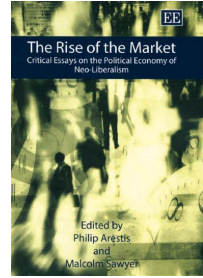


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# Keynes as a bourgeois Marxist

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## 1. INTRODUCTION: THE LIBERAL'S QUESTION

‘Am I a Liberal?’

John Maynard Keynes asked this question back in 1925. He was teasing his audience to place him on the British political spectrum – Conservative, Liberal, Labour – and to find it difficult. More seriously, he was trying to define his position towards what he considered the main questions of his day: peace questions, questions of government, sex questions, drug questions and economic questions. Regarding the last ones, he proclaimed himself in favour of transition ‘to a regime which deliberately aims at controlling and directing economic forces in the interests of social justice and social stability.’ (Keynes, 1972, p. 305)

Marxists should have rejoiced at such prospects. The emphasis both on planning and on social responsibility were things which they passionately believed in. There they had Keynes, adhering to their point of view, why not embrace him? They would, of course, insist on the requirement of social ownership of the means of production, to give effective bite to economic planning, but the stated aims of conscious steering of the economy in the interests of social justice and economic stability, why should they not praise him for endorsing those?

Yet his contemporary Marxists remained, on the whole, rather cold to Keynes, when they were not actively hostile. For his part, the future author of the *General Theory* did not spare their feelings much either. He did not refer to Marx, except contemptuously, he preferred to seek ‘the actual alternative to Marx’s communism’ in some obscure American institutionalist Professor Commons. Commonism instead of Communism. One can well imagine the effect this must have produced on the self-confident, hardline Marxist ideologues of the 1920s.

The question whether he himself was a Liberal, Keynes chose not to answer. He tried to conceal his deep uncertainties, his sense of indeterminacy of his own position, behind the veil of his scintillating wit. The problem of classification of his own opinions he left dangling in mid-air, for posterity to

be intrigued with. Now posterity – the part of it represented by this humble essay – begs permission to respond with an iconoclastic answer: ‘No. You are not a Liberal. What you are in fact is a bourgeois Marxist’.

For posterity to venture such a statement with some claim to be taken seriously, mere impertinence is clearly not sufficient. Evidence is also required from Keynes’s own works. For the ‘bourgeois’ part of the characterization evidence is easy to come by. Keynes was a high bourgeois and proud of it:

Ought I, then, to join the Labour Party? Superficially that is more attractive. But looked at closer, there are great difficulties. To begin with, it is a class party, and the class is not my class. If I am going to pursue sectional interests at all, I shall pursue my own. When it comes to the class struggle as such, my local and personal patriotisms ... are attached to my own surroundings. I can be influenced by what seems to me to be justice and good sense; but the class war will find me on the side of the educated bourgeoisie. (1972, p. 297)

This settles the ‘bourgeois’ part; with the ‘Marxist’ part, however, evidence presents an altogether different picture. If looked for in references to ‘Marxism’ in the General Index of Keynes’s *Collected Writings*, it would not only not support, it would flatly contradict any suggestion of even remote sympathy with Marx’s ideas: ‘Marxian socialism must always remain a portent to the historians of opinion – how a doctrine so illogical and so dull can have exercised so powerful and enduring an influence over the minds of men, and through them on the events of history.’ (ibid., p. 285)

Dim-witted, dull men, always a ready prey for the false prophets of irrational doctrines, there has been no shortage of such men on earth since time immemorial. How could John Maynard Keynes, the son of Neville Keynes, the product of Eton and King’s College Cambridge, the select student of the precious aesthete G.E. Moore and the hard-headed realist, Alfred Marshall, how could he be taken in like the fools? ‘How can I accept a 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 of application for the modern world?’ (ibid., p. 258). And how can anyone, confronted with the weight of such evidence, still for a moment entertain the idea that there might be traces of Marxism in Keynes’s thinking, even in the diluted form of a bourgeois Marxism?

Yet, general indexes to collected writings can sometimes be greatly misleading. It is in their nature to index only the explicit, whereas analogies between patterns of analytical thought are often implicit, remaining unknown even to the authors from whose works they emerge. If one is a thinker, one can be a master of one’s feelings, value judgements, aims, class allegiances. Strangely, it is more difficult to be a master of the logic of one’s own analysis. This he has to allow to master him, to take him wherever it, not he,

wishes to go. If it leads him in the company of another thinker, no matter how unlikely or unlikable, so it has to be – that is, if one is a thinker.

