The Karol Adamiecki University of Economics
in Katowice

Volume 1 2004

Journal of
Economics &
Management

Urszula Zagóra-Jonszta

MICHAŁ KALECKI AND JOHN MAYNARD KEYNES – THE CREATORS OF THE MODERN THEORY OF ECONOMIC SITUATION

Introduction

Michał Kalecki and Jonh Maynard Keynes are two great twentieth-century economists who laid the foundations of the new theory of economics which was based on the assumptions of State interventionism. In defiance of the orthodox subjective marginal economics, they both made an attempt to analyse the economy, taking up macroanalysis and rejecting Say's law as well as the belief in a self-establishing economic equilibrium at the same time. They rejected the assumptions of economic liberalism (*laissez-aller* policy; *laissez-faire* policy) which were based on "the invisible hand of the market" and while pragmatically approaching economic issues they took up the broad analysis of the role of the State and the range of its influence on the course of economic processes. Although they came from different countries and different schools of economic thinking, the convergence of their views concerning the theory of economic situation, employment and state revenue as well as the postulates addressed to economic policy in order to stimulate the economic situation, allow us to think of their output as a common contribution to the development of modern non-liberal macroeconomics.

J. M. Keynes was a 'pupil' of the English neoclassical school, a 'pupil' of the famous Alfred Marshall who made him acquaint with the secrets of the theory of economics of that time. He rejected, however, the assumptions of the orthodox neoclassical economics and took up an effort to build a new theory.

M. Kalecki graduated from no university. He took an interest in economics after stopping his studies at the university of technology and studied economics issues more thoroughly by himself. The work which was taken up by him in 1929 under the guidance of Edward Lipiński at the Institute for Economic Situations and Prices Research allowed him to broaden his economic knowledge and carry out practical studies on the economic situation. These were the Rockefeller's scholarship trip to England and a direct contact with Keynes that resulted in the further studies on the problems of economic situation and employment, the exchange of thoughts and correspondence. As a matter of fact, they never made friends with one another. This issued from the difference in their personalities. Kalecki was an introvert, secretive and parsimonious of words; Keynes was stiff in the way he behaved and naughty. But the mutual exchange of views as well as a scholarly respect they had for one another let them develop fully-flegded economic concepts.

Kalecki belongs to the scarce group of Polish economists who gained reputation and received wide recognition in the international arena. Undoubtedly these were his prolonged stay abroad and two of his works published in English: *Essays in the Theory of Economic Fluctuations* (published in London in 1939) and *Studies in Economic Dynamics* (published in New York in 1934) which contributed to it.[1]

1. The Michał Kalecki's theory of economic situation

When taking up the research on the course of economic situation, Kalecki tried to create his own theory of business cycle. In 1932, he published a few articles which contributed to the 'cristallization' of his theory. It constituted the integral part of reproduction theory and encompassed the theory of state revenue distribution as well as the theory of long-range economic development. Published in 1933, *The Attempt of the Theory of Economic Situation* was the crown of his research and ensured a lasting recognation in the history of economics for Kalecki. And although the work had come out 3 years ealier before the core Keynes's work /*The General Theory of Employment, Interest and Money*/ appeared, he managed to win neither first nor even equivalent position to Keynes's in the world economics.

The Attempt of the Theory of Economic Situation was the first internally coherent macroeconomic model of economic activity cyclic fluctuations which explained the phenomenon of a cycle, of its automatism and regularity without referring to any exterior factors. Taking into consideration time intervals between the moment of making a decision and its realization as a starting point, he accepted investment processes. Similar views were presented later by John Maynard Keynes; until this time, however, Kalecki's depiction did not gain an appropriate recognition. Of no interest among Polish economists was Keynes's work, too. It was brought up for discusion neither.

At that time dominant neoclassical economics looked for the causes of the cyclic fluctuations in the monetary policy: in the move of securities, interest and discount rates, prices and wages.

