

*GLS Shackle: Can we reconcile the irreconcilable?*

*PKSG,  
Robinson College  
June 7, 2011*

*Dr Bruce Littleboy  
University of Queensland*

Abstract:

A unity suffuses the works of G.L.S. Shackle. His Christian neo-Platonism is evident in his theory of crucial choice under uncertainty, his views on the development of economic theory, and in his biography.

Shackle's unease with an aspect of Keynes's *General Theory* may stem in part from his ideas on the merits of internal coherence. Keynes explains why expectations are inherently unruly, yet the formal model assumes them constant. Shackle's radical rejection of mechanism in Keynes's system has attracted misguided accusations of nihilism that are rebutted here.

In *A Scheme of Economic Theory* he seeks to identify, and in some sense resolve, differences in modes of high-level theorising. He explains his views on the development of economics and the place of his own contribution within it, but he characteristically may place too much weight on beauty and harmony as scientific criteria.

Dr Bruce Littleboy  
School of Economics  
University of Queensland  
St Lucia Campus  
Australia 4072  
[b.littleboy@uq.edu.au](mailto:b.littleboy@uq.edu.au)

## *G.L.S. Shackle: Can we reconcile the irreconcilable?<sup>1</sup>*

*The ultimate test of a theory is perhaps the pragmatic one: does it lead to successful action?  
But that test may be long in declaring itself. Meanwhile there is another test: the aesthetic.  
Beauty may reasonably be sought in theories as in other works, and applauded when it is found.  
(1965, p. 183)*

*Present thoughts and acts, so far as our consciousness can tell us, are all that is.  
To be is in the present.\**

*\*Let me say as strongly as words can that there is here intended not the least denial of  
transcendental realities.*

*It is plain that what we apprehend as 'reality' is only  
'shadows cast from without into the shadows of the cave'.  
But it is only with these shadows that science can be concerned.  
(1965, p. 189)*

*Let us admit that all science is 'arbitrary'.  
As we sit before the fire, we see patterns and pictures in the flames.  
(1965, p. 182)*

### *Introduction*

The title is rather Zen. But Shackle's complex views require no momentary mind-bending resolution here. Though there is an essential air of poetic mysticism, there is nevertheless a lucidity and clarity about them which flows through his life's work. It is well known that Shackle was a devout Christian. However his neo-Platonism is not recognised, and it is revealed in the style and content of his writings. It is a Platonism where epistemic uncertainty is peculiarly intense. The shadow world flickers and twists, and we can read many things into it. But Shackle's vision is a coherent one. There is nothing rare about Platonism and Christianity acting as binary stars.

There is, however, one unresolved tension in Shackle's work, the Keynes problem. It is often said (I have said it myself) that Shackle weds Austrian micro and Keynesian macro. But it is better to say that he plants Keynes's recognition of the deep uncertainty that individuals face into Smith's and Hayek's stories of market order. In this sense it is micro all the way through. Shackle regards deep uncertainty as corrosive of order and only a semblance of coordination can result. Order is temporary and fragile; the perceived future reconfigures as suddenly and unpredictably as the tumbling crystals in a kaleidoscope. There is scarcely a real firm order at all.

Shackle (1972, p. 125):

In ... the *kaleidic* view of the business world and of economic society, all endeavours can still be supposed to be directed by reason (deliberative or intuitive) ... basing

---

<sup>1</sup> I gratefully acknowledge the support provided through the Shackle Studentship, offered by St Edmund's College in Cambridge, under a bequest of George Shackle's widow, Catherine.

itself on a flow of suggestions rather than on well-jointed information, a flow which occasionally achieves coherence ... and leads to a state of affairs which has some public air of being generally coordinated.

This is partly why Shackle is so much at ill ease with Keynes's seemingly blasé acceptance of the great irreconcilables, order and disorder. Keynes looked uncertainty in the face and thought that it could temporarily be tamed by conventions and ultimately be mastered by rational system-wide intervention. Animal spirits could be contained in a bottle for theoreticians to gaze upon. Shackle thought that Keynes did not appreciate the full consequences of the radical insight into the inescapable uncertainties that individuals are fated to confront. It was as if Keynes thought our minds could make the system stand still long enough for us to watch and understand it.

Individual choices form the web of production and exchange. But Shackle does not accept that the system itself may change its shape and structure carrying individuals with it. In Shackle, the system is not an analytical construct or an entity to be studied or steered. He is reluctant or unable to wed the individual and the system. His writings are thin on the patterns that emerge from institutions and from systematic concentrations of power and influence that may truly restrict individual choice in some domains. His theory of individual action is open-ended, but there is no sense of evolution whether teleological or directionless. The system scarcely exists, still less is it studied. Shackle respects Marshall's introduction of evolution into economics, but he quietly but firmly declines to follow him<sup>2</sup>. Shackle pioneered the analysis of open-ended actions within economies, but there is nothing evolutionary about these changes. In Shackle, individuals and systems do not co-evolve.

If there is a moment of Zen for anybody studying Shackle's depiction of economics, it dwells in discovering or creating a satisfying fusion of continuity and change.

What follows is an attempt to synthesise Shackle's own economics and his response to Maynard Keynes's *General Theory of Employment Interest and Money* of 1936. This paper<sup>3</sup> explores some of the ways that his aesthetic mysticism is expressed, especially how his 1965 book, *A Scheme of Economic Theory*, fits into his system of thought.

The first step is to convey some of the features of Shackle's vision of how economics, science, art and the human condition fit together. Debates on particular issues in economic theory should then make better sense.

---

<sup>2</sup> See (1965, pp. 36-37 and Table 7.1).

<sup>3</sup> My earlier papers (2009; 2010) fill out the picture further. This paper draws heavily in some sections on the latter paper.

## *Aesthetics and Style*

Shackle is regarded as a writer with a prose style and an economic message that are in harmony. He regards the human condition as one where we lack the means to formalise and predict behaviour in the social world. We can only partially understand how people make decisions and what the collective consequences of their choices will likely be. The analysis will be imprecise and economic theories will cast only a dim and selective light. The theoretician is an artist who presents reality in a chosen way, and there are many ways reality may be satisfyingly represented.

