Keynes's Dichotomy: A Methodological Escape for a Theoretic Revolution

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It was Keynes's view that the intellect, along with its root-level predilections and modes of thought, was basically formed early in life. In 1904, at age 21 he wrote of Burke, "Like many other keen intelligences, he had come to his main philosophical conclusions before thirty" (1904, p. 79). And, almost thirty years later in The General Theory he essentially restated it: "...in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age" (JMK, VII, pp. 383-4). With respect to himself, however, Keynes apparently felt differently; intellectual ossification was avoidable, The General Theory of Employment, Interest and Money being his evidence. In a letter George Bernard Shaw in 1935, he wrote that:

...I believe myself to be writing a book on economic theory that will largely revolutionize...the way the world thinks about economic problems. When my new theory has been duly assimilated and mixed with politics and feelings and passions I can't predict what the final upshot will be in its effect on action and affairs. But there will be a great change...(JMK, XIII, pp. 492-3).

And in the preface of the General Theory, he penned the well-known lines concerning his "...long struggle of escape from habitual modes of thought and expression" (JMK, VII, PP. VIII).

An interesting question arises at this point as to the source(s) of this revolutionary struggle to reorient economics' paradigmatic view. Concerning this, the evidence is that the roots go well back in Keynes's intellectual development. For example, in various of his writings prior to The General Theory, Keynes, with increasing vigor, rejected the key neoclassical conclusion of an automatically self-correcting market capitalist system (e.g., in Indian Currency and Finance, 1913 and The End of Laissez-faire, 1925). In this vein, he then worked towards theoretical concepts that were to later play key parts in The General Theory, e.g., the role of debt financed public expenditure and the essence of the multiplier concept (in Let Lloyd George Do It, 1929) along with the basic notion of liquidity preference theory and an inkling of the marginal efficiency of capital (in A Treatise on Money, 1930).

Yet during this period, from the methodological standpoint, Keynes worked within orthodox neoclassical analytic traditions and did so all the way through the Treatise on Money. This is to say that up until 1930 Keynes accepted what he was later to identify (in The General Theory) as the classical dichotomy for economic theory. This divided economics' theoretical apparatus into two great spheres: (1) the theory of value and price and the theory of distribution on the one hand and (2) the theory of money (based upon the quantity theory of money) on the other (JMK, VII, p. 293 and herein below). The former sphere dealt essentially with choice and allocation decisions driven by relative prices in what we today call microeconomics, while the theory of money—which was primarily a theory of the level of prices—aimed to analyze issues relative to the system as a whole, in today's terminology, the macroeconomy.

In short, Keynes, fairly early in his economics career, began to form important unorthodox views on the nature and function of the capitalist economy of the post-world war I era. Nonetheless, in his investigations and writings, he maintained the quite orthodox methodological perspective of his Cambridge background, and did so up until the writing of The General Theory. Thus our inquiry becomes focused on the nature and sources of Keynes's essential methodological reorientation in the early 1930's. For our thesis is that it is with this reorientation that we will find the tap roots of his revolution, the latter being the fruition of his "long struggle of escape...."

Keynes the Monetary Economist

Keynes was a (traditional) monetary economist from the very beginning of his economics career, Indian Currency and Finance (1913) being his first
major work in the area. Furthermore, Keynes apparently had very little interest in or use for price and distribution theory as workaday analytic tools. As Joan Robinson once put it, “Keynes himself was not really interested in the theory of relative prices. Gerald Shove used to say that Maynard had never spent the 20 minutes necessary to understand the theory of value. On these topics he was content to leave orthodoxy alone” (1962, p. 79).  

In the Treatise On Money—a work intended by Keynes to set his academic reputation on a par with his popular and advisory fame—the core problem that was dealt with was the business cycle (Patinkin, 1987, p. 21), or as it is was then called, given the emphasis on monetary analysis, the credit cycle. In this endeavor, the quantity theory of money continued to be Keynes’s basic organizational and analytic tool.

