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## 1

## An Economist from Hungary

**1.1 The Kaldor plan to save the world**

It is May 1984, and the 75-year old Nicholas Kaldor is at the Bocconi University in Milan, delivering the fifth and last of his Mattioli Lectures on ‘causes of growth and stagnation in the world economy’. He has already lectured on ‘equilibrium theory and growth theory’, ‘alternative approaches to growth theory’, ‘the problems of intersectoral balance’ and ‘the effect of interregional and international competition’. Now it is time to specify the ‘policy implications of the current world situation’.

That situation was not at all favourable. In 1984 the world was in its eleventh year of stagflation, an ugly new word that described an ugly state of affairs: high (and often rising) unemployment combined with high (and often rising) inflation. The long boom that the advanced capitalist world had enjoyed for almost three decades after 1945 ended in 1973, with a commodity price explosion that culminated in massive increases in the price of oil implemented by the producers’ cartel, OPEC (Hobsbawm 1994, chapter 14). There was only a brief and faltering recovery from the ensuing global recession before a new downturn began at the end of the decade, made much worse by the new monetarist policies implemented in 1979–1982 by self-proclaimed ‘free market’ governments, first in Britain under Margaret Thatcher and then by the Reagan administration in the United States (Smithin 1996). Kaldor had long been critical of monetarism as an economic theory. After 1979 all his energies were devoted to attacking it as a political phenomenon.

In the Mattioli lecture Kaldor sets out four broad principles of macroeconomic management. ‘The first is coordinated fiscal action including a set of consistent balance of payments targets and “full employment” budgets’. In the absence of an internationally coordinated

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fiscal expansion, he argues, trade liberalisation will prove to be ‘a serious obstacle to economic recovery’ (Kaldor 1996, p. 87). Second, ‘it is essential that interest rates should be brought down as rapidly as possible, and by as much as possible’. Third, it is important ‘to prevent the great volatility of commodity prices’ by means of international buffer stocks, financed by a new world currency. The European countries can initiate such a system, Kaldor suggests, using the existing Common Agricultural Policy and the proto-European currency, the ECU (forerunner of the Euro) (*ibid.*, pp. 87–8). Finally, it is vital to overcome ‘the tendency to chronic inflation under full employment conditions, due to the system of settling wages by sectoral (or industrial) collective bargaining’ (*ibid.*, p. 88). Monetary and fiscal restrictions on aggregate demand have simply generated unemployment, with little or no effect on cost inflation. The only solution, Kaldor concludes, is an incomes policy: ‘a system of continuous consultation between the social partners – workers, management and the Government – in order to arrive at a social consensus concerning the distribution of the national income that is considered fair and which is consistent with the maintenance of economic growth, reasonably full employment and monetary stability’ (*ibid.*, p. 90). Budget deficits, cheap money, commodity price stabilisation and incomes policy: Kaldor is evidently swimming against a very strong neoliberal tide.

The Raffaele Mattioli Lectures were established by the Banca Commerciale Italiana to honour the memory of its eponymous manager and chairman. Kaldor had been a personal friend of Mattioli since they met in Geneva, where he spent two years in the late 1940s working for the United Nations Economic Commission for Europe. His lectures summarised the work of an unusually long and productive academic life that began over half a century earlier with his first published work in economic theory. Kaldor’s distinctive and unconventional views on economic policy were derived from a penetrating critique of mainstream economics, which he had dismissed in the earlier lectures as ‘absurd’ (*ibid.*, p. 7) but which was nevertheless

expressed with a phoney kind of precision or ‘scientism’ of a most pretentious kind, using highly sophisticated, mathematical techniques for proving propositions which have no interpretative value of real-world phenomena, for the simple reason that they are based on *a priori* axioms which have no relation to the conditions which can be empirically observed. All this is aggravated, not helped, by the use of mathematics. (*ibid.*, p. 21)

He concluded that there had been since 1945 ‘a retrogression in comparison with the great innovation period of the 1930s’ (p. 5), when John Maynard Keynes had begun to develop a genuinely scientific macroeconomics that was intended to illuminate the fundamental economic problems of the real world and to offer practical solutions to them.

