

THE POLITICAL SIGNIFICANCE OF KEYNESISM

By WILLIAM Z. FOSTER

Keynesism is essentially a product of the general crisis of capitalism; more specifically, of the world-wide capitalist crisis of the 1930's. Keynes worked in the general tradition of Malthus, Sismondi, and other bourgeois economists, exponents of the under-consumption theory, who saw the origin of the cyclical crisis primarily in the sphere of distribution.

The Great Crisis of 1929-33 not only undermined the economic structure of capitalism, but exposed the bankruptcy of capitalist political economy. Therefore, two things became urgently necessary for capitalist defenders and apologists, namely, to adopt emergency economic measures to shore up the tottering capitalist system and to make a re-formulation of the general hocus-pocus that passes for capitalist economic theory. Efforts were made from many quarters by practical politicians and economists to satisfy these burning needs of stricken world capitalism; but the man who achieved the biggest reputation in this futile task was the well-known British economist, Sir John Maynard Keynes. As first-aid doctor

to sick capitalism, Keynes finally became the leading economist of the bourgeois world.

Keynes, who died in April, 1946, at the age of 62, was a skilled financial leader as well as an exceptionally brilliant economic theoretician. Besides writing many books and articles on economics, he was a director of the Bank of England, advisor to the State Treasury, and the leader of the British delegation at the Breton Woods Conference; he outlined the plans for Britain's wartime financing, and he was the principal architect of the \$4,000,000,000 American loan to Britain. He was also, as one of his admirers says, "teacher, insurance director, editor, college bursar, government servant, and theatrical manager"; truly, a man of parts.

The most outstanding writings of Keynes were his famous book, *The Economic Consequences of the Peace*, written after World War I and favorably commented upon by Lenin, and his even more celebrated work, *The General Theory of Employment, Interest and Money*, published in 1936. The latter, formulated under the pressure of the world economic crisis and representing the climax of Keynes' theoretical system, contains the main body of economic doctrine now known universally as "Keynesism."

WHAT IS KEYNESISM?

Fundamentally, Keynes' system is an attempt to save capitalism and capitalist profits by solving, or at least

by seriously mitigating, the growing menace of mass unemployment. To this end, Keynes evolved his theoretical analysis and practical plans, which had as their major expressed objective the achievement of full employment within the framework of capitalism. Such full employment, Keynes believed, would avert the recurring cyclical economic crises and also put an end to imperialism and war, thus placing capitalism upon an ever-ascending spiral of progress that would make Socialism both unnecessary and impossible.

Keynes challenged the current "spontaneous equilibrium" theories in capitalist economics to the effect that supply automatically creates demand and demand, supply. He polemized against those bourgeois apologists, who, in a world of rapidly growing mass unemployment, still maintained the theoretical absurdity that under capitalism, production and consumption automatically balance each other (Say's law of markets), and that consequently over-production and enduring mass unemployment are impossible. With tens of millions of unemployed throughout the world to lend weight to his words, Keynes argued that the capitalist system, far from being self-adjusting, suffers from an organic contradiction, a deep-seated imbalance between production and consumption, which tends, with the maturing of capitalism, to create more and chronic mass unemployment. This economic flaw, if uncor-

rected, he said, must lead to widespread industrial breakdown and possibly eventual revolution. "The theoretical works of Keynes," says the well-known Soviet economist I. G. Bliumin, "represent an attempt to reconstruct bourgeois political economy in circumstances of the general crisis of capitalism. . . . In essence this is a matter of the further strengthening and development of state-capitalist enterprises, which during the war have grown to such large proportions."*

Keynes' theoretical analysis of the cause of growing mass unemployment and, more specifically, of deepening cyclical economic crises, may be stated very briefly as follows: (a) slowdowns and breakdowns of production are caused by inadequate demand for consumers' and capital goods; (b) this failure of effective demand is, in turn, caused by insufficient capital investment; (c) this inadequate investment is brought about by "over-saving" habits among the people; (d) this "over-saving," based on "fundamental psychological laws," tends to become more marked with the maturing of the capitalist economy. The general result, argued Keynes, is that, with restricted investments and reduced mass purchasing power, unemployment tends to spread, to become chronic, and to assume catastrophic dimensions in the resultant ever-deeper "business cycles."