Kalecki came across Keynes's work *The General Theory...* a few weeks after its appearance when staying in Sweden.[2] He went for the scholarschip,

[1] Z. Gazda: Słownik biograficzny ekonomistów polskich od XIII wieku do połowy wieku XX, Kielce 1998, s. 67-68. (Biographical dictionary of Polish economists, 13th-20th century).

[2] Józef Zagórowski, a friend from the institute for economic situations and prices research notified him of the release of the book M. Kalecki: Dzieła, t. I, Koniunktura i zatrudnienie, Warszawa 1979, s. 501.

having in prospect writing a book on the business cycle, employment and reproduction theory. After having read Keynes work, however, he abandoned this intention-probably stating that all the idea he wanted to include in his book had already been run in Keynes's. The review of the book he wrote in *The Economis*t foretold a new turning point in the history of economics to come. Yet, the review included many critical comments addressed to the author's arguments. While comparing Keynes's reasoning to his own, Kalecki tried to focus on differences.

It seems to be important that the appreciation for Kalecki theory started only after his death; in the seventies of the 20th century. When under the influence of economic difficulties and a general economic slump, Keynes's theory obtained criticism from neoliberals as well as neo-keynesianists. As a result one started to observe Kalecki's theory more intently, since it described the functioning of the mechanisms of a developed market economy more realistically. Because of the stormy criticism of the Keynes's theory in the West, one returned again to Kalecki's works, restarted organising conferences and seminars devoted to his theory showing that Kalecki's theory surpassed significantly the Keynes's.

In spite of the fact that it was only 1933 when Kalecki included the fully-fledged interpretation of the theory of business cycle in his *The Attempt of the Theory of Economic Situation*, for the next years the theory still evolved. One should remember that before the aforementioned work came into existence, Kalecki had published almost 80 articles most of which were devoted to the analysis of the economic situation as well as the operation of large domestic and foreign syndicates. While noticing the inconsistency and the methodological errors of neoclassical economics, Kalecki built the foundations of its own theory. When searching for the factors influencing the cyclic fluctuations of the economic situation, he paid attention to wages /the changes of which were the result of production and employment changes/ and profits /which constitute the source of these changes/. Thus he created the basis of his subsequent theories of state revenue distribution.[3] Although in his works he paid more attention to the role of monopoly, the theory of cycle was based on the assumptions of free competition and only the last chapter of *Economic Situation and Cartels* was devoted to a monopolistic conditions. Comparing these two systems, Kalecki showed that the greater fluctuations of the economic situation were observed in the monopolistic system rather than within the free competition system. The same conclusions applied to the fluctuations of employment and the degree of production apparatus usage. The fluctuations of a profit margin, however, were worse. Kalecki came to the conclusion that cartels escalate the course of crisis not due to

[3] A. Szeworski: Mechanizm cyklu koniunkturalnego w teorii M. Kaleckiego, "Ekonomista" 1989, nr 3, s. 358.

fixed prices but because of the fact that cartels' greater profits are not accompanied by an increased investment activity.[4] He justified a thesis which was essential to understand the cyclic develpoment. The thesis stated that capitalists earn as much as they spend on investment and their own consumption, whereas not conversely. Say's law was thus challenged.[5]

The growth of expenditures on investment led to the growth of production, profits and thereby to the increase in capitalist's consumption and the increase in capital itself. Consequently, it made the further production increase possible. Such a phenomenon in a macroeconomic scale could cause overproduction i.e. an excessive increase of production over the global demand. The profitability of further investment could be called into question then. Considering his argument as a model, Kalecki accepted the assumption that an economic system has the nature of being self-contained (closed), and after each cycle it comes back to a starting point. He proved that the profits are decreasing with the increase in investment, what has to lead to a crisis – as a consequence. The amount of investment was affected by their profitability and by the fact how high an interest rate was. The higher the difference between the expecting profitability and the interest rate, the stronger the incentive to invest. It is necessary here to emphasize a point that the Keynes's interpretation was the same.