In broad outline, in the Treatise on Money, Keynes developed his famous Fundamental Equations, the second of which relates specifically to output as a whole. In this equation changes in the money stock were related to changes in prices, notably to the prices of securities and thus to the rate of interest. These affected the relation between investment and saving and thereby (“windfall”) profits/losses. And it was firms’ responses to profits/losses—what Keynes saw as the driving forces of the entrepreneurial economy (Patinkin, 1987, p. 21)—that would lead them to expand or contract output. It was essentially, in this manner that changes within the framework of this fundamental equation, were related to changes in the level of output. But given the purposes of Keynes’s analysis, the dynamics of the credit cycle, it is important to note that the second fundamental equation embodies the statical quantity equation. For as Patinkin points out, when in equilibrium (i.e., when I=S), Keynes’s second fundamental equation reduces to the Fisherine M*V = P (1987, p. 22). Thus, cyclical variations in output, the basic focus of the analysis, were not really specified much less explained in the analysis of the Treatise on Money. For given the structure of the quantity equation, the analysis of the derivative fundamental equation(s) takes place upon the implicit assumption of a given level of output in the time period under analysis (JMk, V, p. vii). Changes in output resultant from changes in relevant variables—e.g. prices, the interest rate, saving and investment, and profits—take place, presumably, in a subsequent time period. Thus what Keynes did do in the Treatise on Money was to analyze forces that led to expansion or contraction of total output; what he did not do was to explain the actual (and changed) level of output in any time period. As Patinkin puts it “Keynes does discuss changes in output in the Treatise, [but] he considers these to be derivative from the changes in prices” (1987, p. 22). This is the essential nature of Keynes’s general approach in the Treatise as it pertains to his attempt to “explain” the dynamics of output as a whole, i.e. to the credit cycle.

Hence, the Treatise on Money failed in its central task and it was severely criticized. Central to the objection was the issue that it did not explain (intertemporal) levels of employment and output, and the adjustment mechanism therein, that constituted the credit cycle. The fundamental equations were tautologies and as such they essentially restated, or rather elaborated the (statistical) quantity theory of money and thereby implicitly assumed (within the analytic time period) a given level of output.

Keynes recognized the Treatise’s shortcomings and moved on, although he seemed not to fully abandon it. Nevertheless, as Schumpeter put it: ...with admirable resoluteness, he [Keynes] determined to throw away the impeding pieces of apparatus and bent to the task of forming an analytic system that would express his fundamental idea and nothing else (1954, p. 1171).

And as for the singular “impeding piece(s) of apparatus”, Keynes himself wrote as late as November 1934 (i.e., well on the way to The General Theory): A large part of the established body of economic doctrine I cannot but accept as broadly correct. I do not doubt it. For me, therefore, it is impossible to rest satisfied until I can put my finger on the flaw in that part of the orthodox reasoning which leads to the conclusions which for various reasons seem to me to be unacceptable. I believe I am on my way to do so. 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... (JMk XIII, p. 489).

Keynes continues in this passage to opine that the “fatal flaw” to which he refers relates to a failure of the classical doctrine to develop a satisfactory theory of the rate of interest (JMk XIII, p. 489). That is, classical (loanable funds) theory did not accurately reflect—at least for the modern economy—the structure and function of capital markets, both real and financial.

The fatal flaw in the classical conception of the structure and function of the market economy—i.e. the failure to theoretically explain the nature of fundamental and inherent forces that can initiate
systemic breakdown in the sense of causing non-market clearing results elsewhere in the economy—could conceptually reside in fundamental misperception of and/or imperfections in any one of the three broad market types: capital, goods or labor. Keynes, as noted, saw it, most importantly, as an inherent aspect of interrelationships in capital (both real and financial) markets. And the particular “fatal flaw” that he came to see, and which was to lead him toward the interpretation that was to become analysis of The General Theory, was that the interest rate was not a price equating financial with real capital in markets for “loanable funds”. Rather it was the (nominal) price that in financial markets equated the supply and demand for money, i.e. liquidity, and which had consequential effects on the level of (real) investment spending. Thus the level of investment spending would be importantly determined by prices (interest rates) in financial markets with their shifting desires for liquidity and all the vagaries and non-rationalities thereof. In short, money was not neutral in the determination of an unstable investment component and thus of an ever-changeable total output and employment. But, to analytically develop this insight, Keynes had no serviceable methodological framework. For, as he had discovered in the Treatise on Money, the structure of the classical dichotomy, with its quantity theory of money as the basis for analyzing output as a whole, did not allow for a useful explanation of the complex interaction of real and (non-neutral) financial variables in determining total output and variations thereof.