* *Bulletin of the Academy of Sciences, U.S.S.R., Division of Law and Economics, No. 4, 1946.*

Keynes argued that this tendency towards economic stagnation and collapse was inherent in the competitive capitalist system and that, if left to operate unchecked, it could only grow worse and mass unemployment would spread. He contended that only state intervention into the economic sphere, directed towards stimulating capital investment, could prevent industrial decline and crisis by establishing full employment. Hence, he proposed a series of measures designed to weaken "the propensity to save," and to strengthen "the propensity to consume"—that is, to bring about more capital investment and thus to increase mass purchasing power. Among these measures were the reduction of the rate of interest, incentive tax laws, public works, government housing projects, social security systems, and the like. Implicit also in Keynes' idea was a limited and rudimentary effort to "plan" the economic life, rather than to leave it to the wild vagaries of so-called free enterprise. It was a program of "moderate," "controlled" inflation.

THE SEVERAL VARIETIES OF KEYNESISM

The general ideas of Keynes have received wide acceptance in capitalist circles, both in a theoretical and practical sense. But the various capitalist groupings and ideological tendencies put their own special interpretation upon Keynesism, or take from it those features most convenient for

their respective group interests. Consequently, there are at least four major Keynesian streams to be found in present capitalist economic thought and practice.

1. In liberal circles there has been a practically universal acceptance and adaptation of Keynesism. This is exemplified by the Roosevelt-Wallace movement in the United States and by the Beveridge Plan in Great Britain. Roosevelt and Wallace had in common with Keynes the attempt to bridge the gap between the producing and consuming powers of the people, under capitalism, with a view to achieving full employment. Perhaps the most striking characteristic of this major liberal variant of Keynesism is the stress that the New Dealers put upon the improvement of the real wages of the workers as a means to strengthen mass consuming power, whereas Keynes himself took the conservative position that a decline in real wages tended to increase employment. This difference on the wage question largely explains why Roosevelt was so hated and Keynes so respected among capitalists. Liberal economists in the United States, led for the most part by the Hansen group in Harvard University, are almost universally supporters of Keynesism, as they interpret it. How devoutly Keynesism is looked upon as a preventive of economic crises, was illustrated by Walter Lippmann in the *New York Herald Tribune* of November 25, 1947. In remarking that a certain

European Communist, upon the basis of his Marxian training, was expecting an economic crisis in the United States, Lippmann urged that this Marxist should correct the error of his conclusions by reading John Maynard Keynes.

2. Conservative capitalist circles have also been widely affected by Keynesian ideas. Keynes, although starting out as a liberal, finally became the economic leader of British big capital, which explains the many major posts that he held under both the Churchill and Atlee governments. The American pseudo-progressive Committee on Economic Development, representing 50,000 business firms, has in its policies much of the Keynesian line. In *Fortune*, October, 1944, a C.E.D. spokesman says:

Constructive policies representing taxation and public expenditures (including expenditures for public works), intelligent handling of the national debt, and enlightened control over credit and money, can greatly retard or prevent excessive swings of the business cycles.

The Truman Administration also makes many adaptations of Keynesism in its domestic and foreign economic policies. Even the Big Business N.A.M., although officially considering Keynes and full employment as anathema, has nevertheless been materially influenced by Keynesism. In its recently published, big two-volume work entitled *The American Individual Enterprise System*, there

is more than one cautious endorsement of the Keynesian proposition of government spending as a means to overcome economic crises; present, too, are numerous adaptations of various Keynesian financial plans. In the minds of the big capitalist supporters of the current huge American militarization projects and the Marshall Plan, there is a widespread feeling that such government cultivation of American industry and efforts is economically necessary, if overproduction tendencies are to be combated and an American cyclical crisis in the near future is to be averted or mitigated. Professor Alvin H. Hansen is correct in saying that "the influence of Keynes permeates all official international gatherings grappling with economic problems."*

3. Fascists, particularly those of Germany and Italy, also found Keynesian principles very adaptable to their ultra-reactionary economic and political systems. Hitler and Mussolini early broke with the theoretical drivel of the "free enterprisers." The fascist dictators consciously worked on the Keynesian theory that capitalist economic processes, working spontaneously, tended inevitably to produce a progressively deeper "deflationary gap" between production and consumption and thus to cause industrial shutdown and mass unemployment. They believed, too, that to overcome this gap,

* *The New Economics*, [essays by various authors], edited with introductions by Seymour E. Harris, Knopf, New York, 1947, p. 143.

government investment was necessary. So they proceeded to implement their fascist interpretation of Keynes' government investment theories by embarking upon huge armaments building and preparations for imperialist war. This is the way they produced "full employment." Keynes' theories were widely and favorably received in the fascist press. Jurgen Kuczynski quotes Dr. Hjalmar Schacht as saying in *Der Deutsche Volkswirt* that Keynes' ideas "represent the theoretical explanation and justification of national socialist economy."^{*}

