

framework in a world of uncertainty. The resultant stickiness of the money wage causes money prices to be sticky, and for there to be a range of determinacy between current flow supply prices and future prices of reproducible commodities. And it's this relative range of determinacy which allows producers to rely on those conventions which give them the confidence to commit their resources for an extended period of time. Thus Davidson's theoretical framework, in *Money and the Real World*, is bound up with his recognition of the importance of socially-based conventional and institutional behaviour. So, in fact, his neoclassical colleagues were right on the mark (their unfortunate derogation aside); the Post Keynesian economics contained in Davidson's book does embody a strong element of institutional thought. And what's wrong with that?

4 William Milberg

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King: *Can you tell me about your early education as an economist?*

Milberg: I did my undergraduate training at the University of Pennsylvania and was inspired by Sidney Weintraub, with whom I think I took two courses – his history of thought course and his intermediate macro course. His history of thought course most of all got me interested in Post Keynesian economics, but I guess I was mainly interested in Marxian economics as an undergraduate. I took courses in Marxian economics and was involved politically, in radical political issues. I found myself very attracted to Weintraub because of his compelling critique of neoclassical economics and sceptical approach to the history of thought. I graduated from Penn in 1979. Weintraub's *Modern Economic Thought* had just come out, and it was our textbook. It was far from a typical textbook, but it struck me as a very compelling critique. At the same time he was very involved in TIP, and I was intrigued by incomes policy. It was a time of high inflation and stagflation, and it seemed eminently reasonable, although I now have some misgivings about it. So it was really a complete disillusionment from day one, almost a puzzlement, with neoclassical economics. I never really understood neoclassical economics until I went to graduate school and did it as a pure maths model. As an undergraduate it just did not have the intuitive appeal to me that reading Marx, and reading Weintraub, and listening to Weintraub's lectures, had.

King: *What was he like as a lecturer?*

Milberg: He was a real character. I remember him particularly in the intermediate macro class, in a huge auditorium, probably more than

400 students. He would walk up on stage, and he always had a ninetenths smoked fat cigar in his mouth. He was always very well-dressed, and he had this enormous presence, a sort of W.C. Fields intonation to his voice, and that kind of affectation. He was very cynical. I wouldn't say bitter, but there was a critical underpinning to his lectures, and I remember that distinctly. He was well-liked by students, oddly enough. I didn't have a lot of contact with him personally, but his lectures were really captivating. I was surprised: he taught a rather traditional macro course, and only taught his version in the last two weeks of class, which disappointed me at the time.

King: *What text did he use?*

Milberg: I don't remember. He had just published *Capitalism's Inflation and Unemployment Crisis*, and that figured prominently in the last two weeks of the class. That was the material I was most interested in. I don't remember what textbook we used. But that book had the wage cost mark-up model very clearly laid out, and incomes policy, and a critique of monetarism. I remember those elements very clearly.

King: *Then you went to Rutgers to work under Alfred Eichner?*

Milberg: Yes. I actually asked Weintraub when I was graduating. I went to his office. I was very intimidated by him. I was not a great student; I was distracted by other issues. He knew me, as I'd taken these two courses, though I certainly wasn't a star in his classes. I said, 'I'm interested in these alternative approaches to economics', and he said, 'You should go to the New School.' And now I have! At the time he did not send me to Rutgers. He told me that the New School was a better place. In fact I came to New York and worked at the Federal Reserve Bank of New York for a couple of years. At that time I took a couple of courses at the New School. I got quite disillusioned with it, and looked around, and saw that the *Journal of Post Keynesian Economics* was being co-edited at Rutgers by Paul Davidson. I had seen that journal during my work at the Fed, and I saw that Eichner and Davidson were both there. So that attracted me to Rutgers.