Shackle (1983-84) observed how disposition sculpts one's representations in economics:

[Coddington] was exceedingly careful and even fastidious in expression. His cast of mind was "classical" in the general cultural sense, in contrast with the "romantic" urge of some writers on economics. (p. 241)

Keynes in this classification was a romantic... [*The General Theory* is a] book that arises from a vision, like a mountain appearing fitfully amongst its clouds... [It] presents a wild and craggy scene, compared with the clear placid surface of the "classical" lake. (p. 242)

And it is well known that the romantic poets held majestic mountains in quasi-religious awe. Even Shackle's framing of the distinction between psyches was from an instinctively romantic perspective. He continues:

... Coddington's exact judicial mind, reaching for impartial truth, sought the coherence, stability and intelligibility of an objective universe where permanent principles could be discerned... Such a mind and such an ambition we may call classical in the cultural sense, and we are surely bound to admire it exceedingly, even if we are ourselves romantics. (p. 243)

[Coddington] naturally finds a great deal to admire and sympathize with in Hicks... Hicks by instinct is in the cultural sense a classic, in the intellectual sense a puritan<sup>4</sup>, but one who gave way to Keynes's irresistible romantic spell... In terms of painting, Keynes was a Turner, not a Canaletto. (p. 248)

Shackle's response to a theory is both intellectual and aesthetic. His response to *The General Theory* contains both, as will be shown.

---

<sup>4</sup> Hicks thought that Robertson was too strict and severe on Keynes. Coddington (1979, p. 979) quotes Hicks (1942, p. 54), and perhaps Shackle's metaphor draws from this: "Of all the great economists, Mr Keynes is probably the most Impressionist... [Robertson's] criticisms sometimes remind one of a man examining a Seurat ... and denouncing the ugly shapes of the individual dots. It is very probable that the Impressionist method is not particularly appropriate to the higher economics (though it may be suitable enough for more popular writing); however, it is Mr. Keynes' method, and in his hands it has some countervailing virtues." Coddington maintains that this metaphor, "although vivid and suggestive, is not really convincing" (p. 979), but his rather black-and-white logic (pp. 979-980) is itself not really convincing, and it reveals an unreflective and constricted formalism.

### *Shackle's Mysticism and his Christianity*

Shackle's aesthetic sensibility supports his notion that different artists will use different styles to capture different aspects of reality. Shackle paints a picture of his own. Although he draws inspiration from Keynes, he believes that Keynes mixed styles in an unproductive and inelegant way.

Shackle's vision differs from Keynes's. We know much about Keynes's thought on a wide range of inter-connected topics, but less is understood about Shackle's system of thought and feeling.

Shackle's radical subjectivism is widely known. Individuals make crucial choices in a state of deep uncertainty as there is no way to predict the future. The future is not waiting to be discovered because we create it by our decisions in the present. Our imaginings and our hopes can be transformed by an arresting piece of news; change is not a mechanical process. Less appreciated is the active role played by his beliefs on the nature of art, science and religion. These play some part in the judgements he makes about theoretical perspectives central to the development of economic theory. In particular, it shapes his response to *The General Theory*.

Shackle described his books on the deeper nature of economic life as his Sibylline books, a likely allusion to early Christian oracular writings. His writings are often decorated with quasi-religious passages. They are not merely decorative affectation or a cultural artefact from his upbringing. His sensibilities shape his economics.

From the abstract of his "Decision: The Human Predicament" (1974, p. 1):

What the decision-maker wants is access to hope. The greater the possible loss or misfortune, the more exhilarating may be the success which is then brought within imaginative reach. Decision is not, in its ultimate nature, calculation, but origination.

Origination is an attribute of the Divine, and Christian creed regards humans as holding as a gift some fragments of God's nature.

In the following passage, he draws his vision together:

Insight into the *thing in being* of which we form a part, whether we attend chiefly to its non-human or its human aspect, cannot consist in a knowledge of its nature or meaning in any ultimate, absolute sense. All we can seek is consistency, coherence, order.

The question for the scientist is what thought-scheme will best provide him with a sense of that order...., a sense even of that oneness and simplicity which, if he can assure himself of its presence, will carry consistency and order to their highest expression.

Religion, science and art have all of them this aim in common. The difference between them lies in the different emphases in their modes of search, the stress upon the promptings of inborn longing and intuitive or inspired conviction, upon reason and experience, or upon imagination of beauty. (*YHT*, p. 286, italics in original)

Mainstream economics is susceptible to Shackle's objection that it strips the humanity from the analysis of choice. The lyrical language and the mystical substance are decidedly Christian:

For a choice in this sense, the sense which gives to the human individual the dignity of responsibility, cannot be foreknown. (1982, p. 224)

Strictly, in every sense, the totally pre-reconciled world is a world without hope. We can conceive of the telescoping of actions and even of plans, but not of hope. (1982, p. 225)

According to Paul:

Now faith is the substance of things hoped for, the evidence of things not seen. ... Through faith we understand that the worlds were framed by the word of God, so that things which are seen were not made of things which do appear. (Hebrews 11:1-3, King James Version).

Is Shackle the only economist (social scientist) who has used *hope* as an analytical concept? *Expectation* is quite a different thing. We imagine and we hope. Hope is embedded in his theory of decision-making under conditions of uncertainty, when we cannot know even the numerical probability of an event.

Shackle (1958, p. 105) wrote: "Predicted man is less than human, predicting man is more than human." While many would regard it as true, it comes with a strong flavour of Christianity. Somehow much of mainstream economics purports to do both.

Shackle views the flow of his own life as evidence on how the flow works at large. In "A Student's Pilgrimage" (1983) we find:

Elizabeth Bowen<sup>5</sup> in one of her novels has a sentence that can be a wonderful solvent of regret: 'Chance is better than choice, it is more lordly. Chance is God,

---

<sup>5</sup> Intensive research reveals:

Elizabeth Bowen was greatly interested in 'life with the lid on and what happens when the lid comes off,' or in other words, in the innocence of orderly life, and in the eventual, irrepressible forces that transform experience. <[http://en.wikipedia.org/wiki/Elizabeth\\_Bowen](http://en.wikipedia.org/wiki/Elizabeth_Bowen)>

"Fate is not an eagle, it creeps like a rat." <http://www.saidwhat.co.uk>. She mixed with the Bloomsbury group, and her writings explore passions underlying the middle class social façade. Shackle may have been drawn to what appear to be the impacts of small twists of chance in ordinary life. Peter Earl notes that in E.M. Forster small social upsets may have major repercussions, as with the flapping butterfly causing storms in a chaotic system.