Kalecki paid attention to the fact that investment was not dependent upon profits. They could rise when being based on a bank credit. This increase in entrepreneurs' expenditures created a new demand which entailed the increase in production and capitalists' profits. There is a conclusion which follows the above-mentioned Keynes's argument. The relationship between the level of profits and the level of investment expenditures manifests itself with the reference to a single capitalist; when making a higher profit one can invest more. In a macroeconomic approach, however, the thesis is not confirmed. These are the entrepreneurs' expenditures which decide upon the levels of their profits. If workers spend all their income on consumption, then the exchange of entrepreneurs' expenditures for consumption and investment changes the total demand i.e. the volume of production, the degree of usage of economic capacity and workforce, and thereby it changes the level of profits. The growth of investment causes the growth of demand, the economic situation improvement and the growth of profits. Kalecki challenged the thesis of savings as the factors determining the growth of investment. In his opinion this was the investment that influenced the volume of production, profits and savings.[6]

---

[4] M. Kalecki: Próba teorii koniunktury. [W] Dzieła, t. I, op. cit., s. 155-157.

[5] L.Guzicki, S. Żurawicki: Polscy ekonomiści XIX i XX wieku, Warszawa 1984, s. 209.

[6] J. Górski, W. Sierpiński: Historia powszechnej myśli ekonomicznej 1870-1950, Warszawa 1975, s. 503-504.

The argument presented above justifies the State's policy of stimulating economic situation in a theoretical way. Kalecki proved that investment influences the economic situation improvement only when the investment is made, opening a 'valve' through which an additional purchasing power penetrates the households. However, the production nature of this investment is the cause of inhibition and the consequent slump of economic revival, as this is the increase of industry production apparatus which puts an end to the revival in the economic situation process given here.[7] It results from the arguments presented above that Kalecki was ahead of Keynes when it comes to putting forward the main thesis of his theory.

In his subsequent works, Kalecki gave up taking into consideraion the free competition assumptions and he focused his attention on a monopolistic situation. In connection with it, he eliminated the price movement limiting himself to the fluctuations of production, employment, profit and investment. From the point of view of ruling prices he distinguished two sorts of goods: (a) basic raw materials, the prices of which were dependent on demand changes and (b) industrial products, the prices of which were influenced by costs, as the result of oligopolistic policy taking into consideration the monopolization degree of a certain branch or the economy as a whole. These are the remaining assumptions of Kalecki's theory:

– the economic system was self-contained (closed) and devoid of trend,
– workers did not save,
– gross profit was divided into a part being consumed and a part being saved; the capitalists' consuption consisted of a fixed part and a changeable part proportional to the total amount of gross profit,
– in the investment process there were three stages separated from one another/in time, i.e. the order, the production of capital goods and the delivery of finished objects,
– the amount of investment decisions was the rising function of gross accumulation and falling function of the production apparatus proportions.[8]

Taking into consideration these assumtions economy was going through four stages of business cycle: rise, revival, recession and depression. In the rise stage the investment orders exceeded the degree of demand for production apparatus replenishment, but the apparatus was not expanding yet as the delivery of new production devices remained below a demand for its replenishment. The production of capital goods was equal to the gross accomulation and it rose and the production apparatus was still diminishing, so in that case the investment orders rose quickly.

7 M. Kalecki: Prace z teorii koniunktury, Warszawa 1962, s. 48-49.
8 A. Szewroski: Mechanizm cyklu koniunkturalnego w teorii M. Kaleckiego, "Ekonomista" 1989, nr 3, s. 359.

In the stage of the delivery revival of production devices they exceeded already the demand for the production apparatus replenishment; the apparatus was expanded. At first it caused the inhibition of the growth speed of investment orders and then it caused their decline. The capital goods production started to fall soon after it.