The Invention of Modern Macroeconomics

Therefore in The General Theory, so to accomplish his purposes—a theory of the determination of a changing (i.e., unstable) level of output and employment—Keynes self-consciously reformulated the fundamental methodological framework of classical economic theory, in a word its dichotomy. In The General Theory, he was explicit: The division of Economics between the Theory of Value and Distribution on the one hand and the Theory of Money on the other is, I think, a false division. The right dichotomy is, I suggest, between the theory of the Individual Industry or Firm and the rewards and the distribution between different uses of a given quantity of resources on the one hand, and the theory of Output and Employment as a whole on the other hand (JMK. VII. p. 293. emphasis in the original).

It was within this reformulation, that Keynes was finally able to realize his “long struggle to escape.” For in this “right dichotomy” he self-consciously created and isolated the necessary macroeconomic stage on which to choreograph a theoretical explanation of variable effective demand and employment (Chase, 1981, pp. 560-61). As noted above, he did this by attacking the fatally flawed classical (loanable funds) theory of interest, and replacing it with his (monetary) liquidity preference theory. The latter is separate from, but closely linked to the act of real investment via the marginal efficiency of capital concept. Thus given Keynes’s dichotomy for macroeconomics, a nominal variable (money) affects real variables (investment and output) and money is not neutral, just the reverse of the situation in the classical dichotomy.

The foregoing concerning classical theory’s fatal flaw further arranges the macro stage for Keynes’s (and Richard Kahn’s) breakthrough to the path breaking theory of effective demand. Investment plus consumption premised on a consumption function with its “universal psychological law”, yield the level of effective demand by way of built-in multiplier effects. In this process the act of saving is separated from the act of investment and neither (saving or investment) determine the rate of interest, but are rather determined by it. Given multiplier effects and the role of uncertainty and changeable expectations (underlying liquidity preference and the inducement to invest), the economy will gravitate toward an equilibrium that is both indeterminate and subject to volatile change through time.

Of major significance in the above Keynes (Kahn) system of effective demand—perhaps the essence of its “revolutionary” character is the inversion of adjustment mechanism leading toward equilibrium; it is now premised on quantity adjustments (viz., $\Delta I \rightarrow \Delta(K) \rightarrow \Delta Y \rightarrow \Delta S = \Delta I$) as opposed to the classical emphasis on price adjustment.

In short, it is within the framework of his newly invented “theory of output and employment as a whole”, i.e., “macroeconomics”, that Keynes not only (1) reformulates what he identifies as the fatal flaw of classical economics—i.e. its theory of the determination of the rate of interest—but also (2) refocuses attention away from the classical price axis as the single locus for systemic adjustment and onto the quantity axis where a now variable output holds the key to systemic adaption—the latter, of course, deriving from his theory of effective demand. As noted, the foregoing was dependent upon Keynes’s methodological shift identifying and separating the macroeconomic conception of the economy from the microeconomic. In a word, Keynes’s “right
dichotomy" was fundamental to his theoretical revolution.

**Organicism vs. Atomism: The Source for the "Right Dichotomy"**

It is interesting to note that Keynes's crucial reorientation of the dichotomization of economic theory in *The General Theory* finds a harbinger in his much earlier *A Treatise on Probability* (1921), itself an outgrowth of even earlier writings. For in the latter work, among the lesser known but life-time affecting topics that Keynes notes, is the logical distinction between the atomic and organic forms of structural organization (JMK, VIII, pp. 276-78).

In Keynes's view, the atomic theory of structure wherein the whole is equal to the sum of the constituent parts is well suited to the study of the natural world; indeed it underlay the successes of the physical sciences (JMK, X, p. 262). However, this framework, consistent with the idea of methodological individualism, is only carefully applicable to the social world because of the possibility of organic interaction—i.e., functional interdependence—in the latter. It is this denial by Keynes of atomism as a general doctrine that eases the way for seeing some macro relationships as other than the summation of constituent parts (O'Donnell, p. 178). This is of critical importance in a "moral science" like economics since the interactive feedback effects of organic units can at times lead to the now commonplace fallacy of composition. And where the latter exists, there would be a logical inconsistency in utilizing the approach of methodological individualism and its implied technique of arithmetic summation, thereby invalidating the doctrine of atomism.19

The paradox of thrift is, of course, a supremely obvious example of macro-organic interaction and interdependence as is the notion that systemic wage cuts would not increase employment as a result of the resulting decrease in (macro) demand. These notions, familiar as they may seem today, where alien theoretical views to classical economic theory, given its atomistic lenses.20