choice is man.’ (p. 107)

Chance, (Elisabeth<sup>6</sup> Bowen saves us so much argument) brought me into a live university milieu for the first time on the first day in 1931... Chance brought me to the London School of Economics ... Thus by a blessing of chance [lower case this time] ... (pp. 112-3)

Shackle (1984, p. 114)<sup>7</sup> refers to several crucial moments in his own life. He had a sudden insight in 1937 that quantifiable probability could not be used to explain human choice and it took 40 years for his concept, potential surprise, to take full form. He referred to how Agatha Christie gathered her inspirations over the kitchen sink. He found Hayek’s *Prices and Production* “seducente ad enigmatico” and it produced “uno stato di eccitazione” (1984, pp. 112, 116). To say the least, this is an unusual response to *Prices and Production*; few would use terms more commonly encountered to describe an alluring woman. It says something about Shackle’s temperament: he was susceptible to enthusiasms.

Shackle, the outwardly quiet Professor, appears strikingly different from the people he describes in his books; earnest business people and financial speculators living lives of hope, excitement and even fear. He does not tread the world where Schumpeter felt psychologically at home, the world of industrial titans and bankers. He was seemingly the opposite in life from the crucial decision-maker that he wrote about, but he consistently focused on small individuals and how the world looked to them. He referred to “the investor in equipment ... daring and tremulous” (1965, p. 132). There are crucial times when we all stand tremulous. This is an insight into the human condition, and it applies to professor and share trader alike.

In Shackle’s life, his insights are sudden and they were deemed trustworthy. He had big ideas, and he acted as if knew he was right. If Shackle could not convince his readers by one means, he would shift to another. He did not alter his core position in the light of advice or criticism from friend or enemy.

Is there any significant example of Shackle meeting directly or accommodating his critics? Did he ever change his mind? This is the self-assuredness (perhaps obstinacy) of the mystic remaining true to the insight granted him. He realised that Keynes had made a great breakthrough but had not finished the job. Style and substance both matter here. Shackle admired much in Keynes’s style, but he had his own style and most emphatically his own substance.

---

<sup>6</sup> Wrongly with an *s* here.

<sup>7</sup> Thanks are extended to Gabriele Pastrello, who drew this to my attention and provided a serviceable translation over coffee in Cambridge. This item overlaps at very least with Shackle (1983).

### *Shackle's Keynes Problem*

George Shackle was an economist, philosopher and historian of thought with a special interest in the writings of Keynes. Keynes's *General Theory* explains why expectations are inherently unruly, yet the formal model assumes them constant. Shackle regarded Keynes's *General Theory* as attempting to wed a mechanical closed-causality vision to one permitting open-causality autonomous shifts in expectations. Shackle wrote that Keynes's *General Theory* didn't resolve them properly and that the book lacks coherence. He regarded this as a defect in terms of science and its aesthetics. He suggested how Keynes could better have presented his model by explaining the process of moving from one equilibrium point to another.

### *Tableaux vivant*

Shackle discerns "an arresting contrast between the method and the meaning of Keynes's book" (1965, p. 44). *The General Theory* is about the causes and consequences of the volatility of long-period expectations of human decision-makers. Keynes suppresses the reality of ever-shifting expectations and uses a machine-model to generate different hypothetical equilibria.

Shackle laments in *The Years of High Theory* that Keynes in effect presented frozen staged tableaux. (The quaintly old-fashioned example is itself worth commenting upon in passing.) Keynes held expectations firm and showed a frozen scene of the result. Expectations would change and the curtains are closed while the furniture is shifted noisily but to compose the next scene. Loasby (1989, p. 183) with approval describes Shackle's (1967, p. 182) metaphor as vivid.

Keynes did not follow the tumbling of the kaleidoscope through time and show how the jagged crystal patterns reconfigure with each turn and shake. Neither, significantly, did Shackle. He dwelt in the solitary experience of the moment of choosing. Shackle's analysis of the process of crucial choice itself ends in a frozen tableau exactly when the individual's foot lifts to take the fateful step.

### *Replying on Keynes's behalf*

In one chapter Keynes says that long-term expectations are restless, but then he holds them constant. This skips from one world view and its conception of time to another. Something is wrong here, Shackle concluded.

Although Shackle's observations are in fact astute and measured, he may have missed Keynes's rationale. The first reply to Shackle's charge is that there is simply no inconsistency in Keynes that requires a choice of one method over the other. Thinking in

terms of closed and open systems, at some level, may conflict in principle but not necessarily in practice. Both closed chaotic and open complex evolving systems may be quiescent in some periods and turbulent in others without self-contradiction.

Second, defects in Keynes's exposition may be more apparent than real. Exegetes are often too ready to complain of contradictions. Keynes had his own reconciliation; it was simply not regarded as coherent or persuasive by Shackle.

Statements to explain an argument should not be confused with statements about the behaviour of the world. Taking expository short-cuts does not itself affect what is meant to be understood. Heuristic devices should not be confused with epistemic claims. Marshall's method of comparative statics in this case does skip over processes that have attracted attention and controversy.

Keynes may have been engaged in a thought experiment: Expectations are prone to change, but let's see what happens if they remain constant for enough time for the effects to work through. This is an entirely cogent scenario: it is a mind-focusing exercise with a heuristic motivation rather than one meant to be read as a paradoxical epistemic claim. One may easily accept that the economy is an open system yet choose to render it tractable for study by selective closures.

It is common to make an assumption in one place and relax it in another. For example, one may regard money-wages as given and unyielding to low demand during the relevant thought experiment, although in reality money-wages are known to change over time, possibly endogenously. And we may then conduct another thought experiment, as in Chapter 19 of *The General Theory*, where we wonder about the opposite extreme of hair-trigger sensitivity of money-wages. Exploring the extremes may tell us something applicable to a world placed in between (though it won't necessarily). What is the difficulty?