During recession, the investment orders were lower than the degree of demand for production apparatus replenishment; the apparatus was expanded. The capital goods production was equal to the gross accumulation and it was falling what along with the growth of the production apparaus contriubted to the quick decline of investment orders.

The stage of depression was characterized by the delivery of production devices below the degree of demand. Initially, this decline was moderated by the lower investment orders, yet next it was leading to their growth. The capital goods production started to rise soon after it and the economy entered the next business cycle.[9]

Kalecki also tried to find the causes of a cyclic economy growth, mainly the causes of crises. He stated that '...they are caused by a circumstance that not only the investment is made but the investment makes itself. The investment being considered as expenses is the source of an economic situation (boom) and each its growth increases the state of business and stimulates the growth of investment. Yet at the same time, each investment increases the resources of capital devices and from the very first moment of its setting into motion it competes with the older generations of these devices. The tragedy of investment lies in the fact that it causes crises, because they are useful. Undoubtedly many people will recognize this theory as a paradoxical one. However, it is not the theory which is paradoxical, paradoxical is its subject i.e. capitalist economic system.'[10]

Some modification of hitherto existing theory of business cycle appeared in a subsequent Kalecki's work: *Theory of Economic Dynamism* which was published in 1954. He modified the description of factors determining investment decisions and took into consideration the changes of provisions in the course of the cycle. In this model the cycle mechanism did not allow for an investment stabilization, and thereby for the stablilization of a global production and state revenue neither at the level of depreciation nor at the level of the cycle turning points.[11] A novelty in this work lies in the fact that a feedback between trend factors and the factors determining cyclic fluctuations was taken into consideration more clearly.

[9] M. Kalecki: Próba teorii koniunktury. [W] Dzieła, t. I, op. cit., s. 113-114.
[10] M. Kalecki: Teoria cyklu koniunkturalnego. [W] Dzieła, t. I., op. cit., s. 308.
[11] M. Kalecki: Teoria dynamiki gospodarczej. [W] Dzieła, t. II, Kapitalizm. Dynamika gospodarcza, Warszawa 1980, s. 321-322.

The article *Trend and Business Cycle* was the crown of the business cycle and reproduction theory. In the article Kalecki took into consideration together the factors of cycle and trend in the equation of investment dynamism and consequently he obtained the phenomenon of trend along with business cycle. The facts of treating the short- and long-term factors inclusively, reformulating the equation of investment decisions among other things towards regarding the influence of technological progress, distinguishing from the point of view of profits between old and new investment exposed Kalecki to a reproach that the cycle theory and the theory of the long-term growth are not coherent. Kalecki often propagated unpopular ideas with no care about whether they were going to be accepted in the academic environment or not. This was the correctness of conclusions which resulted from a concrete circumstance that was the most important to Kalecki; even if they did not always fit standing ideology or they were not readable for a recipient who was not familiar with the excessively mathematized area of the market economy study.

2. The John Maynard Keynes's theory

The essential element of Keynes's theory is the problem of general equilibrium understood as the equilibrium between global demand and global supply. Unlike the assumptions of subjective marginal economics, Keynes proved that from the possible ones, the equilibrium level itself does not have to be the best for economy as it can fixed itself also when the use of production factors is low. The factors which decide about establishing the equilibrium level is the *ex ante* realization of an equilibrium between savings and investment. It results from the different methods of calculating the state revenue. According to the common knowledge state revenue can be calculated by summing up expenditures, summing up incomes and summing up the value added. When one is summing up the expenditures the state revenue will be the sum of expenditures on consumption and savings. Using the generally accepted symbols one is getting the following equation:[12]

$$Y = C + I$$
$$Y = C + S$$
$$C + I = C + S$$
$$I = S$$

[12] J. Górski, W. Sierpiński: Historia powszechnej myśli..., op. cit., s. 327-328.