King: *Tell me about Eichner.*

Milberg: I never took a course with Eichner, but I worked very closely with him on my dissertation. I sat in on his Macrodynamics course

occasionally, and certainly heard him very many times in seminars. He was an incredibly warm and attractive person. He was very open to graduate students. He was very provocative, always asking large questions and taking extreme stands. My sense towards the end was that he was hoping to be challenged so that he could have a discussion on it, and I would say our relationship got very intense while I was working on my dissertation. I was interested in international trade issues, and saw that there was very little Post Keynesian work on that. I talked to Eichner about it, asking him if he thought that there were any opportunities for extending his work, or Post Keynesian economics in general, to the international sphere. He was very excited by that. He had hired me to do some research over several summers. He was always trying to get money to hire graduate students, always trying to draw people into his research agenda. He had Miles Groves doing a lot of work for him, Fred Lee a little bit, me, a couple of undergraduate students at the time, collecting data and estimating the model. He really had this 'grand design', as Kregel calls it, which was an attempt both to give an overview of Post Keynesian economics and to synthesise the conflicting strands, the American monetary emphasis of Davidson and Minsky and the neo-Ricardians. He thought it was completely feasible, starting from square one with input-output analysis and flow-of-funds analysis, and systems analysis that he liked, but that I never really grasped. So he thought that somehow he could start from first principles. It had to be observable, it had to be operational, and he would start from that. He was always building microfoundations for macroeconomics, but in a very unusual way. The megacorp was that, and later on the input-output and flow-of-funds model was that. I don't think he ever really succeeded in accomplishing that task, but the *Macrodynamics* text comes closer than almost anyone has come. It's very clunky, it's huge, and it's written as a textbook so it's kind of didactic in places, but it's very systematic and methodical. I think that he comes closer to resolving those questions than most people have come, but really he was almost forced to, because the megacorp mark-up model was his claim to fame, and he stuck by it. But the question was, how could he stick by it *and* have a full-blown neo-Ricardian growth model? If he'd been willing to abandon the megacorp he'd have become just another neo-Ricardian steady-state growth theorist. He wasn't willing to abandon it, and I think he succeeded more than most people have. But there's a couple of things going on at the same time, one of which is that desire, and the other is this first-principles compulsion. It had to be operational. Methodologically he was really

just a crude empiricist. It had to be observable, and any concept or assumption was only valid if it was observable and operational.

King: *There's a lot in Eichner that reminds me of Kalecki, particularly his methodological insistence in being close to the real world, the nitty-gritty. Also the pricing model that he uses, the refusal to abandon econometrics as the work of the devil, all these things remind me of Kalecki. Was there an obvious, acknowledged influence there?*

Milberg: Not at all. I don't know a lot more than what's in his own writings and in the written work on his own development, on his days at Columbia and his transformation into a Post Keynesian, but I don't think Kalecki figured prominently as an influence on him. I think that at a certain point he realised the affinities and was willing to acknowledge them, but I really don't think it was a major influence. Joan Robinson was much more important. It doesn't make sense: if you'd just read the works of Robinson and Kalecki you'd think that Kalecki would have been much more influential, but in fact it wasn't like that at all. It's probably to do with the fact that he had a very extensive personal correspondence with her, and she really encouraged him to go beyond the *Megacorp* book. So I think, no, in terms of Kalecki. In fact, Eichner didn't come to the mark-up pricing model from an interest in Kaleckian theory. He came to it from an understanding of the Soviet system and of US oligopoly.

King: *He began life as an economic historian, didn't he?*

Milberg: Yes, he did, but what I've heard about that is that he was very much encouraged not to write his dissertation on oligopoly and mark-up pricing. He was encouraged to stay away from something so controversial. He had these ideas in his head as an undergraduate, but decided to write a thesis on the sugar industry. I think that made him much stronger as an economist, his economic history background. He understood the workings of the corporation, which a lot of economists do not.