One of Keynes’s greatest – though by no means uncritical – disciples, Nicholas Kaldor died in Cambridge on 30 September 1986, a little more than two years after he delivered the Mattioli lectures. It took another decade for them to be published by Cambridge University Press, in a handsome volume where they were supplemented by A. P. Thirlwall’s fine obituary and Ferdinando Targetti’s comprehensive bibliography of his work. They form an impressive memorial to one of the twentieth century’s most original, provocative and unorthodox economists.

## 1.2 Budapest, Berlin, London and Cambridge

Nicholas (Miklos) Kaldor was born in Budapest on 12 May 1908 into a prosperous middle-class Jewish family.<sup>1</sup> His father Julius was a lawyer, and the young Nicholas at first expected that he, too, would enter the profession, ‘though I had a sneaking desire to become a writer’. He was the only boy in a prosperous household, two brothers having died in infancy before he was born. ‘The deep mark of this privileged childhood’, his pupil and close friend Luigi Pasinetti reported, ‘has remained in Kaldor’s attitude and demeanour during the whole of his life; it may help to explain his exuberant, egocentric, and undisciplined character’ (Pasinetti 1983, p. 335). Kaldor himself recalled that growing up in Hungary during and immediately after the First World War,

with its bewildering changes in social régimes from a monarchy to a liberal republic, then to a communist dictatorship lasting for four months, followed by a military dictatorship soon moderated by the need to conform to the institutional framework of a parliamentary system desired by the victorious Western powers, made me interested in the forces which govern the political evolution of society. (Kaldor 1986a, p. 11)

His interest in economics was further aroused by first-hand experience of the great German hyperinflation during a family holiday in the Bavarian Alps in the summer of 1923. By this time he was a student at the elite Model Gymnasium in Budapest, so called because it was the

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state school where teachers were trained and syllabuses for other schools were worked out. Notable pupils from Kaldor's generation or slightly earlier included the physicists Eugene Wigner (born in 1902; Nobel laureate in 1963), Nicholas Kurti (born in 1908, the same year as Kaldor himself) and Edward Teller (also born in 1908); and the historian Michael Polanyi (born 1891). There was also Thomas Balogh (born in 1905, and so three years older than Kaldor) who also moved to England, enjoyed a distinguished career as an economist, and in the 1960s became a controversial public figure as adviser to the Labour government led by Harold Wilson.

In 1925 Kaldor persuaded his father to let him enrol as an economics student at the Humboldt University in Berlin. Here he attended lectures by Kurt Schumacher, the father of E. F. 'Fritz' Schumacher, with whom he would collaborate in 1943 as technical adviser to Sir William Beveridge on the establishment of full employment in postwar Britain,<sup>2</sup> and the former Marxist Werner Sombart, by this time a very conservative German nationalist. Kaldor was not particularly impressed by the quality of the teaching. 'To be at university in Germany', he told Cristina Marcuzzo half a century later, 'meant that you wandered from one lecture to another, without any discipline and without having a clear programme of courses to follow'. He spent much of his time in Berlin working as a journalist (using his fluency in German) to supplement his father's allowance:

I was 18. I became an accredited foreign correspondent for a Hungarian newspaper and so I was able to go everywhere, in situations that wouldn't normally be accessible to a first-year student. Every Friday afternoon the Foreign Minister, who at that time was [Gustav] Stresemann, invited all accredited foreign journalists to tea with him at the Ministry. I remember also having an official pass for the Reichstag. I talked to politicians of all parties and conducted a lot of interviews, but I didn't do a lot of studying. (Kaldor 1986b, p. 29)

He soon realised that he needed the discipline of a systematic course of study if he was to make any progress with his economics. This was to be found in England, not Germany.