In the current context, a third defence may be the most important. Keynes's *General Theory* contains themes that Shackle regards as irreconcilable. Shackle thought Keynes pasted over the cracks with his subsequent explanation (*QJE*, 1937). Keynes argued that we deal with uncertainty by ignoring the future, by pretending that the present will persist and by falling back on conventional judgements by seeking safety in the herd. Shackle (1965, pp. 46-47) rejects Keynes's explanation, almost derisively:

Keynes's method: the formal analysis of equilibria and the entire repudiation of their ostensible meaning; the appeal to herd-psychology which maintains for a time a fragile, self-hypnotizing fiction of rationality and stability, then abruptly collapses into disorder and fragmentation until 'confidence' can be restored by a mutual, universal, barely disguised 'confidence trick': seems to stem from three sources. (p. 46) [Marshall gets the primary blame: he is simply not Shackle's favorite economist.]

He regards Keynes's explanations as contrivances:

“Those [unknown] events, however dimly apprehended and however elaborately shrugged off...” (*SET*, p. 186)

Keynes’s model states the consequences of the *conventional* modes of coping with a world of ineradicable uncertainty: the assumption, *faute de mieux* [for lack of something better], that the present look of things is a trustworthy guide to the future... In Keynes’s model expectations have taken charge, and they are above the law... (1965, p.193)

But perhaps Shackle has missed that Keynes meant what he said. To Shackle, conventions have no real weight; Keynes was pasting over a crack down the middle of his canvas. But Keynes, steeped in Moore, accepted them as real and in the economic sphere as exerting some limited stabilising power sufficient to quieten the jostling of the bulls and the bears.

This may be a crucial point of difference between Keynes and Shackle<sup>8</sup>. Keynes gave more solidity to some conventions than Shackle did, and this permitted Keynes to extend the reach of mechanism. There was enough time in Keynes’s world for the effects of mechanism to find expression.

A convention does not merely mask a “precarious and trembling balance, even in what is formally equilibrium” (1965, p. 44). Aside from brute facts that cannot be ignored or resisted, only convention pauses the tumbling within the kaleidoscope. In Keynes, conventions provide some adhesive to the cluster of opinion so that small perturbations do not erode price stability. Asset prices may indeed be “inherently restless” (1965, p. 95), but gravitational attraction may be just strong enough. It is as if the glass in the kaleidoscope is the tiniest bit sticky.

But there is a fourth line of defence too: how validly does Shackle decide which ideas are reconcilable and which are not? Shackle’s dyspeptic reaction to Keynes may have aesthetic origins. Clues are provided in Shackle’s *Scheme of Economic Theory*, and these themes resonate with his other writings.

---

<sup>8</sup> George Shackle was an examiner of my PhD thesis, but I could not smoke him out then, when I made similar, more muted, arguments based on different textual evidence. The thesis became Littleboy (1990).

## *The Scheme*

Shackle holds that there are many constructions of theory that we value, use and admire. We cannot resolve their differences on the basis of facts or logic, but we may do so at the level of art.

In the preface to *A Scheme of Economic Theory* (1965, p. x), Shackle refers to the accumulation during the twentieth century of alterations to the simplicity of the model of perfect competition:

[W]e now have to be content with a variety of manuals of instruction, one for each kind of phenomenon... If we cannot have a general model, can we not have a general scheme, showing how theories stand in relation to each other and what differences in their respective assumptions account for their different directions of attack? ... I propose in this book to order theories according to their emphasis or otherwise on one or other of the meanings that seem to bound up in the word *time* (p. x).

Later he continues:

We cannot build up a general, omni-competent model by fitting together our special models, because it happens in many cases that one of these special models depends on assumptions incompatible with those required by another. Instead we have to strive for an insight which fuses informally and, if you like, non-logically, a number of strands which, in their formal aspects, mutually repel each other (p. 2).

Shackle then identifies two principal conceptions of time. One kind is an abstraction employed by an external observer. General equilibrium and instantaneous, simultaneous clearing has no real role for any future. Marshall's time periods<sup>9</sup> and the sequential analysis of the Stockholm School are attempts by the scientific observer to identify the endogenously generated expectations and actions of participants through time. The second conception of time is subjective and experiential; it takes the view of the participant in the process under study. Some moment in time is currently experienced, or something is conjectured as time is stretched into a future. Shackle's distinction is between the mechanical and the expectational<sup>10</sup> (1965, pp. 3-4). Since 1965 this division is not as clean as it may have appeared then. Not all observed systems are mechanical (they may be evolutionary), and rational expectations is an attempt to make expectations subject to an algorithm expressing the efficiency of a machine without systematic error and without emotions.

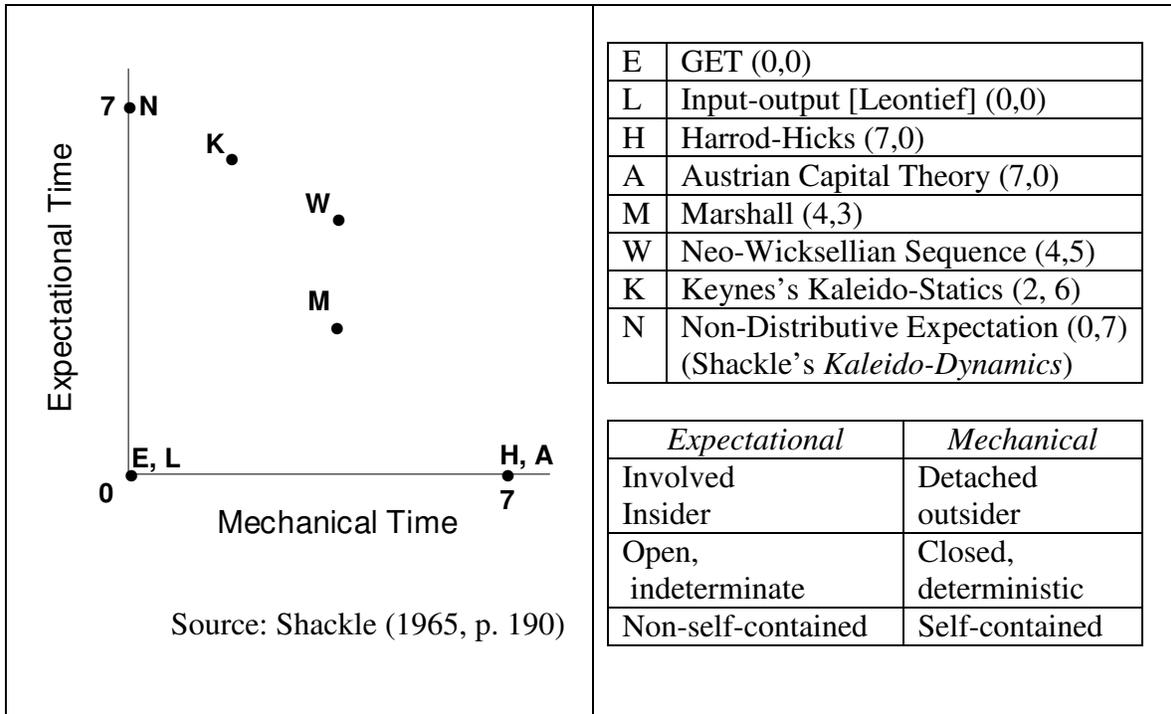
Shackle's unease with Keynes's *General Theory* could stem from his sense of coherence. In *A Scheme of Economic Theory* he shows in a particular light some of the major theoretical constructs prominent in the history of economic theory. He identifies how

---

<sup>9</sup> See (1965, pp. 36, 40).

