

# Digging up Production Functions from the General Theory

Kazuyuki Sasakura\*

January 22, 2009

## Abstract

This paper will present two things. The first is to point out the essence of Keynes's *General Theory* and to show that it is inconsistent. The *GT* took over what Kahn (1931) proposed to construct a new theory for the reduction in unemployment to a great extent, but unlike Kahn Keynes tried to show that the “essence of the General Theory of Employment” holds without the assumption of fixed money wage. This is, in my opinion, the essence of the *GT*. Such an attempt, however, was faulty. The second is to show that there are production functions hidden in the *GT*, and furthermore to specify them. The “essence of General Theory of Employment” is made up of the aggregate demand function and the aggregate supply function. Needless to say, the aggregate demand function has been paid attention to. But the aggregate supply function is also important. Once they are specified, various statements of the *GT* can be considered. Such production functions are proved to be the Cobb-Douglas-type functions.

Key words: Keynes's General Theory, Kahn's multiplier, Flexibility of the Money Wage, Production Functions

JEL classification: B22, E12, E24

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\*Faculty of Political Science and Economics, Waseda University, Japan. E-mail: sasakura@waseda.jp