A question on Marx and Keynes

Nick Beams
8 August 2001

Hello *WSWS*,

I have been an avid reader of your site for the past two years, and your analysis has been a much-needed antidote to my university studies. I am, however, curious about the implications of Keynes' analysis on Marx's economic theory. I am well aware of the fact that Lord Keynes was no friend of Trotskyism, certainly, but some of his successors (Kalecki, Robinson, Sraffa) did attempt to come to grips with Marxian economics. I am curious what *WSWS* has to say about the state of academic economics today, and of the science's historical development. Carry on with the good work!

AB A-A

Philadelphia PA

Dear AB A-A,

It is clearly impossible to answer all your questions in the space of a single reply. Nor am I sufficiently familiar with the work of the individuals you cite to go into great detail. Let me just point to some of the main issues.

Keynes was, as you note, a conscious opponent of Trotskyism and therefore of Marxism. He saw his task as ensuring the development of alternative economic policies to those of the "free market" which accompanied the economic devastation of the 1920s and 1930s. In a famous open letter to Franklin Roosevelt, he referred to the incoming president as the "trustee for those in every country who seek to mend the evils of our condition by reasoned experiment with the framework of the existing social system. If you fail, rational change will be gravely prejudiced throughout the world, leaving orthodoxy and revolution to fight it out."

Keynes opposed the fundamental Marxist conception that the economic crises which wracked the capitalist system were the outcome of structural contradictions arising from private ownership and production for profit. Rather, these crises would be resolved through the application of the correct ideas by enlightened governments developed by thinkers such as himself.

In the introduction to his *Essays in Persuasion*, published in November 1931 as the global capitalist economy was plunging into the Great Depression, Keynes explained that his "central thesis" was "the profound conviction that the Economic Problem, as one may call it for short, the problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and *unnecessary* [emphasis in original] muddle. For the Western World already has the resources and the technique, if we could create the organisation to use them, capable of reducing the Economic Problem, which now absorbs our moral and material energies, to a position of secondary importance."

Keynes was absolutely correct to point out that even at that time—now 70 years ago—the material resources existed to deal with the problems of want and poverty. How then to explain the continued existence of these scourges in the face of the vast increase in technology and the productivity of labour over the last half century? It is not the result of a "muddle" or wrong thinking by those in positions of power, which can be put right by enlightened policies, but is the inevitable outcome of the workings of the capitalist economy.

The state of academic economics today bears a certain similarity to Keynes' time. Then the conventional wisdom was the theory that a generalised slump was impossible because of the operation of what was known as Say's Law—the conception that as supply creates its own demand, there could only be problems in particular markets, but not oversupply and overcapacity in the economy as a whole.

Then, as now, the bulk of professional economists functioned as a kind of priesthood, developing theorems and proofs demonstrating the superiority of

© World Socialist Web Site

the free market system, which stood in ever-more glaring contrast to the real state of economic and social life.

Those economists, who today dissent from the prevailing academic order and question the operations of the free market, do so by-and-large from within a Keynesian perspective. They seek to present the deepening social and economic crisis as largely the outcome of the abandonment of Keynesian policies, based on national economic regulation, which prevailed in the quarter century following the end of World War II.

Let me point to a typical example. In his recent book *Created Unequal* the American economist James Galbraith details the growth of economic inequality over the past 30 years. The main cause, he explains, was "bad economic performance" manifested in "the hard blows of recession, unemployment, and slow economic growth."

"What caused bad economic performance? The answer is plainly visible to anyone with an open mind and a reasonable grasp of the evidence. Economic policy, and very specifically monetary policy, changed. Beginning in 1970, the government abandoned the goal of full employment and instead turned its attention to a fight against inflation. For this purpose, only one instrument was deemed suitable: high interest rates brought into being by the Federal Reserve. There followed a repeated sequence of recessions, each justified at the time as the unfortunate consequence of external shocks and events beyond national control. The high unemployment that recessions produced generated ... the rise in inequality that destroyed the middle class. For this, the Federal Reserve, under its reputable chairmen Arthur F. Burns, Paul A. Volcker and Alan Greenspan, stands primarily responsible" [*Created Unequal*, James K. Galbraith, pp. 8-9].

In other words, we have in the sphere of political economy the equivalent of the "bad Hitler" theory of history. The Marxist approach to economic history does not deny the role of individuals such as Reagan, Thatcher, Volcker and Greenspan. But it seeks to show how the measures they implemented were a response to objective developments within the capitalist economy. Only on the basis of such an approach can one explain, for example, why academic figures such as Milton Friedman and Friedrich Hayek, regarded as intellectual oddities in the 1950s and 1960s, came to be seen as founts of economic wisdom by the 1980s.

On the other figures to which you refer: Kalecki was not a successor of Keynes. In fact, his work on what has become known as macro economics (written in Polish) pre-dated Keynes' *General Theory of Employment, Interest and Money*.

Joan Robinson was a follower of Keynes in Cambridge during the 1930s. In the post-war period she developed explicit criticisms of the prevailing free market theory, pointing out that it could provide no scientific measurement of capital. The value of capital could not be considered independent of the income which it generated. Yet the value of capital was at the same time supposed to provide the explanation of this income stream. In other words, there was a complete circularity in the attempt of orthodox marginal utility theory to explain the value of capital. But while making certain criticisms of orthodoxy, Professor Robinson was an opponent of Marxism, and above all Marx's theory of value. In the manner typical of British empiricism, she dismissed the dialectical method of Marx as "Hegelian stuff and nonsense." (An incisive Marxist critique of Professor Robinson can be found in Roman Rosdolsky's book *The Making of Marx's Capital*.)

Similarly, Piero Sraffa was aware of the contradictions in the orthodox theory of capital. But he attempted to develop a theory of value based on Ricardo, rather than Marx.

Yours sincerely,

Nick Beams

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site