<sup>10</sup> Other economists have distinguished between logical time and historical time, which is at very least similar.

each treats time. Expectational time is experienced by the participants, but mechanical time is an abstraction used by detached observers. The former is open; uncertainty is pervasive. The future is not predetermined. Contingency and human choice both matter. Mechanical time is a feature of closed systems and it permits logic to trace how the economy moves on its determinate trajectory. Some models rely on both, which raises questions about how skilfully they are used in combination.



The axes show the extent (from zero to 7) to which the model incorporates the two approaches towards *time* itself. The vertical axis shows the extent to which the model makes important the individual's subjective viewpoint. Agents make decisions living *in* time and acting in the present on the basis of what they know and what they expect at that moment. But time may also be viewed from by an outside observer who sees past present and future simultaneously and who can see where the system as a whole will be at any time. The combined score can exceed 7, and presumably Shackle appreciated the consequences of this. The approaches appear to be strict substitutes, but in the hands of a skilled artist, they may be complementary. It is arithmetically possible in Shackle's scheme for a theory to be placed at (7, 7) though Shackle does not envisage this surprising possibility.

Different analytical stances bring with them different treatments of time. For example, an historian has the omniscient viewpoint of the divine, but only in relation to the past.<sup>11</sup> He makes a similar point in (1959, p. 286), where he distinguishes the outsider's view (the

<sup>11</sup> Similar is Shackle (1973, pp. 37-38).

mathematician's and the historian's) of everything at a single moment from the view of the insider, the solitary person in the very act of living and deciding. In the orthodox economics of the Walrasian auctioneer, by contrast, "[A]n all-encompassing pre-reconciliation of choices requires the universal simultaneity of all choices" (1982, p. 224). Artists and likewise have a fleeting semi-divinity during their acts of creation. Model-builders likewise can master (logical) time and (Cartesian) space.

Points N, K and W are of interest here. Shackle regards Keynes as closest to his own position, but he awards the neo-Wicksellians a (surprisingly) high score on the vertical axis.<sup>12</sup> He identifies his own position as the purest of the three in terms of their intensity of dependence on time as human beings experience it. Uncertainty means that we decide in the moment on the basis of an imagined future, not one that we can think of as pre-ordained. He argued that if Keynes wants to incorporate mechanism, then he should have done so with more care and elegance. We start in equilibrium with one state of expectations. There is a sudden change in long-term expectations. Keynes presented the new comparative-static equilibrium without explaining at all convincingly the transitional process as experienced by the participants. It is clumsy to suppress further changes in expectations en route when also emphasising how volatile expectations can be.

Shackle (1965, p.5) describes Keynes's view of time in the *GT* as "kaleido-static", and the term contains some venom. It pointedly complains of the comparative statics Keynes used as a poorly justified short-cut. How can a kaleidic world be expressed through comparative statics? "The image of leaping cataracts, with pools of stillness in between" (1965, p.5) may capture Keynes's position, but it is odd that he does not express an attraction to the same metaphor, though with more cataracts and fewer pools.

Shackle suggests that Keynes's own argument would have been improved by at least permitting the sales expectations of producers of consumption goods to change as the dynamic multiplier process works through the economy. As rounds of induced consumption expenditure occurred, suppliers of consumption goods would be able to revise production in the light of recent sales. Instead Keynes employs an instantaneous multiplier as though (absurdly) there was some indicative planning authority operating to inform everyone of the new equilibrium they had calculated following the initial shift in autonomous spending (1965, pp. 64-65).

Certainly Keynes's offhand use of rational expectations (it is the basis of his instantaneous multiplier) is curiously prescient. We may debate whether Shackle's suggested solution is superior to Keynes's, but this is not the place. The point is that the short-cut was an aesthetic and intellectual blemish, in Shackle's judgement. Instead of explaining the process of transition in terms of intended saving and investment reaching equality, Keynes merely compared two snapshots of the outcomes before and after. Shackle prefers Keynes's *Treatise on Money* to the *General Theory* in this regard. If you are going to rely on mechanism, do the job properly: show the process, and at least connect the discrepancy between saving and investment with expectations of producers and their resulting flow supplies. Such a solution is fairly congenial for Shackle as the

---

<sup>12</sup> There may be a case for reversing the positions of W and M, but this is a digression.

aggregate reflects the choices made by individuals. The macro multiplier works by changing the environment within which individual producers of consumption goods each forms their expectation of sales. They do not have foreknowledge; they respond at each present time.

One advantage, however, of Keynes's skipping over the transition is that several very awkward distractions are avoided. Keynes and others later became mired in tedious and confused debates over what happened to saving, investment, interest rates, the demand for money, the supply of credit and so on during the process. If drawing in the Swedes does not really help, beyond being (perhaps merely, supposedly) enhancing "coherence", then we are still stuck where Keynes had left off. Is there an authentic, "legitimate" analysis of the process between output equilibria that is assimilable, illuminating and useful?

Presumably Shackle would have preferred what I dub, almost on Shackle's invitation, as *kaleido-dynamics*, a motion picture of the tumbling crystals. Shackle describes what he wants, but he cannot provide even a proto-formal account of it. Given this, he could have been easier on Keynes, one would think.

Shackle said later that he thought that the mathematics of imprecision, fuzzy sets and fuzzy logic, may be the way to wed reality and the language of mathematics, but this way of thinking failed to capture the imagination of economists, even those who admired Shackle's teachings.