4. Most important from a labor standpoint, Keynesism has also soaked deeply into the ranks of the working class and its organizations. Here it has its own special characteristics. In Great Britain the Labor Party and the Trades Union Congress are saturated with Keynesism, as is the Labor Government. Their Social-Democratic leadership finds it very convenient to peddle Keynesian capitalist ideas to the workers under general slogans of Socialism. In fact, Keynesism is today the economic program of Right-wing Social-Democracy the world over. In the United States especially, Keynesism has penetrated far into the ideology of the trade-union masses. The A. F. of L., although still tinctured with N.A.M. "free enterprise" notions, has nevertheless become pretty generally committed to the Keynesian idea that

government spending can put an end to cyclical crises and achieve full employment within the framework of capitalism. The C.I.O. and the Railroad Brotherhoods are even more definitely Keynesian in their outlook. American organized labor absorbed these Keynesian ideas during the Roosevelt period. Even the Communist Party did not prove wholly immune to the big drive of Keynesism in Roosevelt's time, as witness the acceptance by Earl Browder of the general Keynesian line, expressed in tailing after the Roosevelt regime.

THE "KEYNESIAN REVOLUTION"

Supporters of Keynes very frequently characterize his theory and program as the "Keynesian Revolution." An American economist, Lawrence R. Klein, has recently written a book with this title. But, as Mr. Klein assures the capitalists, they need have no fears for their regime from Keynesian attacks. For, as he says, there is nothing revolutionary in Keynes; neither in his theory, nor in his practice.

Keynes has not, despite his enthusiasts' assertions, revolutionized bourgeois political economy. On the contrary, in his *General Theory* he assumes the correctness of the whole body of vulgar capitalist economy. He makes no challenge to the principles governing the exploitation of the workers and the extraction from

^{*} Jurgen Kuczynski, *New Fashions in Wage Theory*, International Publishers, 1937, p. 15.

them of the surplus value which reaches the exploiters' pockets in the form of interest, rent, and profit, and upon which the capitalist system is based. Keynes' system, therefore, is characterized by superficiality. Far from overthrowing the major economic theories of capitalism, he does not even discuss them, arbitrarily taking them for granted. Instead, Keynes confines himself narrowly to the practical operation of capitalist business, especially with regard to measures to counteract cyclical crises and mass unemployment. Indeed, Professor Klein hastens to assure us, "the revolution was solely the development of a theory of effective demand."* But if Keynes has not revolutionized capitalist political economy he has nevertheless, in the practical field in which he operates, exercised a wide influence on capitalist economic thinking and policies, as we have already indicated.

Needless to say, Keynes made no theoretical "contributions" to Marxism. Paul M. Sweezy gives an incorrect impression when he says, in the quarterly magazine *Science and Society*:

I think there is a great deal in Marx—especially in the unfinished later volumes of *Capital* and in the *Theorien über den Mehrwert*—which takes on a new meaning and fits into its proper place when read in the light of the Keynesian contributions. Moreover, at least in Britain and the United States, the Keynesians are far better trained

and equipped technically (for instance, in the very important sphere of gathering and interpreting statistical data) than Marxist economists, and as matters now stand there is no doubt which group can learn more from the other.*

And Mr. Frank Verulan paints a misleading picture when he states:

. . . Lord Keynes was trying to discover the how and why of unemployment, and to the extent to which he succeeded it is not surprising that his analysis bears a family relationship to that of Marx. To that extent, the gulf between Marxist and non-Marxist economists has been bridged, and there is now some common ground between the two, even if it be largely ground for debate.**

Marxists, notably Marx himself and Lenin, have always been alert to glean what was to be had from bourgeois writers and they freely gave the latter full credit therefor. Of course, a man so brilliant and with such wide practical experience in the highest policy levels of capitalist Big Business and politics as Keynes has much in his writings that is informative and instructive regarding the practical workings of capitalism. Marxists can profit from this practical information. But that is about the limit of the value of Keynesism to Marxists. As regards theory, Keynesism has nothing whatever to offer to Marxism. Keynesism is pro-capitalist throughout. Marxists can and do sup-

* Lawrence R. Klein, *The Keynesian Revolution*, Macmillan, New York, 1947, p. 56.

* *Science and Society*, Fall, 1946, p. 404.
** *The Modern Quarterly*, London, Spring 1947, p. 169.

port reforms advanced by many Keynesians, but that is a far cry from accepting Keynes' theory. Keynesism collides with Marxism at every point. Attempts to consolidate Keynesism with Marxism, or to consider Keynesism as a sort of modern extension of Marxism, are unfounded and must therefore fail.