So, in the spring of 1927, Kaldor left for London, intending to spend one term at the London School of Economics (LSE). He decided to stay on, and in October 1927 he formally enrolled as an undergraduate; when he resigned, twenty years later, it was as Reader in Economics.<sup>3</sup> At the LSE he came under the influence first of the idiosyncratic American

Marshallian, Allyn A. Young, and then of Young's charismatic successor to the chair of Economics, Lionel Robbins.<sup>4</sup> Young, who had arrived from Harvard in 1926, taught at LSE for less than three years, succumbing unexpectedly to pneumonia in the winter of 1928–1929. 'Nonetheless', Kaldor recalled,

his lectures and seminars left a lasting impression on my later development: it was to him that I owe a basic distrust of abstract systems, *per se*, and an awareness of the need to adapt the tools of theoretical analysis to the practical problems which they are intended to illuminate. (Kaldor 1980a, p. viii)

Young's most influential publication was his article on increasing returns and economic progress (Young 1928), which 'created a considerable stir on its publication, even though its main message was by no means fully understood at the time' (*ibid.*, p. viii n2). Kaldor drew heavily on Young in one of his own earliest and most original papers (Kaldor 1934a),<sup>5</sup> and returned to the implications of increasing returns over and over again in the final two decades of his life. As he wrote in 1977, Young

showed that the main function of markets is to transmit impulses to economic change, and thereby *create* more resources through enlarging the scope for specialisation and the division of labour – rather than to secure an optimum allocation of a *given* quantity of resources. And he also showed that with increasing returns continuing change is self-generated and 'propagates itself in a cumulative way'.<sup>6</sup> Hence no analysis which describes the forces operating on the economy as tending towards a state of equilibrium can capture the manner in which the development of markets make[s] for perpetual change. (Kaldor 1978c, p. xxv)

Kaldor's final, decisive break with equilibrium economics owed a great deal to the long-term influence of his first real teacher (see Chapter 8). What he made of Young at the time can be ascertained from the notes that he took at his 1928–1929 LSE lectures (Kaldor 1990).<sup>7</sup>

Young's most important lessons were lost on his successor, Lionel Robbins, who was a firm advocate of neoclassical economic theory. Robbins, though, was

young, flamboyant and enthusiastic (he was only 30 at the time of his appointment) and extremely devoted both to teaching and to

economics as a subject. He lavished his energies and vitality on his pupils and identified himself fully with their successes and their attainments. It was inevitable that those of us who were fortunate to have been among his first pupils – and there were a bare dozen of us then specialising at L.S.E. in the subject of ‘analytical economics’ – should fall completely under his spell. (Kaldor 1980a, pp. viii–ix)

Unlike Young, Robbins was a Walrasian rather than a Marshallian, having absorbed the Austrian variant of general equilibrium theory during his time in Vienna under Ludwig von Mises.<sup>8</sup> As first a student and then a junior colleague of Robbins, Kaldor also obtained a ‘thorough grasp’ of the marginal productivity theory of distribution ‘in its generalised form, as expounded by Wicksell and Wicksteed’. Robbins believed in the theory ‘with the fervency of a convert and propounded it with the zeal of a missionary’, so that the young Kaldor absorbed it ‘without being hampered by doubts and hesitations – which in other circumstances might have inhibited me (as it has inhibited other critics) from mounting the intellectual effort required for mastering its content’ (*ibid.*, p. ix).

At the beginning of the 1930s Kaldor was almost midway through the third and final year of his degree. He was to pass with flying colours (except in Statistics and Scientific Method, which was his worst subject). Enrolled as a research student in 1930, he was appointed to an Assistant Lectureship in 1932 and, belatedly, promoted in 1938 to full Lecturer at the School.<sup>9</sup> The ‘School Notes’ section of *Economica* documents the progress of Kaldor’s career. In autumn 1930 he was awarded a Research Studentship in Economics and Political Science to the value of £200 per year, plus fees. On 1 August 1931 he became ‘Assistant’ in Economics and two years later he and two colleagues were ‘recognised as teachers of the University’. By this time he had come under the influence of another major economic theorist, the Austrian Friedrich von Hayek, who had been attracted to the LSE by Robbins in 1931. Politically, Hayek was an unreconstructed nineteenth-century liberal; in economics, he was at this time a convinced neoclassical of the Walras-Wicksell variety.<sup>10</sup> Briefly, in the early 1930s, his ideas had a profound impact on Kaldor, as we shall see in Chapter 2.

