

Transmissions

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| Krugman | Def $\uparrow \Rightarrow S_n \downarrow \Rightarrow r \uparrow \Rightarrow \varepsilon \uparrow \Rightarrow \text{CAD} \uparrow$ |
| PM | Def \uparrow ... 'possibility of' $\varepsilon \uparrow \Rightarrow \text{NX} \downarrow \Rightarrow S_n \downarrow$ CAD $\uparrow \Rightarrow S_f \uparrow$ |
| Keynes? | [Def \uparrow or G \uparrow] $\Rightarrow Y \uparrow \Rightarrow S_n \uparrow$ $\Rightarrow \text{NX} \downarrow \Rightarrow \text{CAD} \uparrow \Rightarrow S_f \uparrow \Rightarrow \varepsilon \uparrow$ |

Kahn exchange with Harrod: Autumn 1934

In all these matters I take my standpoint on the fundamental truism that savings are always and in every situation equal to investment. [C]ould anything be simpler and more beautiful than this truism and all that goes with it?

(Kahn to Harrod, 22 October 1934, Harrod, 2003, letter 382)

[T]he truism "savings=investment" points to some important truths, e.g.

(i) investment is always self-financing: there need never be any question of "where the money comes from"

(ii) All references to "forced saving", etc. are meaningless.

(iii) It makes no difference what part the banking system is playing in supplying credit or taking charge of hoarded funds.

(iv) The rate of interest cannot be determined by the "supply and demand of savings".

(Kahn to Harrod, 1 November 1934, Harrod, 2003, letter 391)

**Keynes's obituary
in the *Economic Journal* :
Austin Robinson, March 1947**

Indeed it is difficult not to be impressed by the consistency of his main strategic objectives: the full employment of resources; the achievement of balance of payments for all countries by methods that would not be inconsistent with full employment; as a means to this, a system of exchange rates that would combine the short-term virtues of fixity and predictability with the long-term virtues of flexibility; and , as a means to full employment, low interest rates.

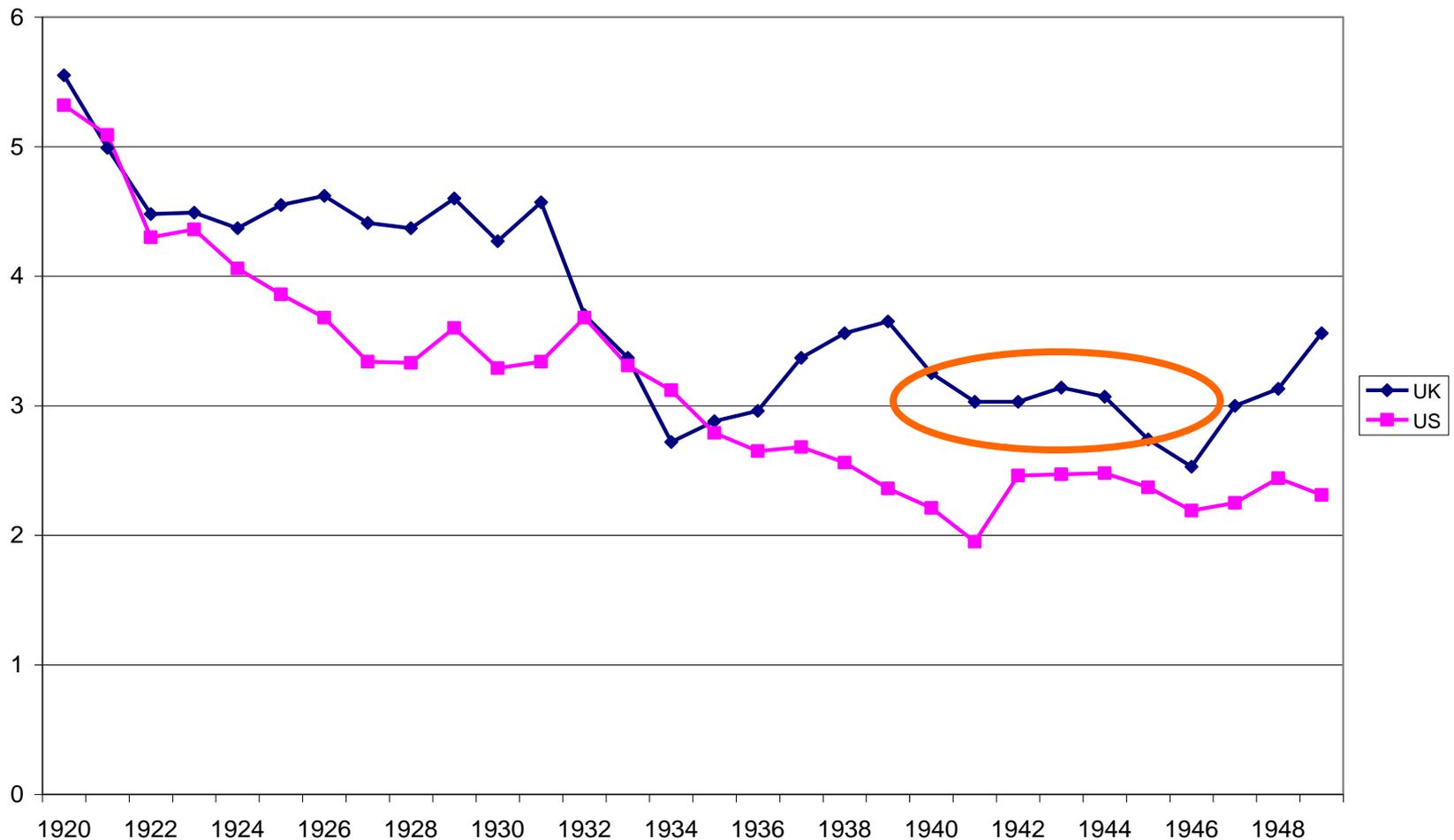
Austin Robinson
in the *Economic Journal*,
March 1972

Were there greater objectives than those he set himself? To create a world monetary and financial system that could achieve adjustment without disaster to one of the parties to the adjustment; to create a world economy in which all countries all the time might be better able to use to the full their manpower and their resources. Almost all that he did, almost all that he wrote throughout his life, was devoted to those two ends. If in the process of reappraisal Keynes does not emerge as a truly great man, something, let me repeat, will have gone sadly wrong with the criteria of greatness. (p. 546)

**Keynes
to Roy Harrod
19 April 1942**

In my view the whole management of the domestic economy depends upon being free to have the appropriate rate of interest without reference to the rates prevailing elsewhere in the world. Capital control is a corollary to this. (*CW* XXV, p. 149)

Long-term interest rates on government borrowing: US and UK



\$/£ exchange rate