But Keynes, in his youth, having made the atomic-organic distinction, as a general logical principle, continues throughout his lifetime to hold it in his mind's eye as a useful working tool for correct thinking. For example, in the early 1930's, while working towards the (macro-organic) theory system of *The General Theory*, Keynes once again takes critical note of the distinction between atomism and organicism. In *Essays in Biography* (1933) Keynes criticizes Edgeworth for indiscriminately applying the (atomistic) mathematical method (in

**Mathematical Psychics (1881)** to the "moral sciences":

The atomic hypothesis which has worked so splendidly in physics breakdowns in psychics. We are faced at every turn with problems of organic unity, of discreetness, of discontinuity—the whole is not equal to the sum of the parts, comparisons of quantity fail us, small changes produce large effects, the assumptions of a uniform and homogeneous continuum are not satisfied (JMK, X, p. 262).

But, Keynes is not dismissive of the application of the atomic hypothesis in economics. Rather, he is discriminate. Toward the close of *The General Theory*, having constructed the theoretical basis for modern macroeconomic theory, Keynes is explicit as to what he sees as the two fundamental "real-world" areas for economic explanation:

To put the point concretely, I see no reason to suppose the existing system seriously misemploys the factors of production which are in use [i.e., the micro-atomistic]... It is in determining the volume [i.e., the macro-organic], not the direction [i.e., the micro-atomistic], of actual employment that the existing system has broken down (JMK, VII, p. 379).

The foregoing explicitly describes the two concrete spheres of economic activity toward which each of the economic theory schemas of the "right dichotomy" may be correctly employed. Thus, concerning methodological frameworks, Keynes was a discriminating pluralist. As one commentator put it, "The principle of atomism or methodological individualism was applicable in some situations, and the principle of organic unity in others" (O'Donnell p. 177). The trick is to determine when to employ one approach vis-a-vis the other. For as Keynes wrote to Harrod (in 1938), "Economics is a science of thinking in terms of models joined to the art of choosing models which are relevant..." (JMK, XIV, p. 296)

To summarize, it seems clear that the two elements of Keynes's dichotomy for economics—i.e., today's parlance, macro-and microeconomics—find their roots in Keynes's early philosophic interest in the nature and applicability of the atomic vs. the organic doctrines of structural organization. Commenting on the importance of Keynes's early philosophical works, O'Donnell observes that:

Although Keynes undertook no major extension or reworking of his philosophical theories after 1921 [publication date of *A Treatise on Probability*], he never abandoned his interest in philosophy in gen-
eral, nor escaped the particular influence of his earlier beliefs (p. 19).

Thus, deeply influenced by his past, Keynes nonetheless remained open to many strands of thought, continually attempting to integrate various elements together into new frameworks of more general and useful applicability. As a result, it is not surprising that vital seeds of his theoretical revolution in The General Theory may be traced to his earlier intellectual development in philosophy and logic. Concerning this, it is interesting to consider the point that in order to achieve his "long struggle to escape", and thereby his revolution, Keynes had to reaffirm earlier "...modes of [his own] thought and expression."

6. And Keynes recognized this. As noted above, he was aware of the tautological nature of the fundamental equations. But he went on to argue that they had a qualitative advantage in that, "...they are a much more powerful instrument...when we are considering what kind of monetary and business events will produce what kinds of consequences (JMK, V, p. 198, emphasis added). Thus Keynes himself apparently saw that in the Treatise on Money all he had in fact "explained" was the forces leading to and the direction of a change in output, not its (varying) level.

7. This is, of course, a still debated question. But over a year after the publication of the Treatise, in April 1932, Keynes wrote in the preface of the Japanese edition: I should add...that after a year and a half of further reflection and after having had the advantage of much criticism and discussion of my theories, I have naturally made many addenda and corrigenda in what follows. It is not, however, my intention to revise the existing text of this Treatise in the near future. I propose, rather, to publish a short book of a purely theoretical character, extending and correcting the theoretical basis of my views as set forth...below (JMK, V, xxvii).

And later, the preface to the "short book", The General Theory, Keynes wrote: The relationship between this book and my Treatise on Money, which I published five years ago, is probably clearer to myself than it will be to others; and what in my own mind is a natural evolution in a line of thought which I have now been pursuing for several years, may sometimes strike the reader as a confusing charge of view.