Y – state revenue (national income)
C – consumption
S – savings
I – investment

The equality of investment and savings is the indispensable condition which allows the equilibrium level to be established in the economy. Taking into account the stages of the classic business cycle, such a situation occurs in depression and revival. In the crisis stage, the inequality of investment and savings assumes a shape of $I < S$, and in the revival stage $I > S$. The course of business cycle looks as follows:

In the crisis stage, only a part of savings is converted into investment. A demand for finished products, raw materials and workforce falls. The phenomenon of overproduction appears. The difficulties with selling cause a decrease in production which entails the fall in employment, the fall in incomes and even greater demand limits. Production will not be falling to infinity. The inhibition of the fall will take place as a result of a fact that a marginal consumption tendency is slowly decreasing /the fall in incomes will cause a relative increase in the consumption tendency/. The savings fall quicker than investment. As a result, the savings which fall quicker will catch up with the investment which falls slower and the economy will move on to the next stage of the cycle – depression. The equalization of investment and savings will take place. Such an equilibrium, however, is not a favourable phenomenon as it establishes itsefl with the low use of production factors. Under the influence of manual machines consumption or the impementation of new technical ideas, the transition from the depression to the revival stage can come autonomously. Yet, it would last very long. For this reason, this is a state which is needed here. The state due to different methods of stimulating economic situation will stimulate the whole economy and will lead it to the revival stage. One cannot rely on a public capital initiative as it will not increase investment if the possibilities of selling an additional production is not seen. The investment is stimulated as a result of state interventionism. In other words, the economy is thrown off the equilibrium level. The situation whe investment outstrips savings will follow. There is a rise in production, employment, incomes and savings. The savings which rise quicker will catch up with the investments which rise slower and another equalization of investments and savings will take place. The economy will move on to the next cycle stage – boom. The high use of production factors is characteristic for this stage. The high incomes, however, mean that consumption tendency will fall. It will result in another fall in demand and in another overproduction crisis.

In this way, the cycle is repeated. While between depression and revival the State must stimulate economic situation, between boom and crisis the State should limit excessive investment inclinations not to let the economic situation become 'overheated'.

Keynes considers a contemporary economy to be characterized by the shortage of an effective demand, which is the direct reason for overproduction crises. The effective demand falls under the influence of:

a) the progressive decrease in marginal consumption tendency,
b) the fall decrease in marginal efficiency of capital,
c) excessive liquidity preference.

Hovever, the most important reason is the decrease in the tendency to consumption. This is because societies are becoming rich and a citizens' prosperity is increasing. Unfortunately it leads to a relative fall of a consumption share in incomes. This dependence results from psychological reasons, i.e. inborn capacity for saving. When the first symptoms of crisis become apparent, the society starts to react nervously and increases savings. This causes even greater effective demand fall and accelerates crisis outbreak. For this reason, when the crisis is likely to break out, one should increase consumption by defrosting savings and buying new goods. It can actually restrain the crisis. Yet it is hard to require individual customer and entrepreneurs to think in a macroeconomic way rather than in a microeconomic one which in the moments of threats orders them to increase their savings.

In contrast to neoclassical economy Keynes paid much of his attention to the active methods of economic situation stimulation. They influenced the level of global demand. In the Keynes's theory interest rate played an important role. It resulted from a investment multiplier essence that the difference between marginal efficiency of capital and the interest rate influenced investment decisions. It was difficult to affect marginal efficiency of capital but the state could decide upon the height of interest rate. In order to encourage people to invest, the policy of a low interest rate should be kept. That is to say it was expansionist monetary policy.[13] Within the confines of the policy Keynes postulated as follows:

1) the reduction of a discount rate by a central bank. It entailed the decrease of interest rate in commercial banks. The decrese:
   - helped the commercial banks to discount the bills of exchange
   - made the banks' cash reserves bigger
   - made the bank money creation easier, especially when it was accompanied by the statutory reduction of obligatory reserves,

[13] J. M. Keynes: Ogólna teoria zatrudnienia, procentu i pieniądza, Warszawa 1985, s. 230.