Keynes was definitely and aggressively anti-Marxist, and he made no effort to study or to understand Soviet Socialist experience, although he had visited the U.S.S.R. Professor Seymour E. Harris, an ardent Keynesian and noted American economist, says in this respect: "Keynes was particularly critical of socialist economics. It is difficult to understand his rather extreme and unfair attack on both Marxian and Russian economics. In his view, there was nothing to be learned from Russian economics."* Keynes called Marxism the "underworld" of political economy, and stated in 1932:

How can I accept a [the Communistic] doctrine which sets up as its bible, above and beyond criticism, an obsolete economic textbook which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement? Even if we

need a religion, how can we find it in the turbid rubbish of the Red bookshops?*

Here is exposed Keynes' profound adherence to capitalism. He not only sneers at Marxism and the working class, but extols the virtues of capitalists and capitalist exploitation, to the preservation of which his whole system of thought is directed.

Even as Keynes did not revolutionize bourgeois political economy (much less re-orient Marxism), so too he failed to set for himself any revolutionary social objectives. Keynes approached his work as an economist strictly from a capitalist standpoint. He was unresponsive to the misery and poverty of the workers and was contemptuous regarding their political capacities. His aim was to make capitalism (more concretely, British imperialism) work, and his whole life was devoted to this end. He believed capitalism could achieve full employment and exist indefinitely. The capitalists would remain masters, but with their wings clipped a little. The state would assume greater control over industry, but not to the extent of the nationalization of industry. Keynes says:

The State will have to exercise a guiding influence on the propensity to consume partly through its scheme of taxation, partly by fixing the rate of interest, and partly, perhaps, in other ways . . . a somewhat comprehensive

* *The New Economics*, p. 547.

* John Maynard Keynes, *Essays in Persuasion*, Harcourt Brace, New York, 1932, p. 300.

socialization of investment will prove the only means of securing an approximation to full employment. . . . But beyond this no obvious case is made out for a system of State Socialism which would embrace most of the economic life of the community. It is not the ownership of the instruments of production which it is important for the State to assume.*

Keynes endorsed capitalist exploitation in the following cynical passage:

For my own part, I believe that there is social and psychological justification for significant inequalities of incomes and wealth, but not for such large disparities as exist today. There are valuable human activities which require the motive of money-making and the environment of private wealth-ownership for their full fruition. Moreover, dangerous human proclivities can be canalised into comparatively harmless channels by the existence of opportunities for money-making and private wealth, which, if they cannot be satisfied in this way, may find their outlet in cruelty, the reckless pursuit of personal power and authority, and other form of self-aggrandisement.**

In reply to those ultra-reactionaries who consider the innovations of Keynes as radicalism, Klein has the following to say:

There is a great misunderstanding among the American public that the practical reform measures of the Keynesian economists are leading to socialism. It must be emphasized that

the Keynesian reforms do not infringe upon the rights of private individuals to own producer goods. The most important characteristic of a socialist economy is that there do not exist private property rights over producer goods. The Keynesian approach visualizes the state as a balancing force which serves only to supplement the behavior of individual capitalists, while the socialist approach visualizes the state as the sole entrepreneur which replaces, entirely, the individual capitalists. The Keynesian policy is, indeed, a conservative one because it aims to conserve free-enterprise capitalism. Socialism is not conservative; it is radical and aims to change the capitalist system into a completely different form.*

Professor Harris characterizes the aims of Keynesism thus:

Keynes would indeed try to preserve capitalism by ridding it of its parasitic elements. Excess savings; high rates of interest; the hereditary principle and its debilitating effect on capitalism; the preference of the future over the present—these were the special targets of his criticism.**

And further:

Yet it is far from the truth to classify Keynes as a socialist or even as a destroyer of capitalism. In his attacks on the Labor Party, on the tyranny of trade unionism, on socialism and communism, in his unwillingness even in wartime to deprive consumers of their rights to choose among alternative commodities, Keynes showed that to the very end he remained a defender of

* *The General Theory of Employment, Interest and Money*, Harcourt, Brace, New York, p. 378.

** *Ibid.*, p. 374.

* *The Keynesian Revolution*, p. 167.

** *The New Economics*, p. 544.

capitalism, of a system of private enterprise. . . .*

ECONOMIC AND POLITICAL FALLACIES OF KEYNESISM

Keynesism cannot achieve its avowed goal of permanent full employment within the framework of the capitalist system. This is so because it does not remove the fundamental cause of mass unemployment, namely, the basic contradiction between the social character of production and the private character of appropriation. Keynesism deals with symptoms, not basic causes. Like all essentially under-consumption theories, Keynesism does not concern itself with the class relations within capitalist production, which, resulting in the wholesale robbery of the workers, constitute the basic cause of cyclical crises and mass unemployment. Lenin says:

Gigantic crashes have become possible and inevitable; only because powerful *social* productive forces have become subordinated to a gang of rich men, whose only concern is to make profits.**

Keynesism does not challenge capitalist exploitation of the workers, production for private profit, or the political rule of the capitalists. With its policies of stimulating investment through government financing, Keynesism goes no further than to paper-bridge the widening "gap" between the developing power of pro-

duction and the restricted character of the capitalist market after this gap has been created by the antagonistic social relationships within capitalist production. The molehill of government public works expenditures cannot offset the mountain of surplus value stolen from the workers by the capitalists.