For some years Kaldor was very happy in London. He taught a wide range of theoretical and applied courses, often (but not always) connected to his research interests. Before 1939 they included economic theory, the theory of production, capital and interest, advanced problems of economic theory, the theory of tariff-making and public finance and

the trade cycle. When the LSE was evacuated to Cambridge during the War he also taught courses on international trade and foreign exchange, outlines of economic dynamics, problems of war economics, and (at the instigation of Keynes) the theory of distribution (Thirlwall 1987, pp. 32, 77). 'For students of the present generation', he wrote in 1979, 'it is difficult to convey the atmosphere of creative tension and excitement which prevailed at L.S.E. in the early years of the 1930s'. In addition to Robbins and Hayek there were several brilliant young graduates on the staff. Together they were trying to confront 'the intellectual challenge which the severity of the economic crisis (particularly in 1931–32) presented to all economists. It was a time of endless discussions, which went on at all hours of the day and night – during meals, during walks and during weekends' (Kaldor 1980a, p.xi). Among his closest friends at the time were Maurice Allen, then a socialist but later a very conservative Executive Director of the Bank of England, and the future Nobel laureate John Hicks. Other young colleagues included Thomas Balogh (from the Model Gymnasium in Budapest), the development economist Paul Rosenstein-Rodan and yet another brilliant Hungarian economist, Tibor Scitovsky.

On summer holidays in Budapest Kaldor began a friendship with John von Neumann, whom he remembered meeting for the first time over lunch in the terrace at the Ritz (Kaldor 1986b, p. 43). He introduced von Neumann to the economics of Wicksell, and often discussed economics with him, subsequently arranging for von Neumann's important paper on the theory of economic growth to be translated and published in the *Review of Economic Studies* (von Neumann 1945–1946). 'In retrospect', Kaldor thought, 'Johnny was more interested in asking questions than in answering them, but he was a very good raconteur and delighted in gossip' (Kaldor 1989b, p. vii). He had more serious conversations with Hicks, who introduced Kaldor to the Swedish school of monetary macroeconomics and 'first made me realise the shortcomings of the "monetarist" approach of the Austrian school of Mises and Hayek and made me such an easy convert to Keynes after the appearance of the *General Theory* three years later' (*ibid.*, p. xi). Kaldor's conversion to Keynes, and his more or less simultaneous return to the socialist beliefs of his youth, strained his relationships with both Hayek and Robbins to breaking-point, as will be described in Chapters 2 and 3.

The progress of his subsequent career will be discussed in later chapters. For the present, it is enough to highlight some of the principal landmarks. Kaldor resigned from LSE in 1947 to take up an appointment as Research Director of the Planning Department of the United

Nations Economic Commission for Europe under the great Swedish economist Gunnar Myrdal, in Geneva. This was where he met Raffaele Mattioli. With a team that included Tibor Barna, Robert Neild and P. J. Verdoorn, he was responsible for writing the Commission's surveys of the economic situation and prospects for Europe in 1947 and 1948, and also co-authored (and largely wrote) a report for the United Nations on national and international measures to promote full employment. Kaldor returned to academic life in the autumn of 1949 as Fellow of King's College, Cambridge, a position that he held until his death. At the same time he was appointed to a University lectureship; he was promoted to Reader in 1951 and (belatedly) awarded a personal chair in 1966. His teaching was rather more narrowly focused than it had been at the LSE. In his lectures Kaldor concentrated on the theory of value and distribution, economic dynamics and (beginning in 1952) the economics of growth. He also gave classes on economic theory and on current economic problems (Thirlwall 1987, p. 111).

He became a great traveller, visiting India, China, Japan, Chile and the United States on sabbatical leave in 1956, and later serving as a tax adviser to seven governments on three continents. Kaldor retired from his Cambridge chair in 1975, as in those days a 67-year old was required to do, but retained his college Fellowship. If anything he was even busier in retirement than he had been before, travelling ceaselessly, speaking at countless seminars and conferences, publishing five or six articles a year, writing new introductions to several volumes of his collected essays and (from 1979) relentlessly attacking the follies of Thatcherism from the Labour benches in the House of Lords.

