

JOHN MAYNARD KEYNES & THE 'GREAT DEPRESSION'
OF 1929-32:
LESSONS FOR THE CURRENT ECONOMIC CRISIS?

Anthony B Lumby
University of the Witwatersrand

T.S. Ashton (1944, 92):
"Economic history is concerned with large groups, with
"the general" rather than with the particular, with
"processes" rather than with events; with the typical,
"representative" or statistical fact, rather than with
the unique, individual fact."

There are exceptions...
Adam Smith (1776): 19th Century *Laissez-Faire*
John Maynard Keynes: 1930s & Post-WWII
And there are differences between them...

Emergence of Keynesian Economics:

(a) WWI & Treaty of Versailles
The Economic Consequences of the Peace (1919)
The Economic Consequences of Mr Churchill (1925)

(b) The Gold Standard & Monetary Policy
A Tract on Monetary Reform (1923)
A Treatise on Money (Two Vols 1930)

(c) The Great Depression
*The General Theory of Employment, Interest
and Money* (1936)

"It seems to me that economics is a branch
of logic, a way of thinking, in terms of
models joined to the art of choosing models
which are relevant to the contemporary
world."

The Current Economic Crisis:
Long-term downward trend in inflation in
1990s & early 2000s

Lower interest rates, credit expansion & rising
asset prices

Development of subprime market

U.S. Federal Reserve tightens monetary policy
from June 2004 onward

Liquidity crisis and collapse of financial
institutions (Bear Stearns; Merrill Lynch,
Northern Rock & Lehmann Brothers)

Jobs: has recovery?

A Second 'Great Depression'?

A Return to Keynesian Economics?

Or a Need for a New Keynes?