Hence, as V. Gayev says, Keynesism is "unable to eliminate the basic evil and at best can only strive to postpone the moment when these contradictions lead to crisis."* Even a tinker, however, can make minor repairs, and so does Keynesism. Keynesian public works, social security, and similar projects mitigate in some degree the extent and the devastating effects of mass unemployment upon the workers; therefore the workers should support them. But these reforms cannot abolish mass unemployment, avert cyclical crises, or cure the deepening general crisis of the world capitalist system.

As Alexander Bittelman says, "full employment permanently is incompatible with the capitalist mode of production."** In order to abolish mass unemployment and cyclical crises the workers and their allies must develop policies capable of curbing and eventually breaking the power of the capitalists in industry and their monopoly of the means of production. These policies, going, to say the least, far beyond the limited

* *Ibid.*, p. 545.

** V. I. Lenin, *Collected Works*, International Publishers, New York, Vol. IV, Book 1, p. 172.

* *War and the Working Class*, Moscow, 1944, No. 11.

** *Political Affairs*, January, 1946, p. 172.

reforms of the liberal Keynesians, must eventually extend to such measures as the nationalization of the banks and major industries, and the establishment of a planned economy. The carrying out of such measures will demand that the workers and their allies secure political power. Only when these democratic, anti-capitalist forces are in full command of the nation's decisive economic resources and government posts can the present basic contradiction between production and consumption be finally solved, cyclical crises eradicated, and mass unemployment ended. This means advance into Socialism. The U.S.S.R., with its Socialist-planned economy, and the permanent and total eradication of mass unemployment, has given the world the only practical, final answer to the burning problem of wholesale joblessness. Marx, not Keynes, points the way to full employment.

Within the general sphere of its failure to attack the evil of mass unemployment at its capitalist roots, Keynesism is also afflicted with a whole series of errors, weaknesses, and misconceptions. Among them may be noted:

1. Numerous economic fallacies, including incorrect theories of value, wages, money, capital accumulation, and investment. Gross exaggerations of the stimulating value of "the multiplier" (pump-priming), and illusions regarding deficit financing and the role of the national debt.

2. A false interpretation of mass psychology in economic questions. In this matter Keynes puts the cart before the horse. He tries to prove that the ups and downs of the national economy are determined by the varying moods of the people regarding consumption and investment, whereas the opposite is the case. It is primarily the economic fluctuations that produce the people's changing economic mass moods and actions. Keynes thus distorts the basic class character of mass economic psychology.

3. A gross underestimation of the reactionary role of monopoly capital. Keynes, in his *General Theory*, hardly mentions monopoly at all. He writes almost as though in Great Britain and the United States there still exists a system of competitive, "laissez faire," capitalism. This attitude on his part amounts to an attempt to by-pass the major opposing force which is arrayed against every progressive economic and political cause in the present-day world, monopoly capital.

4. An oversimplification of the questions of imperialism and war. Keynes, although himself an indefatigable champion of British imperialism (which explains largely why his personal prestige was not great in American capitalist circles), nevertheless attempts to brush aside the whole question of abolishing imperialism and war as being merely a matter of achieving full employment, by his methods, in the big capitalist

countries. This would end all dangerous frictions and rivalries between the great powers, he believes. The basic question of the uneven development of capitalism in the various countries, which was so much stressed by Lenin as a factor making for imperialist war, is characteristically ignored altogether by Keynes.

5. An incorrect theory of the state. Keynes, who could have profited greatly from even a glance at Lenin's *State and Revolution*, pictures the state as an impartial institution standing above and apart from separate class interests and advancing society's general welfare. This nonsensical bourgeois notion, which contradicts every reality of the present social order, in which the capitalists brazenly use the state to advance their specific class interests, renders worthless the Keynesian analysis of the political aspects of the problem of achieving full employment.

6. Class collaborationism. Keynes' main economic and political argumentation amounts to a denial of the class struggle and to the promulgation of a program of all-class collaboration. He starts out with the economic theory that "over-saving," of which he complains so much, is not brought about by the heaping up of surplus value in the hands of the capitalists, as the Marxists point out, but is caused by excessive saving habits by all social classes, including the workers. And he winds up with the political proposal of an amorphous all-class movement for supposedly

general social ends. The futility of such class collaborationism as a means of achieving full employment needs no elaboration in the columns of *Political Affairs*. It is interesting to note, however, that the liberal Keynesians, Roosevelt and Wallace, when they have actually tried to strengthen the mass purchasing power, found themselves in the midst of fierce political struggles and were thoroughly opposed by the great bulk of the big bourgeoisie.