### 1.3 Public figure and private citizen

Kaldor had never feared controversy. During his spell as advisor to the Wilson governments in the 1960s and 1970s he was constantly in the public eye, frequently being denounced by Conservative commentators for his supposedly dangerous and radical policy proposals. The business lobby group Aims of Industry devoted a pamphlet to attacking him and his fellow Hungarian, the acerbic Thomas Balogh. It denounced Kaldor's 'tax preoccupation', which had led him to recommend that the Indian government introduce a personal expenditure tax with a top marginal rate of '*three hundred per cent*' (George and Bewlay 1964, p. 3; original stress). Not surprisingly this proved highly unpopular, as did his advice to the 'socialist-minded governments' of Ceylon and Ghana 'on means of raising taxation to cover mounting deficits from heavy State spending'.

In both cases, 'riots over taxation ... followed in Mr. Kaldor's wake' (*ibid.*, p. 5).<sup>11</sup> These were dangerous men, the pamphlet concluded, and their influence over Labour was pernicious. 'In a party largely noted for its doctrinaire approach the influence of the intellectual can be paramount. It is quite clear where the important influences of Messrs Kaldor and Balogh would lead: to punitive taxation; to nationalization; to a plethora of planning and licences and controls' (*ibid.*, p. 8). This was a caricature, both of Kaldor and of the undoctinaire and notoriously anti-intellectual British Labour Party, but in business circles it seems to have been widely believed. With the election of the Wilson Labour government in October 1964, Balogh and Kaldor became names to frighten the (Conservative) children with.

My former colleague Lazlo Csapo (himself from Budapest) used to tell a story about the 1986 Reykjavik summit conference, where the US President Ronald Reagan and the Soviet leader Mikhail Gorbachev got on so well that there was a real danger that the second Cold War would come to an end and peace break out. Earlier in the proceedings, however, there was a great deal of mutual suspicion, especially on the American side. Reagan was accompanied to every meeting by a team of stocky bodyguards in dark glasses, and one day Gorbachev was alarmed to see them carrying a huge and obviously very heavy suitcase. 'Mr. President', he asked, 'What is this?' Reagan looked at him rather sheepishly. 'Mr. Secretary', he said, 'I am obliged to inform you that my advisers fear for my safety at these talks. I must therefore warn you that this suitcase contains a Doomsday weapon. In the event of an attempt on my life it will be detonated, leading inexorably to the destruction of all life on the planet'.<sup>12</sup> Gorbachev sat silently for a minute and then made some mollifying remarks before the day's negotiations commenced. Next day it was Reagan's turn to be surprised. The KGB thugs who shadowed Gorbachev were now struggling under the weight of a truly massive suitcase of their own, much larger and heavier than the American one. 'Mikhail, Mikhail', Reagan began. The Soviet leader cut him short. 'My advisers are also concerned for my personal security', he told the President. 'It is my duty to inform you that inside this suitcase are two Hungarian economists...'

The twin harbingers of economic doom, satirised in *Private Eye* as Baldor and Kalogh, were also known as Buda and Pest. The origins of this long-standing joke are obscure. They probably date back to Kaldor's time at LSE, where he worked with the future Labour Chancellor of the Exchequer, Hugh Dalton. There is a 1950 reference to the pair of nicknames in Dalton's diary, and the memoirs of a later Chancellor, Dennis

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Healey, include a mention of ‘the terrible twins from Hungary, Nicky Kaldor and Tommy Balogh, whom Hugh Dalton used to describe with some justice as Buddha and Pest’ (Healey 1989, p. 368). As Hayek recalled, ‘nobody doubted who was who. Balogh was Pest. Kaldor was fat and seemed to look like Buddha, and Balogh was so universally disliked that he was Pest’ (Kriesge and Wenar 1994, p. 87). Early photographs of Kaldor suggest that Hayek was exaggerating his girth, but in later life he enjoyed the pleasures of the table enough to put on a lot of weight. The Australian economist Peter Kriesler, a graduate student in Cambridge in the early 1980s (and himself the son of Hungarian parents), reports that Kaldor was known in student circles as ‘the Hungarian gross domestic product’.

