A.M. Carabelli, *Keynes on Uncertainty and Tragic Happiness. Complexity and Expectations*, Palgrave Macmillan, London, 2021, pp. 182.

Anna Carabelli's recent book is a landmark in modern Keynesian studies. It is by far the most carefully researched analysis of Keynes' ideas on such diverse subjects such as the foundations of the probability theory, the nature of uncertainty and its effects on investment decisions, the difficulties involved in the measurement of economic phenomena and the incommensurability of ethical choices. By delving carefully into Keynes' published and unpublished writings, the author aims at formulating precisely his basic thinking on these subjects. She also claims that these ideas, part of which were developed before Keynes made the final decision to commit himself to the study of economics, methodologically inform and fully permeate his economic writings up to and including his most important economic legacy, i.e. *The General Theory of Employment, Interest and Money*.
Anna Carabelli's study has many relevant implications. Perhaps the most important one has to do with the longstanding question of the relationship between Keynes' analysis in the *General Theory* and the classical analysis which he meant to supersede. In an important conversation for the BBC in 1934, "Poverty in Plenty. Is the Economic System Self-Adjusting?" (J.M. Keynes, *Collected Writings*, vol. XIII, Macmillan, London, pp. 485-92), while the *General Theory* was nearing completion, Keynes argued that economists can be grouped into two schools marked by different beliefs in the inherent stability of the economic system. On one side – he said – there are those who think that in the long run the system tends to adjust itself, despite difficulties, lags and delays. At the other extreme there are those who think that there is no such basic stability in the market system so that collective action is needed to correct what the system would produce, if left to itself. He refuses in particular the fact that there is no guarantee that the system will produce full employment of the available labour force. He also added that the gap dividing the two schools was far deeper than either of them thought. In *The General Theory* Keynes argues that his explanation of the determinants of income and employment is incompatible with the classical one, but he was also aware that it could be argued that his analysis was *not* incompatible with the classical one. "Those who are strongly wedded to what I shall call 'the classical theory' – he writes in the Preface – will, fluctuate, I expect, between a belief that I am quite wrong and a belief that I am saying nothing new" (J.M. Keynes, *The General Theory, of Employment, Interest and Money*, Macmillan, London 1936, p. V).
In fact, the most insidious attack on Keynes' ideas did come from those economists who argued that there was no basic discontinuity between classical theories and the *General Theory*. Following a seminal article by

Richard Hicks, "Mr Keynes and the "Classics: A Suggested Interpretation" (Econometrica, 52, 2, 1937, pp. 147-59) it has been argued that there is a continuity between the classical and the Keynesian analysis and that Keynesian results i.e., unemployment, are fully compatible with the classical analysis. The whole development of "Keynesian" economics in the United States from 1936 onwards has been dominated by this notion. According to a famous essay by Franco Modigliani "Liquidity Preference and the Theory of Interest and Money" (Econometrica 12, 1, 1944, p. 45-88), in the *General Theory* unemployment stems from the implicit assumption of wage rigidities. Paradoxically, by considering rigidities as a fact of life, American Keynesians were led to share Keynes' conclusions as to the need for active economic policies without fully endorsing his main argument.
Keynes, in fact, was well aware that wage rigidities might be invoked by classical economists to explain unemployment. This is the reason why he rejected suggestions to incorporate contemporary analyses of market imperfections such as Joan Robinson's imperfect competition in the *General Theory*. He wanted to prove that situations could arise where unemployment would exist in a perfectly smooth market system. He was aiming at an alternative explanation to the classical one. In the *General Theory*, radical uncertainty, animal spirits, expectations creating difficulties in lowering interest rates below certain "floors" account for this outcome.
By showing that the premises on which classical and Keynesian models are built upon are radically different, Carabelli's analysis strongly reinforces Keynes' argument. It is worth referring in this connection to Chapter 4 of her book and in particular to the detailed analysis of what according to Keynes was needed for a theory to be "general", of the logical flaws in Classical Economics and of the epistemological role of tacit assumptions in Classical Theory. Here Carabelli convincingly argues that no conciliation is possible between the two schools as they are based on different and incompatible assumptions such as divisibility, continuity, no fundamental uncertainty and therefore measurability of risks.
Obviously Carabelli's book is not going to convince classical economists to abandon their models. Probably this was not her aim. Faith in the market system is an ideological stand. But Anna Carabelli's book certainly makes much more difficult arguing that Keynes' is just a variation or at best an enrichment of Classical Theory. She shows that the "gap" dividing economists is very deep indeed. These are two economic visions based on different assumptions that lead to different policy implications. Economists have to decide to which of them they belong.

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