7. A strong current of utopianism. Among Keynesians, particularly those of a liberal persuasion, there is a marked utopian streak.

To the Keynesians, their policy seems such a feasible one—namely, to make capitalism work and become more profitable—that they cannot understand why the big capitalists do not accept their full employment projects out-of-hand. Their appeal is to the so-called intelligent capitalists. They fail to realize that monopoly capital is not interested in, but is opposed to, full employment; that, far from having the people's interests in mind, it tends to head in the contrary direction of fascism, imperialist expansion, and war.

One hundred years ago Marx and Engels had the following to say about utopians:

They want to improve the condition of every member of society, even that of the most favored. Hence, they habitually appeal to society at large, without distinction of class; nay, by preference, to the ruling class. For how can people,

when once they understand their system, fail to see in it the best possible plan of the best possible state of society?*

It was with characteristic Keynesian utopianism that Earl Browder enthusiastically looked to the capitalists, in their "true class interest," voluntarily to double the real wages of their workers and to industrialize and democratize the backward areas of the world. Klein says, too, in the same utopian vein: "Full employment seems to be such a desirable economic policy that we may well be led to wonder why there must be any opposition to it."**

For all those who believe that the man-eating tiger, capitalism, can be transformed into a peaceful domesticated animal working in the service of mankind, Stalin has the following words of wisdom:

If capitalism could adapt production, not to the acquisition of the maximum of profits, but to the systematic improvement of the material conditions of the mass of the people, if it could employ its profits, not in satisfying the whims of the parasitic classes, not in perfecting methods of exploitation, not in exporting capital, but in the systematic improvement of the material conditions of the workers and peasants, then there would be no crisis. But then, also, capitalism would not be capitalism. In order to abolish crises, capitalism must be abolished.***

* *The Communist Manifesto*, International Publishers, 1932, p. 40.

** *The Keynesian Revolution*, p. 179.

*** Joseph Stalin, *Leninism*, International Publishers, Vol. II, p. 253.

AMERICAN IMPERIALISM AND KEYNESISM

In the United States, Keynesism took early root and has played an important political role. In the economic crisis of 1921, the President's Commission on Unemployment proposed a program of public works to combat joblessness. During the latter 1920's numerous economists, among them Tugwell (*Industry's Coming of Age*) and Foster and Catchings (*Business Without a Buyer* and *The Road to Plenty*), alarmed at the failure of consumption to keep pace with production, were already advocating the organized strengthening, through government financing, of the American people's purchasing power. But it was only after the election of Roosevelt in November, 1932, during the period of the lowest point of the great world economic crisis, that what later came to be called Keynesism began to have a real part in the economic and political life of this country.

Roosevelt's New Deal, although it had its own special aspects, had many characteristic Keynesian features. It was a definite attempt, through government financing, to overcome the "deflationary gap" between production and consumption. Keynes, who both wrote to and visited Roosevelt at the outset of the New Deal, was critical of the President and of many points in his program (Keynes, himself had not yet finally formulated

his own ideas). One of the more striking differences between the New Deal and the later characteristic Keynesian program was the far greater stress that Roosevelt put upon increasing the real wages of the workers. It was this that led Roosevelt to support the building of a powerful trade union movement, which, in consequence, attracted to him the undying hatred of the big capitalists. Other American Keynesians share the Roosevelt-Wallace position regarding the wage question, as against that of Keynes. Thus Kenneth May, reviewing Alvin H. Hansen's new book, *Economic Policy and Full Employment*, says:

Hansen rejects the orthodox axiom that increased employment implies lower real wages—an axiom specifically accepted by Keynes in his *General Theory*. He advocates increasing real wages based on increasing productivity . . .*

Keynesism—Roosevelt style—did not succeed in liquidating the great American economic crisis of the 1930's. It did, however, with its vast make-work projects and Government inspired investment program, somewhat mitigate the economic situation and somewhat ease the position of the previously half-starved unemployed workers. But the depression lingered on, in spite of Roosevelt's \$25 billion spent in "pump-priming," so that on the eve of World War II, there still re-

mained in the United States the gigantic total of 10,000,000 unemployed. Nor, with prevailing policies, was there any prospect of a serious improvement in the situation. It was only with the outbreak of the war, with its boundless assured markets for goods, that gave the stricken American industry a new shot in the arm.