Even on the left, the terrible twins were not universally popular. In 1965 the Labour politician George Wigg went well beyond the mildly xenophobic in describing Kaldor (in a private conversation) as a Hungarian traitor.<sup>13</sup> Within the Labour Party Kaldor had the last laugh, returning to Whitehall in 1974 as adviser to the Wilson and (briefly) Callaghan governments, while Wigg sank into richly deserved obscurity. It was a different story in the wider world, where the egalitarian Keynesianism that Kaldor espoused was abandoned in favour of a return to a savage pre-Keynesian monetarism that he detested, especially when it was taken up by the Labour Chancellor, Healey. As in politics, so in academia: in the final decade of his life Kaldor moved effortlessly from insider to outsider, from mainstream to heterodoxy, from centre to left, simply by standing still. In this respect he reminds me of another dissident economist about whom I have written, the American, Sidney Weintraub (1914–1983), who began his career with a flurry of articles in all the best academic journals and ended it an outcast (King 2008). Kaldor was a much better theorist than Weintraub, but their professional lives took a course that was in some ways strikingly similar.

At the height of his public notoriety, just a year after the publication of the *Aims of Industry* exposé, a much more friendly account (only slightly spoiled by a sensational headline) came in a *Sunday Times* profile of ‘Nicholas Kaldor, the tax iconoclast in the Budget team’. ‘In Cambridge’, the journalist Godfrey Smith reported, ‘there is a group called the “two-car socialists” and the Kaldors are in it: he runs a Peugeot, she a Morris 1100’. In 1965 this was clear evidence of great wealth. ‘The days of his long country walks with Cambridge economists Joan Robinson and Richard Kahn seem to have ended. Instead he does the Canadian Air Force exercises’. Neither Kaldor nor Thomas Balogh had been very effective in Whitehall, Smith concluded, and he ended

his profile by quoting Balogh on the 'reverse harlot phenomenon' – economic advisers had great responsibility but very little power (Smith 1965, p. 49). Kaldor had married Clarisse Goldschmidt in 1934, the same year in which he became a British citizen. The *Sunday Times* reported that Clarisse was a Labour councillor in Cambridge and a member of the Campaign for Nuclear Disarmament. This placed her somewhat to the left of her husband, who was solidly in the Labour mainstream until revulsion at Margaret Thatcher and the dangerous Cold War rhetoric of Ronald Reagan pushed him further to the left in the final years of his life.<sup>14</sup> The Kaldors had four daughters, two of whom had distinguished academic careers of their own, one (Frances Stewart) as a development economist and the other (Mary Kaldor) as an international relations specialist.

Kaldor's happy home life was not seriously impaired by his forgetfulness, which, like his driving, impressed so many of his friends. Dalton's diary reports a characteristic incident in March 1951:

Dined in Hall in King's with Kaldor. Oh, but against that tremendous background of my old college, physical, spiritual and memorial, he seems an in-comer – a small, slightly displaced person! He had first muddled the weekend, and then, this Saturday morning I went to his room, high in Gibbs Building, full of memories, and he arrived late, sweating, breathless, untidy, only just in time for Hall. (Dalton 1986, p. 509)

John Kenneth Galbraith described Kaldor as 'not only one of the most noted but also one of the most absent-minded of British economists' (Galbraith 1981, p. 327). They met again in Calcutta in 1956:

It was the time in China when the hundred flowers were about to bloom;<sup>15</sup> Nicky and Clarisse, to the openly expressed envy of everyone at the Institute, were on their way to Peking. Then he would return to India. After a bountiful dinner and warm farewells, the Kaldors departed one night for Dum Dum Airport and China. Two hours later they were back; Nicky had forgotten the passports. (*ibid.*, p. 328)