King: *On the other hand there are things not found in Eichner that you would find in Weintraub and Davidson: aggregate supply and demand analysis, for one, Davidson's stress on uncertainty for another. There's a determinateness about Eichner's system, a word that you've used, that maybe you don't find in other US Post Keynesians. Would that be a fair assessment?*

Milberg: Yes, absolutely. That was the tension. When Eichner was building this 'grand design', as Jan Kregel calls it, he certainly made some important choices about which direction to take in providing a macro framework for his oligopoly system, and he latched onto the Pasinetti models instead of the monetary issues stressed by Davidson. Why that happened I'm not certain, except that he firmly believed that to take on the neoclassicals you had to have empirical evidence in your favour, and Davidson's arguments weren't always empirical. Davidson has been anti-empiricist at times, whereas Eichner thought that you had to fight them head-on and to provide empirical evidence, econometric or otherwise. That could be one reason why he went in that more determinate direction.

King: *The number of Post Keynesians who have used econometrics extensively could probably be counted on the fingers of one hand. Eichner, Arestis, Basil Moore in a less ambitious way. Econometrics hasn't figured prominently in Post Keynesian concerns.*

Milberg: Yes, I think you're right, and that was much to Eichner's dismay. Fritz Eflaw has a very interesting essay in the Eichner Festschrift which is about the limits of what he calls the revival of empirical economics by Eichner. It's about the non-ergodicity argument of Davidson, which often underpins his opposition to econometrics: you may know the probability distribution of events precisely over the past 50 years, but it doesn't mean that you know what's going to happen tomorrow. Eichner believed that argument had limits, that there were certain processes which were ergodic, or were close enough to being ergodic that it was worth taking a stab at estimating them. Again, I think the overriding issue for him was, how do you beat the neoclassicals? And you had to do it at their own game, that was the way to do it. I would say, though, that it wasn't simply a strategy, that he believed in the econometric approach. He was *not* an econometrician, by any means. This was a guy who was a theorist, all the way, who had his feet on the ground, well-rooted as a theorist. When it came to econometrics he would hire people to collect data. He would kibitz: when they ran a model he would say, 'Why don't you include this variable or drop this variable?' But when Miles Groves and Leonard Foreman and he were doing their model it was Foreman and Groves who did all the econometric work on the computer. On my dissertation, which was a heavily econometric dissertation using input-

output analysis and econometrics, he could follow it, basically, but he wasn't interested in any of the technical issues.

King: *Any thoughts on how Straffan or neo-Ricardian economics relate to Post Keynesian economics at the present moment?*

Milberg: Yes. By Post Keynesian you mean, I think, the work of Davidson, Minsky, Moore, etc., in which money and uncertainty have real consequences and are primary. I think they're both related, obviously, in their rejection of the marginal productivity theory of distribution, and therefore of neoclassical economics. They have some common features in terms of cost-determined prices. I think that there are enormous differences, and in some ways they've been married for reasons of convenience. They have common enemies. I used to worry about this a lot. Eichner's project was one of reconciliation, but I don't think they're easily reconciled. Geoff Harcourt and Omar Hamouda, in their comprehensive review article on Post Keynesianism, finally acknowledged that. After years of Post Keynesians trying to search for the common link, in that essay they finally say, 'These are different approaches.'

King: *Which would be the position, I suppose, of Robinson III, as opposed to Robinson II and Robinson I.*

Milberg: OK.

King: *I get the impression that Post Keynesians and neo-Ricardians have been growing apart in the last 10-15 years rather than coming closer together.*

Milberg: My feeling is that by growing apart they're going to be closer together. By acknowledging that they do not necessarily have to influence each other they'll be much more receptive to each other. I've been to conferences where they've just been at each other's throats, and I think that by acknowledging their differences it'll be a much healthier relationship. I think, in part, that what's driving this distancing is a recognition, substantively, that they're different. Then there is battle fatigue. It's not worth it to continue fighting. I think the more people recognise that, the more there'll be coexistence.

King: *There seems also to be conflict over the relative contributions of Keynes on the one hand and Kalecki on the other.*

Milberg: I see that as less conflictual and more as a matter of emphasis, and I think also a little bit of politics. Those a little bit more to the left tend to be more Kaleckian than the others. And I suspect it also breaks down along national lines. Weintraub, Davidson, Eichner, Basil Moore, Hyman Minsky, Kregel, would be more Keynesian, and people like Malcolm Sawyer, Philip Arestis, probably Geoff Harcourt, would be more Kaleckian. I don't see the differences as that substantial, but I do see them as symbolically different.