Why did American capitalism turn to the New Deal-Keynesian line to find a way out of the economic crisis, instead of taking the path of German capitalism to fascism and war? The answer to this important question lies in the different respective positions of German and American imperialism at the time. German monopoly, with but little surplus capital available, bound up by rigid Versailles peace treaty terms, confronting a restless working class, and hedged about by other European powers, sought to cut its way out of the economic crisis and all its political difficulties by building great armed forces and embarking upon a program of imperialist expansion, world domination, and war. The American monopolists, on the other hand, had no such compelling pressures in the Great Economic Crisis. Their problems were more exclusively economic. They had at their disposal vast financial resources, which made it possible to apply the huge "pump-priming" program of Roosevelt. It is a fact, however, that many big capitalists in the United States clearly preferred a fascist orien-

* *Science and Society*, Fall, 1947, p. 377.

tation instead. Indeed, the original National Recovery Act, with its numerous industrial codes, was developed by the United States Chamber of Commerce and definitely had a fascist odor about it. But these early fascist trends under the New Deal regime were soon drowned out by Roosevelt's tremendous democratic mass support. So, in spite of the stiff opposition of big capital, the great New Deal experiment went on. The "efficacy" of Keynesism in basically solving the difficulties of capitalism can best be judged by the present economic plight of Great Britain, the homeland of Keynesism.

At the present time, after the victorious outcome of the war, American imperialism has embarked upon a ruthless campaign to reduce the world to its sway. Swollen and bloated industrially from the two world wars, and with the rest of the world impoverished, the United States is now experiencing an unprecedented orgy of artificial, war-fed "prosperity." In this situation the great financial leaders have only contempt and hatred for the Roosevelt-Wallace brand of Keynesism. Their main slogan is for "free enterprise," which means the right to do as they please, and they are traveling hell-bent along the path that leads to economic chaos, fascism, and war.

Nevertheless, even in the midst of their boom-produced inflation and ideological drunkenness, the financial moguls and their stooge economists have not entirely forgotten the les-

son taught them by Keynes. They increasingly realize that Say's law of markets is invalid and that monopoly capitalism inevitably produces mass unemployment and economic crises on an expanding scale. But they are also quite convinced, nevertheless, that they can master the industrial crash that will eventually occur, not by introducing Keynesian remedies of useful public works, social security, etc., but by maintaining large armies of unemployed workers on the dole as a club over organized labor, by making huge expenditures for a big military establishment, by a gigantic export of capital on ruthless imperialist terms, by carrying on a militant program of imperialist expansionism, and by iron repression of all democratic opposition with fascist demagoguery and terrorism.

Many Keynesians, including Chester Bowles, Robert Nathan, Leon Henderson, and the A.D.A. crowd generally, are trotting along in the train of the imperialist, war-minded big-capitalists. They are endorsing the Marshall Plan, applauding atom-bomb diplomacy, falling into step with Wall Street's Red-baiting and Soviet-hating campaign, and are condoning by their silence the insolent fascist-like campaign of war-mongering. Unfortunately, this shameful fact is true, not only of many of the Keynesian professors in the colleges, but also of the dominant Keynes-minded trade union leadership in the A. F. of L., the C.I.O., and the Railroad Brother-

hoods. As for the Right-wing Social-Democratic Keynesians, they have become the bell-wethers for World War III. As for the Truman Administration, it has long ago abandoned the last remnant of Roosevelt's liberal Keynesism and has become the obedient servant of Wall Street. In short—a fact which does not surprise Marxists—the bulk of the leadership of the Keynesians is now showing itself to be imperialist, both politically and economically. It is no real barrier to the catastrophic course of American imperialism and is quite unable to “save” capitalism in this most crucial period.

An honorable exception to this entire deplorable exhibition of chauvinism, confusion, and weakness among the disciples of Keynes is the movement gathered about Henry A. Wallace. Mr. Wallace, boldly standing his ground as a liberal Keynesian in the Roosevelt tradition, although menaced by the present violent storm of imperialist jingoism and fascist-like demagoguery, is intelligently warning the American people against the economic, political, and military disasters toward which the domination of Wall Street is leading the United States. Mr. Wallace may have behind him only a minority of the so-called liberal Keynesian professors and top labor leaders, but he certainly speaks with the backing of huge sections of the toiling masses. He is fighting in the best traditions and interests of the American people.