2) the reduction of the minimal obligatory reserves by a central bank for commercial banks,
3) the buying up state-owned securities within the confines of open-market transactions
4) the additional issue of money, if the previous methods proved to be ineffective.[14]

All these methods aimed at increasing the amount of money in a circulation making the access to money easier. Thereby the methods lower the price of money i.e. an interest rate. It made credits cheaper and contributed to the revival of investment. Each investment meant the growth of employment. The growth of employment caused the growth of income and it consequently led to the growth of effective demand as with the low incomes each additional money unit was spend on consumption. It was clear that such a policy threatened rentiers' interests. But Keynes did not hide the fact that he disliked the rentiers stratum.

According to Keynes, another method of government influence on the level of demand was tax manipulation. The manipulation aimed at increasing the consumption tendency and decreasing the tendency to saving.[15] Keynes was a follower of progressive taxation from a private preson and the simultaneous growth of welfare benefit's system. According to the Keynes's assumption it was ment to cause the growth of consumption in a macro scale and the fall in savings. Taxation progression, however, could resultin the decrease in the investment tendency and atrophy of profit motive. That is why Keynes was a follower of low entrepreneurs' profits taxes. The fall in the profits taxation could take part with an indirect way by raising the rate of depreciation deductions which exceed the use of machines and tools significantly.

The State should also reduce indirect taxes which were imposed on consumer goods, which led to the growth of demand for them.[16] According to Keynes, taxation policy was more effective than monetary policy. When stimulating economic situation and taking the economy out of the depression stage, taxation policy provided better effects than monetary policy which in fact was based on the interest rate manipulation.

Among the direct methods of stimulating economic situation, Keynes listed the following: public works, government orders, subventions, subsidies as well as the development of war industry.

Public works should be seen as the investment not connected with production. Then, after the investment was completed, the supply did not rise and it did

[14] J. Sołdaczuk: Teoria ekonomiczna J. M. Keynesa, Warszawa 1959, s. 220-222.
[15] Ibid., s. 410.
[16] Ibid., s. 409.

not result in another overproduction crisis. The investment which was improving infrastructure paid a great role since it was labour-intensive and did not result in the quick growth of supply. Keynes prefered the invesment which was socially useful for example construction works such as buliding the roads, bridges, public utilities as well as flood-control, etc. When there was no demand for this type of investemnts, the investments which were socially useless were considered important by Keynes, too. These were for example: the building of useless presentable edifices or even digging the pits and then filling them up. Keynes thought that giving away money without measurable work would bring the same effect, however, from the ethical and moral point of view it would be not advisable since people should have the sense of being given the money for a work which was actually done, even if the effects of this work were needed by nobody.[17] M. Kalecki thought the similar way; even if nobody is making use of some section of a road one should bulid the second road /parallel to the first one/ since at least when the second road is built the first one will be used.

The broad scheme of public works caused the growth of employment and thereby the growth of incomes. Thus, it formed a new market for the products of building and assembly constructors, as well as for the products of other companies which were directly connected with the scheme of public works. The demand for workforce grew in these areas. The growth of employment made the global wages fund bigger and it increased the purchasing power of the people who could find their jobs. The demand for consumer goods rose causing the revival in the consumer goods industry.

When the State did not have a budget surplus, Keynes recommended financing from a budget deficit. He thought that even if it led to inflation, it would be temporary. Developing economy will need more and more money for transactions and the initial excess of money will be absorbed.

Government expenditures were also spent on subsidies and unemployment benefits. It resulted in the appearance of a new demand.[18]

Government orders were the important mean of state interventionism. The state acted here as a specific consumer. Entrepreneurs were provided with the additional source of selling their proucts. Manufacturers could then sell their products, make profits and expand their production activity at the same time. That meant that new workplaces came into being. People got their earnings from new sources. The demand was increasing. State purchase contributed to the growth of employment and to the growth of effective demand. Thus the state purchase had an indirect influence on prices; it made the prices (fixed) in the period of a falling tendency.

