

# Book Review

Review of Radical Political Economics

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## Cambridge Economics in the Post-Keynesian Era: The Eclipse of Heterodox Traditions

By Ashwani Saith. Cham, Switzerland: Palgrave Macmillan/Springer Nature, 2022. xxxix + 1188 pages.

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*Cambridge Economics in the Post-Keynesian Era* is a mighty tome, weighing in at close to 1200 pages. It puts Tolstoy's *War and Peace* in the shade in length and detail, and I failed miserably with Saith to emulate my feat of reading Tolstoy's masterpiece in a single calendar month. Somewhat appropriately I am writing this review in the author's homeland while visiting the Jio Institute in Mumbai. Like the author, I am a Cambridge economics graduate, having studied the MPhil in the early 1980s just as "the Purge" began in earnest. I still consider myself a Cambridge heterodox economist although my career path took me away from Cambridge immediately on completion of my MPhil. Rather ironically, my last day as a student in Cambridge was the day of the 1983 General Election when Margaret Thatcher won her landslide majority. And the last person I talked with before leaving Cambridge was Bob Rowthorn whom I bumped into outside the polling station. Bob and Thatcher are two of the long list of characters in Saith's story of the Purge. In many ways reading Saith's labor of love was a trip down memory lane. It transpires that as economics students and members of Trinity College, we shared similar haunts—the Copper Kettle, Fitzbillies, and the Buttery at Sidgwick Avenue, and banked at Lloyds next to Trinity. We also both lived next door to the Robinsons on Grange Road although I moved one door in the opposite direction (geographically not ideologically, I hasten to add) to the then new block of student rooms built at the edge of the Fellow's Garden, these days a mass development enveloping most of the garden.

Saith tells a compelling story of how the heterodox legacy of Keynes, Kahn, Joan and Austin Robinson, Kaldor, Sraffa, and Dobb was effectively purged from the Faculty of Economics and Politics in the 1980s. It is a story that knits together both the internal academic politics of Cambridge economics and the external ascendancy of neoliberalism, particularly its capture of the White House and 10 Downing Street. Thatcher, Reagan, Friedman, and Hayek are the principal villains of the piece, but theirs is a secondary role. Saith focuses most of his attention on the academic "Gang of Four" in the Faculty, comprising the two original prime movers, Frank Hahn and Robin Matthews, joined subsequently by Partha Dasgupta and David Newbery. A constant refrain throughout the book is Saith's question as to how three leading and very influential heterodox economists, Kahn, Kaldor and Reddaway, could agree to appoint Hahn as professor on Kahn's retirement in 1972. Saith equates this appointment to the Trojan Horse being gratefully received in Troy but, unlike the Trojan leadership, the Faculty knew what they were getting—one of the established leading lights of neoclassical economics who was at the cutting edge of the development of general equilibrium theory and, more generally, the mathematicalization of economics as a discipline. It is a question that Saith never fully answers, and it remains an enduring

mystery given that Kaldor and Hahn were no longer on speaking terms by that time and, indeed, Kaldor had been very instrumental in the appointment of Robert Neild as professor in preference to Hahn the previous year. The eventual consequences were almost inevitable according to Saith, particularly in the early 1980s with Thatcher committed to a free market, monetarist economic policy, and keen to root out “the enemy within” which included Keynesian, Marxist, and other radical left-leaning scholars in academia. As Saith makes clear, Hahn and Matthews identified the Department of Applied Economics (DAE) as the semi-autonomous keeper of the heterodox flame in Cambridge economics and set about using a variety of internal and external reviews, reorganizations, and appointments to transform the DAE into a much more mainstream neoclassical center of research and much less autonomous.