THE COMMUNISTS AND THE KEYNESIANS

When the coming economic crisis eventually hits the United States and mass unemployment again prevails, we may be sure there will be a big resurgence of interest in the Keynesian “panacea” for unemployment. It is necessary, therefore, that the Communist Party develop a much more precise evaluation of Keynesism, both in a theoretical and practical sense, than it has had to date. Under the Browder regime in our Party only the sketchiest analyses, and these very faulty, were made of the Roosevelt New Deal, the American expression of Keynesism. The Party tendency then was rather to trail along after Roosevelt, with little Marxist criticism and with few policies of our own to propose. A major explanation for this situation was that Browder himself, like so many trade union and Social-Democratic leaders, fell victim to the illusions of Keynesism. He came to believe (and still does) that American imperialism is essentially progressive, and he wound up by throwing Marxism overboard and attempting the liquidation of the Communist Party.

During the two and a half years since Browder was expelled some progress has been made in the United States toward achieving a more satisfactory Marxian analysis of Keynesism. But what has been done is only a start; there must be a far more comprehensive survey of the whole

body of Keynesian theory and practice. This is all the more urgent in view of the fact that, in the main, the leaders and large masses of the labor movement of this country have a Keynesian viewpoint. To develop a fundamental analysis of Keynesism, therefore, will be one of the fitting Marxian theoretical tasks for the observation of the hundredth anniversary of the *Communist Manifesto*.

First, with regard to the Marxian position toward the practical program of Keynesism: As we have seen above, Keynesians, in their moves against mass unemployment, while advancing measures that Communists fundamentally disagree with, also propose various valuable reforms. This was clearly seen under the Roosevelt regime when the workers, Negroes, farmers, and other democratic strata, made very substantial political progress and won many economic and legislative concessions from the capitalist exploiters and oppressors. But, as we have also pointed out, such Keynesian reforms are by no means capable, by themselves, of successfully eradicating mass unemployment. Hence, while supporting what is valid in the Keynesian proposals, Marxists must unhesitatingly come forward with the more fundamental measures which are necessary and at which Keynesians balk. As capitalism sinks deeper in its general crisis, the realization of such basic proposals as the nationalization of industry and

the achievement of political power by the workers and the other democratic masses, will become more and more urgent. We Communists should utilize every possibility to cooperate on a united front basis with Keynesians in the fight for peace, in the defense of civil liberties, and in the protection of the workers' living standards. This does not mean, however, that we have to accept their erroneous economic theories. A Marxian program of immediate demands in the present state of capitalism must necessarily go far beyond the proposals of the Keynesians.

Secondly, with regard to Keynesian theory and our attitude toward it: Keynesism is now being boldly put forward as a substitute for Marxism-Leninism. Keynesians confidently assert that by their policies they can cure the contradictions of capitalism, abolish mass unemployment, avert cyclical crises, and start capitalism upon an endless upward spiral of progressive development. They scornfully brush aside Marxism, with its Socialist perspective, as obsolete and harmful, and they boast that they are winning Marxian intellectuals to their side. They are especially enthusiastic supporters of theories of "American exceptionalism," that is, of the notion that American capitalism, unlike the capitalism of other countries, is progressive and can rejuvenate world capitalism. To realize that the Keynesians' general anti-Marxist line has not been without

effect among the masses, all one has to do is to observe the success the Keynesians have had in shaping the present ideology of the American working class. Roosevelt, during the long economic crisis, won the American labor movement officially to the belief that capitalism, with a little Keynesian tinkering, could be made into a permanently going concern.

We Communists must take up the cudgels energetically against all the Keynesian theoretical nonsense. We must analyze and expose the economic and political fallacies of Keynesism. The illusions of Keynesism disarm the workers ideologically and expose them to the propaganda of the employers in this very complex national and world situation. We must, therefore, counter the Keynesian theoretical errors by a strong exposition of Marxism in all its implications. One of the most urgent mass educational tasks we now have before us is precisely to liquidate Keynesian misconceptions and to give the workers and their leadership at least an elementary understanding of Marxist-Leninist fundamentals. Today only a Marxist leadership can lead the workers effectively, even in

the daily struggles of the trade unions for bread. In the existing difficult conditions, caused by decaying world capitalism, the present capitalist-minded, Keynesian-minded labor leaders, if uncorrected by a strong growth of mass Marxist sentiment, could only lead the working class eventually into the ditch.

In the stormy and difficult period now opening up before us, the workers and other democratic forces, confronted by increasing dangers of economic chaos, fascism, and war, will move toward the building of a great national democratic coalition, toward the formation of a powerful, anti-fascist, anti-monopoly, pro-peace party. Within this vast new people's movement, undoubtedly large numbers of liberal, Keynesian-minded workers and leaders will play a big role. Hence, a basic condition for friendly and effective Communist cooperation with these elements in a united front will be precisely the possession by our Party of a correct Marxian analysis of the program and theories of Keynesism and of our independent political line toward that system of bourgeois reformism.