What he may instead need is something jagged. The right mathematics would capture the sudden slides and tumbles of shards of glass. It is the discontinuous mathematics of cascading local catastrophes. Shackle (1965, pp. 28, 43, 47) refers to landslides more than once<sup>13</sup>.

The blend of the *ex ante* – *ex post* approach and the dynamic multiplier, that he argues is a better vehicle for conveying Keynes's insights does not tell the story of open-ended and punctuated change that Shackle aspires to tell. The dynamic multiplier will simply not do; it portrays a rather sober process as a boulder rolls under control to its new point of rest; each step (movement) smaller than the last. In fact, major avalanches are pre-empted and dissipated by controlled explosions. So there may even be room for policy. He did not regard economic conventions as capable of serving as terraces and retaining walls. Certainly, even in Keynes, they are too weak to deal with large shifts in speculative sentiment should they occur.

But there is a further twist, and a final, deeper reason behind Shackle's rejection of the highhandedly mechanistic aspect of Keynes. It relates to aesthetics.

---

<sup>13</sup> The metaphor of a tumble dryer is too banal to do Shackle justice, though order and sudden lumpy changes in motion are both observed. Compare my (1990) which does try to have landslide scenarios, but outside the corridors of conventional stability. If protective conventions snap under sufficient pressure, a sort of landslide results.

I conjecture that Shackle believed that one model could not gracefully accommodate the open and the closed. Shackle had his own grand open system, which he pursued with determination for around 60 years; it was purely open. He had been entranced by other systems too, notably Hayek's capital theory, which is purely closed. Other important schools switched between styles to try to fit the purpose; these had a more intellectual and pragmatic attraction than an aesthetic one. All, however, may be understood as works of art, and may therefore reside together. His scheme of gallery organisation was an important part of his life's project.

The Scheme is a means to fit one's mind around the diverse array of open-causality and closed-causality models posited in economics. Shackle argues here that reconciliation of some kind is possible here by placement into a scheme that provides collective coherence. This scheme may have indirectly prevented Shackle from realising that there was no deep inconsistency in Keynes at all. If incommensurable differences are permitted between items in a beautiful collection of theories, then it is arguable that they are potentially permissible in microcosm within one nevertheless beautiful item. Keynes may not have passed this challenging aesthetic test, but success is not impossible<sup>14</sup>.

### *Nihilism?*

How then can order and disorder be reconciled? Shackle's solution is to regard system-wide order as ephemeral and disorder as real and vital. But Shackle's radical rejection of mechanism in Keynes's otherwise congenial system has attracted misguided accusations of nihilism.

Criticisms of Shackle's approach should be based on what the man believes. It is impossible to regard a Christian and neo-Platonist as a nihilist. But instead of being praised or ridiculed for religious metaphysics, he instead he was charged with nihilism and in the same breath convicted in absentia<sup>15</sup>. Nihilists are not pre-occupied with dignity and hope, as Shackle was. Neither may one explain his rejection of mechanism in the *General Theory* as nihilism. To do so is to accept the rules as laid down by the mechanists; namely that anything that is not deterministic and predictable is not science at all.

---

<sup>14</sup> Shackle nominated Giovanni Antonio Canal (1697-1768), known as Canaletto, as his representative of a classical style; the light is clear, the scenes have orderly composition and there is a photographic quality. But Canaletto had two styles, one being rather more Turner-esque. And some individual canvases are poised between the two styles, if I am any judge. See a website aspiring to show his complete works: < [www.canalettogallery.org](http://www.canalettogallery.org) >

<sup>15</sup> Coddington was one of the loudest voices in the choir. Compare Coddington (1976) and (1982). See Earl and Kay (1985) for constructive aspects of Shackle's position. Warren Samuels (1993) and Stephen Parsons (1993) strive to unpack the term "nihilism" as (mis-)used in the discourse of economists.

Accusing Shackle of nihilism is more than merely wrong: it would likely have been taken as beyond foolish and as hurtfully offensive<sup>16</sup>. One imagines that the surprisingly sharp rejection of Shackle's *Epistemics* by the kindly Quaker and friend, Kenneth Boulding, must have been doubly upsetting: "Shackle's view leads only to total despair... (1973, p. 1374).

In reply, lack of foreknowledge does not mean resignation or despair (though neither does nihilism in all its forms): "un-knowledge does not mean un-hope"<sup>17</sup>. The Zen-like poetry of the formulation (un-hope) prevents the use of the word for the weakness most dreaded by Christians and Jews, despair<sup>18</sup>.

Boulding agrees with Shackle that we cannot be certain or in command of our own destiny, but this does not mean that we should exaggerate (as he claims Shackle does) our vulnerability to surprise and disappointment. "If man proposes and God disposes, the record suggests that God is not altogether arbitrary and unpredictable." (1973, p. 1374).

Shackle's friend, Mark Perlman sometimes alluded to Old Testament and Talmudic themes in his correspondence with Shackle. In his review of Shackle's *Imagination and the Nature of Choice*, a book written in part to provide a more upbeat impression than the one conveyed to Boulding, we find:

As I see it, Shackle's free choice is similar to Augustine's free will, which in Shackle's view contains cultural and experiential elements. At its core the essential freedom of that choice is the teaser that God gives to man, individually. (1980, p. 117)

And he makes the insightful point:

I would guess that what separates the Shackle and Boulding perceptions is a curious inversion of "Jacob's capacity to wrestle with the Angel". Shackle is profoundly aware of man's ability to handle uncertainty and is consciously less afraid of Destiny's possible cruel grip on man. Shackle suggests, as I read him, that man's capacity to sort out and absorb feedback is God's saving gift. ... The dialogue between man and God (fate, if you prefer) may well be just that; perhaps man's imagination serves as a stimulus as well as a response. (p. 118)

Later Perlman (2005, p. 177) expands a little:

"[T]he interesting point is not that Jacob could not pin the Angel, but rather that the Angel could wound but could not pin Jacob (Genesis 34: 24–32). In other words, the capacity to create new opinions rapidly (otherwise known as the

---

<sup>16</sup> But there is no real trace of this bitter sentiment in Shackle (1983-84). Though Coddington had committed suicide, is it too audacious to claim that this silence actually provides further confirmation of Shackle's disposition as a man? Coddington's provocation was intense, describing Keynes's theory of speculative demand for money "as an essay in the economics of pure chaos" (1979, p. 981). While "chaos" is an ordinary term as well as a technical term in physics, it use also has a pointed religious meaning.