Saith makes clear his own allegiances to the non-neoclassical heterodoxy that had won battle after battle in their heyday from the 1950s to the 1970s but ultimately lost the war in the 1980s. In fairness, I should make clear my own prejudices based on my MPhil experiences at Cambridge. I chose Cambridge for my graduate studies because of its reputation as a bastion of heterodox thinking. I had strengths in mathematics and statistics but had developed a profound dissatisfaction during my undergraduate studies with the limitations of the rational actor model. My preference was for more realistic interpretations of economic behavior, which had led me to a rather diverse range of non-neoclassical perspectives—Keynesian, behavioral, institutional, and Marxist. My first point of contact at Cambridge was Geoff Harcourt, who had just returned to Cambridge, and whom I knew of as the translator-in-chief of the capital controversy. Geoff became a lifelong mentor. I signed up for his heterodox economics course taught jointly with Bob Rowthorn, the philosophical issues course taught by Gay Meeks that involved seminars with a good many of the faculty including Hahn, Matthews and Sen, the neo-Ricardian course taught by Eatwell, and the compulsory course on statistics and econometrics taught by Willy Petersen. My graduate dissertation was initially intended to focus on the behavioral approach to decision making. Matthews was assigned as my supervisor, and we had an amicable first meeting. But I was on a voyage of discovery regarding Keynes, particularly the links between his early thought on probability and the *General Theory*. This change in direction to a more radical/post-Keynesian perspective had two immediate, unforeseen consequences and opened my eyes to the world of academic politics, Cambridge-style. My focus on the role of uncertainty in Keynes’s thought put me offside of both Matthews and the Cambridge neo-Ricardians. Matthews declined to supervise my revised dissertation proposal (Geoff stepped into the breach)—no surprise really as is clear from Saith’s description of Matthews as Hahn’s co-conspirator but of which I was blissfully unaware at the time. As for the Cambridge neo-Ricardians, I felt strongly, perhaps too strongly for a master’s student, that their proposed synthesis of Sraffa and Keynes did a disservice to both Sraffa and Keynes. Sraffa described his contribution as a prelude to a critique, and I took him at his word—his was a critique of neoclassical price theory and never intended as a fully worked out alternative. Likewise, to adopt Keynes’s principle of effective demand and ignore the role of uncertainty and the state of long-term expectations is like Hamlet without the Prince. Put it down to the naivety of youth, but I worked then as I still do now to the adage that Saith ascribes to Ajit Singh and I associate with Geoff Harcourt of “always attack the ideas and ideology, never the person.” I soon learned, particularly in academia (and left-wing politics), that disputes over ideas or ideology can become deeply personal. This personal experience chimes with Saith’s description of the “Faculty Wars.” As a postscript, I decided against remaining at Cambridge to undertake my doctoral studies and instead accepted a position in the Economics Department of Unilever headed, rather ironically in retrospect, by the Oxford economist David Stout, who I learned from Saith was a member of the advisory board tasked to review the DAE.

Saith’s is at times a sad and depressing tale of the Keynesian-heterodox legacy in Cambridge economics being destroyed from without by the convergence of interest in its destruction between the Hahn-Matthews neoclassical alliance and the ascendancy of the neoliberalist agenda in the

Reagan-Thatcher era. But the legacy was also undermined from within heterodoxy itself and its own internal divisions over ideas and ideologies that often descended into personal vendettas. Saith quite explicitly avoids any detailed account of the intellectual arguments between and within the two factions, but these are just as critical to the story as the politics and personalities. The neoclassical faction intellectually was a broad church just as much as the heterodox faction. In many respects there were shared views on policy matters as evidenced by Hahn's very public and frequent denunciation of monetarist doctrine. The deep intellectual divides were philosophical and methodological rather than necessarily political. Perhaps there is less mystery to Kahn, Kaldor, and Reddaway's support for Hahn's appointment in 1972 when Hahn's theoretical contributions are viewed as deriving Keynesian-type outcomes in a general equilibrium framework in a monetary economy with imperfect information (i.e., no all-seeing, all-knowing Walrasian auctioneer). It should be remembered that Hahn's North American contemporaries in the late 1960s/early 1970s, Barro and Grossman, were working on similar Keynesian disequilibrium models but at a more aggregated level of formalization than Hahn, before they both jumped ship and joined the emerging rational expectations/new classical economics approach that had a much greater affinity to neoliberalism.

My main criticism of Saith's book is its allocation of the scarcest of resources, time. The very length of the book will, I fear, lead to it being dipped into and skimmed by many rather than read cover to cover. As I have said, there is too little emphasis on the intellectual arguments between the two factions. Saith has detailed the mechanics of the "how," particularly the role of appointments and the use of internal and external reviews. And he has located the Purge in its wider political context. But Saith says relatively little about the intellectual case for "why." Here I think more needs to be said about the methodological differences between the two factions.

Finally, although Saith confines himself to history of the post-Keynesian era, the intellectual seeds of the disputes can be traced back to Marshall himself and his own ongoing conflicts between his endeavors to have economics recognized both as a separate discipline with a coherent body of knowledge, and as a practical real-world study of the everyday business of life with economists having a duty of public service to make the world a better place. Keynes never lost sight of this important aspect of his Marshallian heritage. The saddest aspect of Saith's account is that most of the protagonists in the Faculty Wars seem to have forgotten that the whole point of academic economics should be to answer important real-world questions.

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