Earlier that year the two families had travelled together in the north of India. 'Nicky had become an enthusiastic photographer, but his work was impaired because, as his daughter explained, he never remembered to remove the cap from the lens' (*ibid.*, p. 335 n8).<sup>16</sup> Matters did not

improve as the Kaldors proceeded eastwards. My favourite document in the Kaldor Papers at King's College, Cambridge is a letter from the President and General Manager of the Imperial Hotel in Tokyo, dated 12 June 1956: 'Your letter of June 5<sup>th</sup> is before me and it is my great pleasure to advise you that we have found your dentures. We had them sent yesterday by air parcel and it is my every hope that you will receive them in good condition'.<sup>17</sup> There was, alas, to be no happy ending to this story. Two months later, with Kaldor now settled at Stanford University in California, the missing dentures had still not arrived.<sup>18</sup>

Four years earlier Nicholas and Clarisse had taken their newly married friends Tony and Hilary Crosland on a motoring tour of southern Spain. It was a strange way for the Croslands to spend their honeymoon, not least because of Kaldor's insistence on doing the driving:

Nicky's driving unsettled everyone else's nerves. He gripped the steering wheel like Toad of Toad Hall,<sup>19</sup> but – unlike Toad – Nicky talked as the motor car plunged along, as often as not his eyes fixed on the face of the person beside him. Meanwhile his passengers stared ahead, mesmerised, wondering how they would avoid the next oncoming lorry. (Crosland 1982, p. 60)

Kaldor believed that his friendship with Crosland was never quite the same after this trip. His absentmindedness almost got him into more serious trouble just after the Labour Party's election victory in October 1964, as Susan Crosland reported: 'Nicky Kaldor got through on the telephone, his voice melancholy. He'd just been stitched up in hospital following a motor accident. His car had overturned. His mind had been on devaluation instead of the fact that he was about to drive across a one-way thoroughfare' (*ibid.*, p. 128). This time he did have an excuse, having been engaged in frantic lobbying of the new government whose decision not to devalue the pound, he believed, would have disastrous consequences.<sup>20</sup>

#### 1.4 Sixty years of economics

The book deals with Kaldor's intellectual achievements in broadly, but not slavishly, chronological order. Chapter 2 outlines his work in the 1930s, when he progressed from undergraduate student to become one of the world's leading young economic theorists. In Chapter 3 his transformation during the Second World War into an applied economist and policy analyst is described, while his return to theory in the 1950s is the

subject of Chapter 4. By the early 1960s Kaldor had become one of the profession's great generalists, writing on a wide variety of theoretical, applied and policy issues in the context both of the advanced capitalist countries and the under-developed regions of what was then known as the Third World.<sup>21</sup> Strict chronological order becomes impossible at this point, and so I have chosen to discuss Kaldor's work as a policy adviser to the British Labour governments of Harold Wilson and James Callaghan in Chapter 5, which focuses on the period 1964–1979 but necessarily deals also with his writings on economic policy between 1945 and 1964. Chapter 6 is devoted to his work on development economics, which began in 1956 and continued until his death thirty years later. In this chapter I also assess Kaldor's 'North-South model' of global growth and stagnation, which contained his interpretation of the post-1973 stagflation. Then, in Chapter 7, I explore his critique of monetarism, beginning with his earliest views on monetary policy and concluding with his attack on the macroeconomics of Margaret Thatcher. Chapter 8 returns to more abstract themes, setting out the reasons for Kaldor's rejection of equilibrium theorising and the methodology that underpinned it. These two chapters rely heavily, but by no means exclusively, on his extensive published work in the 1980s. In Chapter 9, I explain why I think that Kaldor was important in his time, and remains important in ours.

As far as possible I have tried to let Kaldor speak for himself, quoting extensively from his prolific writings. He was a natural linguist, blessed with the rare ability to write perfect prose in his second and third languages (he was effectively trilingual in Hungarian, German and English, and seems to have had at least a good reading knowledge of French and Italian). His written English was clear, concise and accurate, if not always particularly elegant (Dorfman 1961, p. 495). The blemishes – the repeated words, the occasional clumsiness – reflected a failure of self-editing, understandable with someone as constantly busy as Kaldor must have been. His obituarist Geoff Harcourt sees this as symptomatic of a deeper failing: 'after the war Kaldor himself became less painstaking and careful in his arguments and presentations, preferring to sketch outlines and let others fill in the details and provide rigorous coherent arguments. (Before the war he was much more careful, revising many times before he submitted papers for publication)' (Harcourt 1988, p. 160). In compensation, his later writing was more forthright, vigorous and occasionally very funny. I have drawn heavily on the introductions that Kaldor wrote to the eight volumes of the *Collected Essays* that were published in his lifetime.<sup>22</sup> As a sort of

compensation for the treatise that he never felt able to attempt (Kaldor 1978a, p. xxix), he wrote some 150 pages of reflection, retrospection and sometimes harsh self-criticism that I have found invaluable as a guide to his large and complex body of work.