(Kyees goes on at some length to explain the nature of the relationship (RXC)) (JMK, VII, pp. VI & VII). For further discussion on the continuity between the Treatise on Money and The General Theory see Rothem (pp. 571-74), Moggard (1980) and most recently Amedeo (1989).

8. Keynes’s analysis was what we can call "process analysis" (according to Clower, the term was coined by Axel Leijonhufvud), i.e. cause(s) and effect(s) trace a path(s) through the system. This is to be contrasted to the simultaneity of adjustment within the general equilibrium framework that emerged after Keynes, i.e. the IS/LM framework.

9. The labor market, of course, was where non-market clearing was most seriously felt ("involuntary unemployment"). In his analysis Keynes examines this, most importantly, as a (processual) effect, and the key question here involves the ability of the labor market to adjust, i.e. to clear, assuming wage flexibility. On this Keynes came to a largely agnostic position, concluding that whatever employment benefits could be achieved from (money) wage cuts could (theoretically) be achieved—and much more easily so—through liberalizing monetary policy. This, of course, is the well-known "Keynes effect" (See JMK, VII, Chap. 19, esp. Sec II).

10. It is interesting to note that contemporary “New Keynesian” economics attempts to generate Keynesian conclusions as a result of microeconomic imperfections and.
malfunctions in all market sectors. (See Manikew and Romer, pp. 1-15).

Also of interest is the historical note that John Kenneth Galbraith (working with Henry S. Dennison) anticipated the fundamental new Keynesian notion of systematically drawing Keynesian conclusions from optimizing microfoundations. In 1936, while in residence at Cambridge University, Galbraith and Dennison were completing an analysis that aimed to explain the depression largely in terms of the then revolutionary economics of imperfect competition. According to Galbraith, "As the book eventually published as Modern Competition and Business Policy, N. Y.: Oxford University Press, 1938) was about to go to press, I read The General Theory, to my very great pleasure. It profoundly changed my ideas..." (Correspondence from JKG, April 11, 1991).

11. Concerning the link between real and financial capital markets: In The General Theory, Chap. 17, "The Essential Properties of Interest and Money", Keynes comments on the nature of own-rates of interest and that these will lead us to the clue we are seeking, presumably to the "fatal flaw" in the classical theory of interest. He writes, "For it may be that it is the greatest in the own-rates of interest (as we may call them) which rules the roost (because it is the greatest of these rates that the marginal efficiency of a capital asset must attain if it is to be newly produced); and that there are reasons that it is the money rate of interest which is often the greatest... (JMK, VII, p. 223ff). In short, the money rate of interest may very likely not equate with a marginal efficiency of capital that will produce a level of investment consistent with full employment.

12. In letters exchanged in August and September 1935, Joan Harrod (the editor) wrote Keynes that the classical loanable funds theory held for any given level of income. Thus if, as Keynes argued, the level of income were to be a variable, the position of the savings schedule would vary also (for example shifting rightward as income increased). Harrod's argument induced Keynes to rewrite his interest rate analysis during the month of September 1935 and to also include in the final version of The General Theory its only diagram (p. 180), the latter showing a conventional investment schedule intersecting family of savings schedules at various levels of income (JMK, XIII, pp. 553-59). This diagram, of course, constituted the basis for the IS curve (showing the locus of S-I=equilibria for all income levels) and thereby was the first major step toward the IS-LM general equilibrium model. The full model was formally presented—mathematically by Harrod and James Meade and diagrammatically by John Hicks—in three separate papers delivered at an Economometric Society Conference held at Oxford University on September 26, 1936. (See Young, Chap. 1).

13. Concerning the current concern with microfoundations: Keynes felt that his approach was linked to the fundamental theory of value in that his method depended upon the interaction of demand and supply (JMK, VII, p. VII). For example and as noted in the text, the interest rate within the liquidity preference framework is determined by the supply and demand for money (liquidity). Likewise for the marginal efficiency of capital in that the latter is the rate of discount (applied to a stream of expected returns) that equates the present value of a capital good ("demand") to its cost price ("supply"). Consequently, the marginal efficiency of capital schedule is a locus of equilibria wherein the demand for and the supply of capital are in balance. Thus the foregoing suggests significant microfoundations underlying investment spending, the determining variable of the macroeconomics of The General Theory.

