As a result, there have been considerable increases in the mobility of capital flows and in the concentration and power of multinationals. All of these have contributed to the increased number of global financial crises associated with a loss of control of domestic markets by national states. This helps explain the emerging international stagnationist tendencies and the reduced ability of governments to deal with them.

By contrast, the importance of investment and effective demand as the main determinants of the level of economic activity and employment are stressed. Related to this, the relative importance of fiscal policy over monetary policy, is reconsidered. The traditional arguments about the limitations of fiscal policy in terms of crowding out and debt fetishism are dismissed. Although there can be no general recommendations, a 'horses for courses' approach needs to be adopted in terms of appropriate policies at all levels.

These four papers in this second symposium extend our understanding of Geoff Harcourt's contribution to economics, demonstrating the large range and the eclectic approaches which he took in analysing economies. Never dogmatic, Geoff's 'horses for courses' approach borrowed from many disciplines with the ultimate goal to increase our understanding of the main issues.

In my introduction to the previous symposium, I concluded that "The papers in this symposium all illuminate Geoff Harcourt's concerns with social justice, fairness and equity, as well as his profound understanding of economic theory and policy. We hope that Geoff's legacy will continue." I can only reiterate that conclusion.

Notes

1 But see Baddeley (2023) in the earlier symposium.

2 In the earlier symposium, Michelle Baddeley (2023) expressed similar reservations about investment rules derived on the basis of inappropriate models based on conventional theory which led to underinvestment and instability of investment decisions.

References

Baddeley M (2023) Capital investment, business behaviour, and the macroeconomy *The Economic and Labour Relations Review* 34(1): 35–50.

Bagchi AK (2023) Developing countries: the legacy of Keynes and post-Keynesian economists. *The Economic and Labour Relations Review* 34(1): 51–65

Dixon R (2008) Review of Joseph Halevi, GC Harcourt, Peter Kriesler, JW Nevile, Post-Keynesian Essays from Down Under. *The Economic and Labour Relations Review* 29(4): 543–546.

Halevi J, Harcourt GC, Kriesler P and Nevile JW (2016) *Post-Keynesian Essays from Down Under: Theory and Policy in an Historical Context*, Vol. 1–4. Basingstoke: Palgrave Macmillan.

Harcourt GC (1965) The accountant in a Golden Age. *Oxford Economic Papers* 17: 66–80.

Harcourt GC (2001) The social consequences of inflation. In: Harcourt GC (ed) *Selected Essays on Economic Policy*. London: Palgrave Macmillan, pp. 183–199.

https://doi.org/10.1017/elr.2023.22 Published online by Cambridge University Press

Kalecki M (1970) Theories of growth in different social systems. *In Scientia; Rivista Di Scienza*, 105, 1–6. Reprinted Osiatynski, J. (ed) 1993. *Collected Works of Michał Kalecki Volume 4 Socialism: Economic Growth and Efficiency of Investment*. Osiatynski, J. (ed) Oxford: Clarendon Press, 1993, pp. 111–117.

Parker RH and Harcourt GC (eds) (1969) *Readings in the Concept and Measurement of Income*. Cambridge: Cambridge University Press (Second edition, with a new preface by G. Whittington, Philip Allan, 1986).

Cite this article: Kriesler P (2023). Introduction to the second symposium in honour of Geoff Harcourt. *The Economic and Labour Relations Review* **34**, 199–202. https://doi.org/10.1017/elr.2023.22