King: *And yet Minsky has always been fairly generous in his appraisal of Kaleckian macroeconomics, even if he concludes that Kalecki didn't have much to say about money.*

Milberg: I don't think the conflict between Keynesians and Kaleckians is anything near the other conflict we're discussing, that between the fundamentalist Keynesians and the neo-Ricardians. I see it as a slightly different emphasis, not a conflict at all.

King: *You don't regard the difference in pricing theories, for example, as being fundamental?*

Milberg: I do, but I think they're compatible with a common macroeconomic perspective. In the other case they're simply incompatible. The existence of long-run equilibria, centres of gravity, is simply ruled out by definition in the fundamentalist Keynesian view, whereas Kaleckian pricing is in many respects – and this is one of the attractions of Eichner – not only consistent with a Keynesian aggregate supply and demand framework but in some ways provides more realistic underpinnings. This is why Eichner's megacorp was influential and appealing to Post Keynesians.

King: *Even though it doesn't have the Marshallian foundations of the classic aggregate supply and demand analysis?*

Milberg: Precisely because it doesn't.

King: I hear Weintraub spinning in his grave at this point! Perhaps I've been unduly influenced by talking to Paul Davidson, who's come to be less sympathetic to Kalecki and more Marshallian over the years, rather than the other way round.

Milberg: I don't know if it's over the years. He always was. *Money and the Real World* was very Marshallian in 1972.

King: But it makes bows in the direction of Kalecki that I suspect he wouldn't make any more.

Milberg: Perhaps. No, I think Weintraub was probably more sympathetic to Kalecki than Davidson is. Weintraub wrote about Kalecki in his *Approach to the Theory of Income Distribution*, and then in his last work, in the *Journal of Post Keynesian Economics* he wrote up his Keynes-Kalecki-Robinson 'resolution', which at least paid sympathetic attention to Kalecki.

King: But that still has marginal productivity in it. It's one of the things that I've always found difficult to understand about Weintraub.

Milberg: Yes, I think you're right. I doubt that Weintraub would turn in his grave over this, though. I think he became increasingly Kaleckian over time.

King: While we're in the realm of -isms, can I ask for your views on the relationship between what's left of Marxian economics and Post Keynesianism?

Milberg: I'm going to a conference at the University of Utah in January on Marxian and Post Keynesian economics: 'Common Ground or Incompatible?', organised by Marc Glick. It's a valuable topic. I've recently reviewed *New Directions in Post Keynesian Economics*, edited by John Pheby. It is a good book, filled with essays on how Post Keynesian economics is compatible with institutionalism, with the Austrians - there were about five essays on the compatibility of Post Keynesian economics with other schools of thought. But it doesn't have anything on Marxian economics. I saw this as a real weakness of the book, but also as an indication of how far Post Keynesianism has moved, or is, from Marxian economics. I think Marxian economics has a crucial role, even more so given what happened to the Soviet Union.

People often say the demise of the USSR is the end of Marxian economics. Even at the New School our course offerings in Marxian economics are being reduced under pressure from the school's administration. We are also trying to introduce more diversity in courses on radical economics. But URPE is alive and well, and there is exciting work on Marx-influenced political economy. David Gordon continues to do empirical analysis of the social structure of accumulation. I view this work as quite Keynesian, demand-driven. But I think that this is a really under-explored and under-appreciated area, the link between Post Keynesian and Marxian thought. I'm hoping the Utah conference brings some of these issues out, though I have a feeling that there will also be some conflict. The Marxian group is now calling themselves 'classical', because that's how Glick has put the title, 'Classical and Post Keynesian'.

King: 'Classical' as a euphemism for 'Marxian'?

Milberg: That's right.

King: You mean 'classical' rather than 'Staffian' or 'neo-Ricardian'?

