

Title: Keynes, 'The Quantity Theory of Money' and some lessons for today¹

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Abstract

Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past the ocean is flat again. (CW IV, p.65)

The composition of this book has been a long struggle of escape from habitual modes of thought and expression. (General Theory, preface, p.viii)

The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and income. (Keynes, 1936, p.372)

Macroeconomic theory is about aggregates. Keynes inherited Marshall's *Cambridge Equation of Money* as the only macro-theory in town.

The paper explores how Keynes for more than twenty years struggled to deliberate his macroeconomic thinking from the old fashioned mode of thoughts. He had two overwhelming sets of arguments: 1) the theory was not coherent and 2) it could not explain the actual figures. What are the lessons for today where the Quantity Theory and the 'natural rate of Unemployment' have terrorized macroeconomic theory ever since Friedman's presidential address in 1968?

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