<sup>17</sup> Perelman quotes Shackle approvingly in 1982: Shackle papers, University of Cambridge Library (9/8/339).

<sup>18</sup> Some may instead confer the honour upon pride, though there may be a theology on the ranking and the relevant category of these two contenders.

imagination), like the wrestler who is forever slipping out of a hold, is man's effective major defence against fate.

### *Policy pessimism*

There may barely be a *prima facie* case for "policy nihilism" on the grounds that the world is too volatile to control, but no more. Some use the term, in a critical and casual sense, to claim that his approach is a rejection of predictability and therefore of all explanation and of all policy, but even this involves far-ranging misunderstandings of Shackle's case. The assault on mainstream models of making decisions is mission is not one of pure destruction. Shackle pointed to potential instability and inherent restlessness, but not to a lurching and swirling chaos requiring either an emphatic curbing grip by government or resignation in the face of the untameable. History is the result of the interplay of active, and typically hopeful, human choices.

The business scene and its participants can be looked on as a staging contest of rival orientations, rival ambitions, rival exploitations of the world. It is capable, for all the analyst can tell *ex ante facto*, of realizing some one or other of these visions in some degree, and thus of presenting an appearance of momentary or temporary orderliness during the ascendancy of one orientation and its sponsors. Or the contest may be inconclusive and sterile, and result in a period of rudderless backing and filling of the sails and of untidy, blind struggle and groping for decisive policy. It will be a kaleidic society, interspersing its moments or intervals of order assurance and beauty with sudden disintegration and a cascade into a new pattern.

Interestingly, Shackle continues here and refers to constraints upon the possibilities for systemic change (though this is not framed in terms of social choice or as evolutionary progress):

Such an account of the politico-economic process may at various epochs or in the course of various historical ages appear less or more suggestive and illuminating. It invites the analyst to consider the society as consisting of a skein of potentiae, and to ask himself, not what will be its course, but what that course is capable of being in case of the ascendancy of this or that ambition entertained by this or that interest. The rival orientations, in the pure form of each, if it were conceivable that one or the other would be perfectly realized, would define the boundary of the possible situations, or transforms of situations, through which the society might pass in the course of a few year or a few decades. The partial or mixed success of several would lead to interior paths within this boundary, or to the temporary loss of a sense of direction. Such a loss of direction, in the economic aspect of affairs, might consist in a catastrophic slump or an uncontrollable inflation and the destruction of the currency and the society's confidence. (1972, p. 76)

Within these boundaries, the system drifts contingently.

As Metcalfe and Ramlogan (2005, p. 668) note, there is a paradox within a radically subjectivist position. An individual's knowledge can only grow through learning in a sufficiently stable environment. They regard Shackle's position as "Lachmannian nihilism"<sup>19</sup>. But if Shackle is right, no matter how much we learn about the past, we will never have greater power to predict the future. Whenever one is in the present contemplating the next crucial step, one is already pushing beyond the margin of what is knowable.

Shackle admired business people for facing the void. Their choices and actions would fill the next slice of the void, the next present time, and affect many presents to come. He respected applied economists; he did empirical work early in his career with Phelps Brown and he drew on the work of Andrews. Clearly he did not think that decision-making or policy advice was pointless.

But he thought that we should not proudly over-reach. Shackle is not under the spell of Victorian progressivism with its faith in technological advance and in human self-improvement – which, by the way, Shackle (1965, p. 37) misrepresents as a quest for human perfectibility. This may be an unproductive intrusion of his Christianity. His attitude connects with his coolness towards evolution in general and hesitancy with Marshall in particular. Shackle regards Marshall's faith in evolutionary progress somewhat dismissively as a mark of his Victorian times. Shackle's theory is open to contingency and choice but is conspicuously non-evolutionary (1965, p. 191).

Although he is very quiet about economic policy, Shackle does accept macro-management and other policy interventions<sup>20</sup>. And individuals are not abandoned, bereft in a maelstrom. Practical businesspeople have qualities he admires; applied economists likewise. There is some order and regularity in the world; conventions and institutions provide it, but they are beyond rational manipulation and the vast scope for individual imagination and choice remains.

Shackle may not have left us with policy tools. Though his words are not themselves tools, in some way they are better than that. They help us frame the policy questions properly and guide us on how to use our tools more wisely, humanely and modestly. They may help to counter-balance the self-assurance and the grandness of Keynes's entrancing intellectual, social and economic program.

---

<sup>19</sup> Ludwig Lachmann, a friend and correspondent of Shackle, was a member of the Austrian School. In some ways Shackle was the more radically "subjectivist" of the two. Lachmann tried to urge Shackle [source: aerogram; their correspondence] to accept that institutions created some stability within which free and creative individuals could make their choices. Brian Loasby is a follower of Shackle who has gone to some effort to accentuate the positive lessons for decision-makers and he himself appears to have escaped the accusation of nihilism. See Nicolai J. Foss (2000). But Loasby regards Shackle's position as a credible one involving *imprecisely* bounded rationality.

<sup>20</sup> See my (2009).

Pessimism or humility may be better descriptions of Shackle's stance. It is true that it is hard to see where we can go to once Shackle's radical subjectivism is accepted, but as James Buchanan (1982, p. 18) notes:

Any methodological advance must build on the work of Shackle. But as many scholars have found, the next steps are not easy. The advances themselves will, of course, be genuine choices [creations: B.L.] in the full Shackleian sense. They cannot be predicted.

Finally, there is a deeper sense in which those who at the far extreme desire to command and control are the true nihilists. They cut themselves free from the constraints imposed by wisdom. They are the predictors and the rest of us are the predicted.

### *Conclusions*

*We are prisoners of ideas.*  
*G.L.S. Shackle, "General Thought Schemes and the Economist"*  
*in Ford (1990, p. 179)*

A distinctive but as yet unrecognised Christian neo-Platonism suffuses the works of G.L.S. Shackle. It pervades his views on the human condition and the way people make choices, his own economic theory and its place in the history of the discipline, his orientation on policy, his methods of enquiry through both mathematics and prose, his use of metaphor in prose and his choices of metaphor, and it is salient in his personal biography. It also reflected in his views about the wonder and coherence essential to science itself.