Milberg: I think they mean two things. First of all, they don't want to use the term 'Marxian' any more, and secondly I think they mean things are so bad that they're willing to put themselves in the same group as the neo-Ricardians. It's the same here at the New School. I understand that ten years ago Anwar Shaikh was very resistant to any changes in the curriculum. And of course he's written some very important articles criticising Staffian economics. Today these people are intellectual allies, and we are hoping to diversify our theory offerings in political economy to include courses in neo-Ricardianism and Post Keynesianism. You can view that as a retreat for reasons of necessity or survival. Whatever, I think Marxian economics is alive and well. I think its relationship to Post Keynesianism is going to be difficult, because in the US there aren't very many neo-Ricardians, and Post Keynesianism is dominated by the Weintraub-Davidson strain, and that was never particularly sympathetic to Marxian economics. Weintraub's Tax-Based Incomes Policy, for example, is reactionary in its goal of limiting labour's claims on income to existing levels plus productivity. I remember an exchange at the first conference on Post Keynesian economics sponsored by the University of Tennessee. At a lecture on Brazilian inflation, Basil Moore stood up and said, 'Why don't you just cut wages? That's what inflation is all about.' Fred Lee,

much to his credit, then stood up in the back row and practically screamed at Basil, 'Why is Post Keynesian economics always biting into the wage, and why is it always the worker that suffers from these policy proposals? You've got a mark-up in there too. Why don't you propose cutting the profit rate?' It was a good moment.

King: *You could argue that the TTP line, or at least the construction that people like Weintraub put on it, was contingent and wasn't necessarily bound up with the theoretical core of Post Keynesian economics, and that in fact some of that is necessary to Marxian economics if it's going to deal with the sort of policy questions that it's had trouble dealing with. How, for example, do you deal with fiscal policy, or monetary policy for that matter?*

Milberg: I don't agree. I think that TTP comes straight out of, is very deeply rooted in, the Weintraub price equation. It is the Weintraub price equation, and his belief in the magic constant of profits, so it's very theoretically based. It's not a question of, here we have our theory and now we have to talk about the world. This is its strength, I think. Weintraub, Eichner and Davidson keep their policy prescriptions fairly well rooted in their theoretical work. I don't know: Shaikh has done some interesting work on fiscal policy in capitalist society.

King: *Without involving a Keynesian notion of effective demand?*

Milberg: No. It's about distribution, about who wins and who loses from state expenditure. He's done empirical calculations of the incidence of taxation and the divvying up of state projects according to whether the benefits go to workers or to capitalists, and determines a ratio of the net benefit to cost of state spending in various countries. It's a Marxist approach to fiscal policy. You're right that the policy proposals are often the same. It's the same with theories of international trade. If international trade leads to unequal exchange, and unequal exchange should be got rid of, then the Marxian critique is, 'We need to get rid of the system, the entire system.' So yes, you're right, you're at a loss for 'policy tools' to some extent.

King: *And I suppose the same could be said about Post Keynesian economics. There are a large number of empty boxes with nothing at all in them. Where would you go for a Post Keynesian theory of international economics, for example?*

Milberg: Right. That's what I'm working on. My paper for the Salt Lake City conference is about the common ground between Marx and Keynes on the subject of international trade theory. Keynes wrote a lot on trade policy. Marx wrote a little about trade policy, but was fairly ambiguous on the issue of international trade theory. Keynes was somewhat ambivalent in his position on international trade, given his Marshallian roots. There isn't much, but there are the foundations for a theory. Thirlwall's work on balance of payments constrained growth is central, since it emphasises income over substitution effects.

King: *And Kaldor.*

Milberg: Kaldor, Thirlwall, Harrod, Godley have all done important work. It lacks microfoundations, that is, a rich theory of the firm, competition, innovation. But that's another issue. For me, the bigger black boxes in Post Keynesian economics are its inability to deal with issues of discrimination, race and gender, which Marxian economists have grappled with. Marxism has at least addressed these difficult questions. The analysis may ultimately be non-Marxist, in a strict sense, but it comes from Marxist scholars. For Post Keynesians, those words just don't enter the lexicon.

