Hazlitt does some big picture criticisms of Keynes

- The big picture criticisms
  - Keynes' presentation of classical/traditional theory is either some caricature or reflecting the "Cambridge school" thinkers he learned from.
  - The Cambridge school and Keynes failed to fully reject cost-of-production theories of prices.
  - Hazlitt: **Keynes is even inferior to the Cambridge economists he criticizes in his addiction to lump thinking, in-block thinking.**
    - Justin's Comment: Reading ahead, "lump thinking" seems to mean aggregating stuff together that should be considered separately.
- Purpose of the big picture criticisms
  - Hazlitt says we don't need to worry about Keynes' criticisms of Cambridge school people because the Cambridge school was already superseded by better economists.
    - Justin's Comment: would be good to do at least a cite to the better, unrefuted theory.
  - Hazlitt also says we don't need to worry about Keynes' criticisms much when they rest on "crude lump thinking."
    - Criticisms of specific examples of Keynes' crude lump thinking
      - Hazlitt: **Keynes writes on page 11, for example: "The traditional theory maintains, in short, *that the wage bargains between the entrepreneurs and the workers determine the real wage.*" (His italics.)**
        - Hazlitt's rebuttal: **Now there is no such thing as "the" real wage. Neither is there any such thing as "the general level of money-wages" (pp. 10, 12, 13, etc.). "The" wage, real or money, is a figment of the bad economist's imagination. It is a violent oversimplification that assumes away the thousands of differences in individual wages and salaries that make up reality.**
          - Justin's Comment: So this seems like another example of Keynes caricaturing the classical economists.
      - Hazlitt: **In the same way, "the general level of wages," like "the general level of prices" (both of which concepts are central to Keynes's thought), has no existence in reality. It is a statistician's construct, a mathematical average which has a limited value in simplifying certain problems. But it simplifies away some of the chief dynamic problems in economics. The same relationship between an average of prices and an average of wages in two different periods may conceal gross changes in the relationship of specific prices to specific wages. It is precisely the latter that may be relevant to equilibrium or the lack of it, to the health of specific industries, to full employment or to substantial unemployment.**
        - Justin's Comment: Hazlitt is basically saying that talking about general price or wage levels can have some limited utility but to figure out what's going on in some industry you need to look at more fine-grained statistics.
      - The word "level"
        - Hazlitt says the word "level" can create the impression that prices and wages rise or fall uniformly
          - Hazlitt argues that it's the fact that they don't that creates most problems related to inflation/deflation.
            - Justin's Comment: Right. For example, if all assets and debts and wages and salaries and menu prices and other such things were represented in some electronic database that the government could somehow apply a factor to (like 2X or 0.5X) in order to change all the dollar figures uniformly and simultaneously, then that would be an odd thing to do but I guess it wouldn't cause lots of the problems typically associated with inflation and deflation. But the fact that some people get government-created dollars first when an inflation is happening and can spend them while they're higher value (and reduce the value of everyone else's dollar holdings in doing so) is what makes inflation a kind of stealth tax.
          - Hazlitt: **It is also the failure of specific prices or wages to rise or fall as much as the average that permits the continuous structural changes in production and in the labor force necessary for continuous economic efficiency and progress.**
            - Justin's Comment: Right, non-uniform adjustments in prices and wages are essential to how an economy actually functions.
    - Hazlitt argues that there is no general level of wage rates, contra Keynes. Hazlitt's criticism of Keynes rests on challenging Keynes' "lump" thinking."
      - Hazlitt says Keynes shifts between using "wages" to mean wage-rates sometimes and total payrolls other times, and that Keynes is unaware of this problem, and it causes various issues.
      - Hazlitt says that Keynes treats "labor" in a Marxist lumped manner and ignores conflicts that can exist between groups of workers and the alignment of interests that can exist between workers and enterpreneurs in the same firm/industry.
        - Justin's Question 🤔: I wonder what Hazlitt has in mind as far as conflicts of interest between groups of workers?
        - An example of Keynes' treating labor in a lumped manner (Keynes quote): **There may be no method available to labor as a whole whereby it can bring the wage-goods equivalent of the general level of money-wages into conformity with the marginal dis utility of the current volume of employment. There may exist no expedient by which labor as a whole can reduce its real wage to a given figure by making revised money bargains with the entrepreneurs. This will be our contention.**
          - Hazlitt criticizes the notion of "labor" acting as a collective setting "its" wage rate. Instead, there are industry wage rates, company wage rats, individual wage rates.
      - Hazlitt: **Keynes is constantly confusing the real interest of workers with their illusions regarding their interests.**
        - Example of Keynes doing this: **Any individual or group of individuals, who consent to a reduction of money-wages relatively to others, will suffer a *relative* reduction in real wages, which is a sufficient justification for them to resist it." (His italics.)**
          - Hazlitt: **To see how bad this argument is, let us try to apply it to commodities. We would then have to say, for instance, that if wheat fell in price relatively to corn, the wheat farmers would be "justified" in combining to refuse to accept the lower price. If they did so, of course, they would simply leave part of their wheat unsold on the market. The result of this would be to hurt both wheat farmers and wheat consumers.**
            - Hazlitt: **By refusing to accept [a reduction in real wage-rates, members of a union] do not, in fact, improve their position. They merely bring about unemployment, particularly in their own ranks, and hurt their own interests as well as those of the entrepreneurs who employ them.**
      - Keynes: **The effect of combination on the part of a group of workers [Keynes goes on] is to protect their relative real wage. The *general* level of real wages depends on the other forces of the economic system. Thus it is fortunate that the workers, though unconsciously, are instinctively more reasonable economists than the classical school, inasmuch as they resist reductions of money-wages, which are seldom or never of an all-around character . . . whereas they do not resist reductions of real wages. . . . (His italics, p. 14.)**
        - Re: "protect"
          - Hazlitt criticizes Keynes' use of the word "protect": **The purpose and effect of unions, of course, is to increase the relative wage-rates of the union members as compared with other workers.**
            - Justin's Comment: Right, and as Hazlitt has already established, even holding the same wage rate in the face of changes prices can lead to an effective real wage rate increase.
        - Re: "general level"
          - Hazlitt: **The "general level" of real wages is merely the composite average of individual wage-rates. It does not depend "on the other forces of the economic system." It depends on the calculations of statisticians.**
        - Re: "more reasonable economists than the classical school"
          - Hazlitt: **Finally, the ironical remark about workers being "more reasonable economists than the classical school" is based on a misconception both of how wages change and how "class ical" economists think. *No* reductions of wages, except those that might be imposed by an authoritarian government, are *ever* "of an all-round character." If the economy is free, individual wage-rates vary as much as individual prices, and there is great dispersion both when they go up and when they go down.**
            - Justin's Comment: Right. Keynes' hedged statement was saying reduction of money wages are sometimes (seldom) of an all-around character.