To substantiate this novel claim, questions about sound exegetical practice soon arise. When one sees the admiration towards (and the practice of) the pursuit of harmony, beauty, mathematics, poetry, intuition, metaphor, mystical lyricism and Christianity in such juxtaposition, one may reasonably call it Christian neo-Platonism with some confidence. But it is a Platonism humbled by epistemic uncertainty; our knowledge is tentative. Reflected reality is vague and distorted in Plato's cave of flickering shadows. We are not merely ignorant (as in Book VII of the Republic); Shackle has realised that there is too much that is unknowable. Economics will not achieve knowledge of the kind reached in the natural sciences (1965, p. 182). What we select from the world and join together in language is better understood as artistic creativity.

Shackle holds that style and substance co-penetrate, and Shackle's own writings provide stark evidence. An exegete should try to understand the author and the overall vision as well as trying to understand the bare text. Shackle resisted the machine metaphor and could understand how Keynes, who accepted the kaleidic perspective, could nevertheless employ such a crude mechanistic method as comparative statics. But if Keynes is taken to mean what he wrote, then he held that conventions do indeed provide sufficient stability to permit mechanical forces to operate in full.

Shackle's *Scheme of Economic Theory* is under-explored. It reveals much about Shackle's bigger picture, and it explains where he places his work in the gallery of economic theory. It is book of intellect, but it also expresses Shackle's aesthetic sensibility. We need not choose between art and science, between beauty and truth.

Shackle's last prayer was this:

*O Lord I beseech Thee  
Shape my thought to beauty*

Composed by George Shackle and  
on his headstone

Dr Bruce Littleboy  
Economics, UQ  
June 6, 2011

## References

- James M. Buchanan (1982), “The Domain of Subjective Economics: Between Predictive Science and Moral Philosophy”, in I. Kirzner (ed.).
- J.L. Ford (ed.) (1990), *Time, Expectations and Uncertainty in Economics; Selected Essays of G.L.S. Shackle*, Edward Elgar, Aldershot.
- Nicolai J. Foss (2000), Book Review, *Economic Journal*, Vol. 110, No. 467, Nov., pp. F795-F797.
- Roger Garrison (1995), “The Persistence of Keynesian Myths: A Report at Six Decades” in Richard M. Ebeling, ed. *Economics Education: What Should We Learn About the Free Market?* Hillsdale: Hillsdale College Press, pp. 109-136. <http://www.auburn.edu/~garriro/fk1hdale.htm>
- Israel M. Kirzner (ed.) (1982), *Method, Process, and Austrian Economics; Essays in Honor of Ludwig von Mises*, Lexington Books, D.C. Heath, Mass. and Toronto.
- Bruce Littleboy (1990), *On Interpreting Keynes; A Study in Reconciliation*, Routledge, London.
- Bruce Littleboy (2009), “Unresolved Issues in Fiscal Policy: Metaphors in Collision”, 22nd Conference of the *History of Economic Thought Society of Australia*, 14-17 July 2009, University of Notre Dame, Fremantle Campus, Australia.
- Bruce Littleboy (2010), “Religious Undercurrents in the Writings of GLS Shackle”, 23<sup>rd</sup> HETSA Conference, July 7-9 2010, University of Sydney.
- Brian J. Loasby (1989), *The Mind and Method of the Economist; A Critical Reappraisal of Major Economists in the 20<sup>th</sup> Century*, Edward Elgar, Aldershot
- J. Stan Metcalfe, R. Ramlogan (2005), “Limits to the economy of knowledge and knowledge of the economy”, *Futures* 37 (2005), pp. 655–674.
- Stephen D. Parsons (1993), “Shackle, nihilism, and the subject of economics” *Review of Political Economy*, 5:2, pp. 217-235.
- Mark Perlman (1973), Book Review, *Journal of Economic Literature*, 18:1, pp. 115-118.
- Mark Perlman (2005), “Memorialising George L. S. Shackle: a centennial tribute”, *Cambridge Journal of Economics*, 29:2, pp. 171–178.
- Roy Rotheim (1993), “On the indeterminacy of Keynes’s monetary theory of value”, *Review of Political Economy*, 5:2, pp. 197-216.
- Warren J. Samuels (1993), “In (limited but affirmative) defence of nihilism”, *Review of Political Economy*, 5:2, pp. 236-244.
- G.L.S. Shackle (1958), *Time in Economics*. Amsterdam: North-Holland.
- G.L.S. Shackle (1954), “The Complex Nature of Time as a Concept in Economics”, *Economia Internazionale*, 7:4, Nov., pp. 743-757, reproduced in Ford (1990).
- G.L.S. Shackle (1959), “Time and Thought”, *British Journal for the Philosophy of Science*, 9:36, pp. 285-298, reproduced in Ford (1990).
- G.L.S. Shackle (1963), “General Thought Schemes and the Economist”, *Woolwich Economic Papers*, 1963, no. 2, pp. 1-20, in J.L. Ford (ed.) (1990).
- G. L. S. Shackle (1967), *The Years of High Theory: Invention and Tradition in Economic Thought, 1926–1939*, Cambridge University Press. Cambridge
- G.L.S. Shackle (1972), *Epistemics and Economics: a critique of economic doctrines*, Cambridge University Press.
- G.L.S. Shackle (1973), *An Economic Querist*, Cambridge University Press.
- G.L.S. Shackle (1974), “Decision: The Human Predicament” *The Annals of the American Academy of Political and Social Science*, Vol. 412, No. 1, pp. 1-10
- G.L.S. Shackle (1982), “Means and Meaning in Economic Theory”, *Scottish Journal of Political Economy*, 29:3, pp. 223-234.

- G.L.S. Shackle (1983), "A Student's Pilgrimage", *Banco Nazionale del Lavoro Quarterly Review*, no. 145, June, pp. 107-116.
- G.L.S. Shackle (1983-84), "The Romantic Mountain and the Classic Lake: Alan Coddington's 'Keynesian Economics'", *Journal of Post Keynesian Economics*, VI: 2, Winter, pp. 241-251.
- G.L.S. Shackle (1984), "Il mio schema generale di studio", *Moneta e Credito*, 37:2, 146, pp. 111-120.
- Shackle, G. L. S. (1990), *Time, Expectations and Uncertainty in Economics* (edited by J. L. Ford), Edward Elgar, Aldershot.

0-0-0