14. Concerning the central role of (non-neutral) money; by 1933, Keynes was working on what he called a monetary theory of output (and value) as a whole. This was to supplement the real exchange theories then current. Indeed, the first draft of what was to evolve into The General Theory was entitled "A Monetary Theory of Production" soon changed to A Monetary Theory of Employment." (Dillard, pp. 570-80).

15. According to Schumpeter, Kahn's "...share in the historic achievement cannot have fallen very far short of co-authorship" (p. 1172). And somewhere Paul Samuelson referred to Kahn (paraphrase), "...as the ghost of Cambridge whose shadow was seen most importantly in the acknowledgements of other peoples' books..." (RXC).

16. In his 1937 article in The Quarterly Journal of Economics, "The General Theory of Employment", Keynes stresses the central role of uncertainty in his theory (JMK, XIV, pp. 109-23). Also, in a lengthy letter to Harrod dated 30 August 1936, Keynes describes the sequence in which the key analytical elements of The General Theory fell into place in his own mind. Schematically this was: (1) the historical neglect of and the importance of the theory for output as a whole (shortly after the Treatise had been published), (2) "...the notion of interest as being the meaning of liquidity preference..." (the "fatal flaw" noted above herein) and (3) "...the proper definition of marginal efficiency of capital [linking] up one thing with another." (Fall of 1935) (JMK, XIV, pp. 85-86).

17. The current conventional view is that the development of the theory of effective demand with its quantity adjustment mechanism marks the essence of the revolutionary shift that characterizes The General Theory. Among the major proponents of this view are Henry Honihavind (1968), Moggbridge (1976) and Patinkin (1982). It is interesting to note that a recent book by Edward Amedeo puts forth the unorthodox thesis that The General Theory did not mark a discontinuous or revolutionary shift in Keynes's thought vis-a-vis the Treatise on Money. Essentially, Amedeo argues that in The General Theory Keynes changed his methodological perspective from the historical period analysis of the Treatise to the equilibrium approach of The General Theory. Thus, according to Amedeo, Keynes's shift was one of method—but in the (relatively narrow) sense of a particular technique—that allowed him to build on the foundations laid in the Treatise. Amedeo thus argues that the transition between the two works is essentially one of continuity—i.e., inclusive of a price adjustment as well as a quantity adjustment mechanism—rather than of discontinuity (see Amedeo, 1989).

18. As a matter of dating, it is well to note that the 1921 publication date of A Treatise of Probability was much delayed (by war as well as by financial disagreements with the publisher) and that the Treatise was itself an outgrowth of Keynes's dissertation for a Cambridge fellowship (1907 revised 1909). See also note 19 below.

19. Keynes's took philosophic note of the distinction between atomism and organicism in the Treatise on Probability (1921 VIII, pp. 276-78). There were, however, earlier roots not only in the fellowship dissertation noted in note 1 above, but also in a notebook compiled in 1905 entitled "Miscellanea Ethica". The latter contained observations and annotations made by Keynes as a result of wrestling with G.E. Moore's Principia Ethica (1903). Moore employed the atomic-organic categories in argument concerning the nature of such ethical and moral precepts as truth, beauty and goodness. Keynes, obviously intrigued by Moore's arguments, laid out in "Miscellanea Ethica" the following...
suggestive schema:

<table>
<thead>
<tr>
<th>Qualities</th>
<th>Incapable of degree</th>
<th>Capable of degree</th>
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<tr>
<td>e.g. existence, truth</td>
<td>e.g. size, utility</td>
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1. Degree of whole = sum of degrees (each part having the same quality) = degree of each part independent of part e.g. weight

2. Degree of whole = degree of each part e.g. colour, potential utility [i.e., atomicistic] of an electric conductor organic unity

(see O'Donnell, pp. 12-17, 61-62 and 127-130).

The key point here is that Keynes's initial recognition of the fundamental importance for correct thinking of distinguishing between the atomic (additive) and the organic (non-additive) forms of structural organization seems to have come rather early in life, viz. between ages 20-22 (i.e., 1903-1905).

20. And in crucial instances this aggregative interdependence is still largely ignored by contemporary macroeconomic theory! Note particularly the inherent interrelations between such well-worn concepts as IS&LM and AS&AD. (On this see, Collander).

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