[17] Ibid., s. 154.
[18] Ibid., s. 123.

Another means of state interventionism were the subsidies for small and middle-sized enterprises as well as the subsidies for agriculture. Small producers could not withstand the competition imposed by monopolies. The liquidation of monopolies could cause after-effects when it came to keeping the general economic equilibrium. For this reason their existence on the market should be supported.

Keynes paid much of his attention to the development of war industry. The development did not lead directly to the increase of goods supply but it brought significant profits for monopolies. The branches of the industry such as: metallurgy, chemistry, machine tools production, power and raw material industries could develop due to war production. War investment created an additional demand for workforce. The wages fund was increasing. An additional effective demand for commonly used goods appeared. It was the demand of the workers who were employed in the war industry. Since Keynes held pacifist opinions he did not support the above mentioned method of stimulating the ecomonic situation. Nonetheless, he wanted to show what the paradox of the capitalist economy consisted in. In the conditions of full employment the waste of revenue /pits digging or war expenditures/ can increase the revenue due to multiplier effects and increase the employment. Consequently, from the point of view of current business it was favourable for the economy.[19] The main goal of the Keynes's policy was to fight back unemployment.

3. The comparison of Kalecki's and Keynes's theories

When analysing the output of M. Kalecki concerning the theory of economic situation and when comparing it to the achievements of M. Keynes it must be emphasized that in many points it surpassed the Keynes's way of reasoning. First of all, Kalecki explained the mechanism of business cycle taking into consideration investment fluctuations. That is to say his theory had a dynamic character as distinct from the Keynes's static. Kalecki explained the mechanism of state revenue changes whereas Keynes explained only its size. Secondly, Kalecki's approach to the factors which created consumer demand was more realistic. It was because he distinguished the consumer demand of workers and capitalists. Keynes explained this problem by means of psychologi-

[19] Ibid., s. 245.

cal tendency to consumption which was in fact not precise enough. Thirdly, Kalecki noticed aptly that the fall in wages could not determine the economic revival whereas Keynes in this area took the traditional view. Keynes thought that the fall in real wages increased marginal efficiency of capital and stimulated investment. For this reason, from the global demand creation it could be recognized as the positive factor.[20]

Some economists from the West also emphasized that Kalecki's theory was superior to Keynes's. Yet it was a small group of people who thought that way. Here is what they emphasized in Kalecki's theory: the maturity and precision in drawing conclusions and giving opinions, more careful details which were based on mathematical calculations, and finally the fact that he used a coherent language which left no space for presumptions and a guesswork.

The first who explored Kalecki's theory and understood its assumptions was an econometrician Lawrence Klein who received Nobel Prize in economics in 1980. It was as early as 1947, when he wrote that Kalecki's analytical system is as much complete as Keysnes's analysis and in some respects Kalecki's system was even more complete than Keynes's. Four years later he stated in his article *The Life of J.M. Keynes*: 'Recently, having read Kalecki's business cycle theory again, I have become convinced that in fact not only had he created the system which included all these things which were important in Keynes's system but he also added some other important statements.[...] Kalecki lacked either Keynes's reputation or the ability of gaining worldwide publicity. That is why his achievements were somewhat unnoticed.' And further he said: ' In some respects Kalecki's model is superior to Keynes's, mainly because it is dynamic and takes into acount not only revenue distribution but also its level; Kalecki also introduces a distinction between investment expenditures and orders.'[21] This opinion is confirmed by Klein later in his article from 1964 *The Role of Econometrics in Socialist Econometrics*, which was run in memory of Michał Kalecki in the jubilee book.[22]

A detailed and systematic comparison of Keynes's and Kalecki's theories was carried out by Joan Robinson, a leading exponent of the ortodox Keynes's current in England.[23] Among other economists who appreciated Kalecki's contribution to the development of the modern economics she was the one who made Kalecki a best turn. She published many articles and comments on this