King: *And the labour market more generally, except at the very aggregate level, when you're dealing with wage inflation and incomes policy. I know from my own experience that it's very difficult to find a Post Keynesian line on many of the issues that I have to teach as a labour economist.*

Milberg: Absolutely. And on development economics. These are huge areas. You can trace back, through Keynes and various Post Keynesians, issues and concepts that will be useful, but you have to stretch them.

King: *Welfare economics too, I think. I don't know what a Post Keynesian welfare economics would look like if it wasn't neoclassical welfare economics.*

Milberg: Yes, that's right. Warren Samuels wrote a series of articles in the *Journal of Post Keynesian Economics* on that, but they're largely a critique of neoclassical theory, and there's been very little positive work done.

King: *It's sometimes suggested that there might be a coming together of Post Keynesians and institutionalist economics. What's your opinion on that? Might that help to fill some of these empty boxes?*

Milberg: Well, I've been disappointed with institutionalism. I'm not sure that in its current form it would be that useful for Post Keynesians to pursue. I'd like to see them pursue the issues that the Marxists are interested in. I think Geoff Hodgson's work is very interesting, and very compelling, and very Post Keynesian. That's different from *Journal of Economic Issues* institutionalism, which I've never really been able to get a lot of use out of — the Veblen-Commons-Ayres tradition. But Hodgson, yes. I don't know what that tradition is, but I find it absolutely essential.

King: *He was a Marxian turned Staffin under Steedman's tutelage, and he's now abandoned all that.*

Milberg: And he's hostile to it, in some of the essays I've read. I think you're absolutely right. Post Keynesianism could do with filling in, in terms of institutions such as the firm. Nina Shapiro's work on the nature of the firm strikes me as very important in this regard. That's really a crucial area for development in Post Keynesian economics, central certainly to the analysis of international trade. Giovanni Dosi and his colleagues at Sussex and Merit have made a lot of progress in understanding the firm as a growing and surviving entity, and the importance of this for international competition. Post Keynesians haven't drawn enough on this, but it is very consistent with Post Keynesian views on competition and on aggregate activity.

King: *I suppose Galbraith offers a precedent, as someone who straddles both camps. Successfully or unsuccessfully, I don't know.*

Milberg: He hasn't had that much influence. I think you're right that he does straddle both camps. I think he's had more influence on notions of the firm than on macro theory.

King: *Where do you see Post Keynesian economics going in the next five or ten years?*

Milberg: I don't know that it will have a great surge in popularity. Probably Post Keynesianism will continue to be embraced by those in

other heterodox schools of thought. And there will probably be slow progress in filling some of the black boxes. Also I expect there will be a less conflictual alliance with neo-Ricardians and perhaps with Marxists. Unfortunately, I'm not all that optimistic about the prospects of Post Keynesian economics crystallising, either in terms of a coherent theoretical framework or in terms of its position in the profession. I just don't see that happening. The *Journal of Post Keynesian Economics* has been very successful. But Eichner and Weintraub are missed, dearly, because they were two people who very much had a vision of a comprehensive model that could provide an alternative paradigm. I don't see anyone with that kind of vision these days. So with the fall of the Soviet Union and communism, and with the 'policy relevance' problem in Marxian economics, Post Keynesianism is well-positioned to become the paradigm of the left, especially in terms of actual policy-making in advanced capitalist countries. I hope enough people get involved and work at it, so that it succeeds along those lines. What will be interesting is to see how a new generation of Post Keynesian economists alters some of the givens of the Post Keynesian world. I look forward to that. Some of the most interesting work is being done by some of the younger people — Robert Blecker and Fred Lee, for example — and they are more to the left politically than the earlier generation of American Post Keynesians. Unfortunately, the Democratic party has shifted rightward on economic issues. So there is a real challenge facing the next generation of Post Keynesian economists in the US, intellectually and politically. But there is also a great opportunity.