A Reader's Guide to Kaldor would commence with *The Essential Kaldor*, a selection of his best papers chosen by his first and second biographers (Targetti and Thirlwall 1989). The eight volumes of his *Collected Essays* that were published in his lifetime are indispensable, in particular (as I have already indicated) the extensive introductions that he wrote to each of them, which contain a lot of autobiographical material in addition to Kaldor's reflections on theoretical and policy issues. His (brief) reminiscences were published just before his death (Kaldor 1986a, 1988a). Much more detail is provided in Cristina Marcuzzo's extended interviews, which were unfortunately published only in an Italian translation (Kaldor 1986b). As already noted, a copy of the original English transcript is in the Kaldor papers at King's College, Cambridge.<sup>23</sup> The two early biographies by Thirlwall (1987) and Targetti (1992) are both much longer than the present volume, and offer a great deal of more information about many aspects of his life and work than I have been able to provide here. Targetti's also contains a comprehensive Kaldor bibliography, complete at least so far as academic books and articles are concerned (only the long-delayed Mattioli lectures are missing from it).<sup>24</sup> Turner (1993) is a rather less satisfactory biography. Finally, there are the two bulky *Festschrift* volumes that appeared shortly after Kaldor's death, containing a wide range of tributes and critical appraisals of his work (Lawson, Palma and Sender 1989; Nell and Semmler 1991); the former was published simultaneously as a special issue of the *Cambridge Journal of Economics*.

Although I had read several of Kaldor's best articles as an undergraduate, beginning with the classic 'Alternative Theories of Distribution' (Kaldor 1956a), it was not until the 1980s that I first began to think seriously about Post Keynesian economics more generally. This was at the prompting of Mike Howard, who persuaded me that Michał Kalecki formed an essential bridge between Marx and Keynes. In 1992–1993 I interviewed Post Keynesians in several countries, supported by a grant from the Australian Research Council, and several of them spoke at length about Kaldor and his work (King 1995a). I am especially grateful to Geoff Harcourt, Peter Kriesler, Kurt Rothschild and (in particular) Tony Thirlwall for sharing their knowledge of Kaldor with me. I am still benefiting from the research assistance provided by Rosemary Moore and Julie Rowe, who were paid a pittance out of the ARC grant. Edward

Elgar encouraged me to put together an edited volume of articles on Kaldorian growth themes (King 1994), which made me do a lot more reading.

Others whose assistance I must acknowledge include Philip Arestis, Paul Davidson, Mary Kaldor, John McCombie, Michael McLure, Basil Moore, Luigi Pasinetti and Malcolm Sawyer, none of whom, of course, is to be held responsible for any errors or opinions in this book. Librarians at La Trobe University, the University of Leeds, the University of Lancaster and the University of Waterloo, together with archivists at King's College, Cambridge and the LSE, have also been of great assistance. An early version of Chapter 2 was presented at the 19<sup>th</sup> conference of the History of Economic Thought Society of Australia in Ballarat in July 2006, and subsequently published in the Society's journal, *History of Economics Review* (No. 46, Summer 2007, pp. 39–61). An early version of Chapter 3 was presented at the December 2006 conference of the Society of Heterodox Economists at the University of New South Wales, and in March 2007 at a graduate seminar at Monash University; it was published as Discussion Paper No. 25/07 by the Department of Economics at Monash.

Study leave from La Trobe University allowed me to finish the book while a guest of the University of Graz, and I must conclude by thanking Christian Gehrke and Heinz Kurz for their hospitality in that most beautiful of Austrian cities.

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