[20] J. Górski, W. Sierpiński: Historia powszechnej..., op. cit., s. 505.
[21] A. Szeworski: Mechanizm cyklu..., op. cit., s. 355.
[22] Problems of Economic Dynamics and Planning. Essays in honour of Michał Kalecki, Warszawa 1964, s. 181-191; cyt. za A. Szeworski: Mechanizm cyklu..., op. cit.
[23] J. Robinson, just like the American, Edward Chamberlin, was the author of the imperfect competition theory.

point. A great respect that she enjoyed in the economic circle in the West helped Kalecki to take a worthy place in the history of economic thought.[24] Many times Robinson pointed at original thoughts included in his works. She claimed that Kalecki's theory was more completed as he enriched his analysis among other things with perfect competition. Kalecki emphasized that the investment had an unquestionable influence on profits, too.[25] She also claimed that precedence of publishing the theory by Kalecki was indisputable.[26] According to Robinson Kalecki's theory was richer than Keynes's as in many points it brigded gaps of Keynes's reasoning.

Yet many economists from the West considered and still consider Kalecki only Keynes's pupil and interpreter. Mark Blaug, the contemporary historian, mentioned Kalecki in the context of 'rising risk principle'. He wrote: '...Michał Kalecki was a precursor who starting with Marks, Róża Luxemburg and Tugan-Baranowski came to many Keynes's conclusions in the end.'[27]

Also his theory of business cycle, which Kalecki tried to combined with Keynes's, is sometimes seen as his own, orginal interpretation of Keynes's theory. In the opinion of Jerzy Osiatyński, an author of careful comments and notes to Kalecki's works, only when *The General Theory of Employment, Interest and Money* was brought up for discussion one started to take an interest in Kalecki's works and saw the similarities to Keynes's theory in these works.

Kalecki's output does not limit itself to the issue of economic situation. Many of his studies concern a socialist economy and developing countries. The essential characteristic of his works is that the assumptions expressed in these works were closely connected with the realities of an economic life. He opposed voluntarism in economic policy trying to base his analyses on a certain statistical material at the same time. Having a passion for precision (sometimes too terse, though) and clear expression of his thoughts described him as a scientist. He did not know how to equip his thoughts with sophisticated words. He used a hermetic language instead, and for this reason it was either difficult or impossible to understand him. J.Robinson emphasized that when Keynes came up with his *The General Theory...*, Kalecki had its *The Attempt of the Theory of Economic Situation* already published in English and French. The French version, however, was not read by anybody and the English one was written with a mathematical lan-

[24] Kalecki met J. Robinson personally. He came to her to discuss the problems of employment in imperfect competition. There is also a letter she sent him, published in comments in "Dzieła", op. cit.

[25] J. Robinson: O drugim kryzysie teorii ekonomii, "Życie Gospodarcze" 1973, nr 13; J. Robinson: Kalecki a Keynes, "Ekonomista" 1964, nr 6.

[26] J. Robinson: Kalecki a Keynes, op. cit., s. 1256.

[27] M. Blaug: Teoria ekonomii. Ujęcie retrospektywne, Warszawa 1994., s. 697.

guage that nobody could understand. His publications seemed to have been difficult to understand.[28]

No matter how Kalecki is being perceived abroad – either as a creator of his own theories or as an excellent interpreter of Keynes – Poles cannot forget about his lasting contribution to the development of the present economic thought. The theory of business cycle discussed above sets here a good example. For this reason, when Keynes's theory is brought up for discussion one cannot help mentioning the output of Kalecki. When reading his works one must come to the conclusion that when it comes to the clarity of Kalecki's arguments or to the precision of expressing his thoughts not only was he as good as Keynes, but he was also superior to Keynes in respect of arguments logic.

[28] M. Kalecki: Dzieła. T. I, op. cit., s. 453.