Keynes's general indexes can say nothing on such hidden analogies. For present purposes they represent in the *Collected Writings* the entirely wrong end. The right end to begin with Keynes, as with many other great writers, is not at the end but almost right at the beginning, at the moment in life when a man of genius, on the threshold of maturity but still youthful in intent and purpose, decides to break with the conventions, the hypocrisies, the moral bankruptcy, the falsehoods, the criminal devices of a whole decrepit order of things and stake his claim at changing the world.

The young German philosopher, Karl Marx of the *Rheinische Zeitung* in 1842, of the *Theses on Feuerbach* in 1845, of the *Neue Rheinische Zeitung* and of the *Communist Manifesto* in 1848 was such a man. Exasperated at the petty tyranny of a decrepit, operatic, late-baronial regime in Germany at the time, and at the fatuity of its impotent bourgeois intellectuals, he turned to the working class and to Revolution: 'The philosophers have only interpreted the world in various ways; the point is to change it'. For the audacity of his challenge he paid dearly. A lifelong exile, from his beloved native Germany, he ended up in an alien, for him inhospitable, unfriendly and uncomprehending Victorian London, which he did not himself comprehend much either.

Keynes, of the *Economic Consequences of the Peace* in 1920 was another such philosopher, determined to change the world. The butchery and self-seeking idiocy of the First World War which, although with mounting resentment, he had helped his government to win, roused in him strong opposition. Admittedly, he was not of Marx's fighting class. He never issued a call to the arms. He never invited any class-uprising. No powerful authorities ever became annoyed enough with him to banish him from his home and country. On the contrary, impressed by his outstanding intellect, they showered on his rising star distinctions, well-paid civil service posts, contacts, interesting missions, invitations to the very best society:<sup>1</sup>

This weekend I am staying with Lady Jekyll, the other guests being Mr and Mrs McKenna and Mr and Mrs Runciman ... Last weekend I went to Ottoline's at Garsington. Sir John Simon came to tea on Sunday – I wish he wasn't such a dull man. I've dined twice at Downing Street in the last fortnight ... Lord and Lady Waldstein asked me to dine to meet the American Ambassador. I dined with Violet Asquith and her new husband in her new house, her first party in honour of Margot; I have delivered my evening lecture at the Admiralty and I have testified before the wicked leering faces of the Hampstead Tribunal to the genuineness of James's conscientious objections. Oh, and I've brought out the March E. J. and entertained a Swedish professor.

Quite a different train of life from that of an impecunious, jobless, exiled nineteenth-century German Philosopher, conspiring darkly with the journey-

man tailors, the bakers and watchmakers of the 'League of the Just', in attics above pubs, or seething away in frustrated anger in the Reading Room of the British Museum. Yet, a moment came when, by his own choice, Keynes left behind him the lucrative but, presumably, intellectually arid fields of the Treasury in London, preferring instead the leaner but green pastures of a University, not all that distant from London. From Cambridge, where he took his stand he issued, in his own time and in his own style, his challenge, his bourgeois Manifesto: 'The forces of the nineteenth century have run their course and are exhausted. The economic motives and ideals of that generation no longer satisfy us: we must find a new way and must suffer again the malaise, and finally the pangs, of a new industrial birth.' (Keynes, 1920, p. 238)

## 2. BOURGEOIS AND PROLETARIANS

So the philosophers, each in his own century, each in his own peculiar way, came forward to change the world. In general outlook and mentality they were as different as they could be, but certain common points of reference they did share. Their world, for both of them, was dominated by capitalism. Their world, for both of them, had already set itself in motion. Revolution was in the air. They had to think deep and hard about revolutionary change. Little did it matter that for one of them the Revolution constituted a fund of inspiration while for the other it was a source of desperation. The phenomenon had to be confronted first and foremost at the intellectual level, dispassionately, seriously, hence in its relativity, in its inextricable connection with the State. There can be no break without continuity, there can be no change without permanence, there can be no serious study of the Revolution without a corresponding thorough understanding of the status quo. A baffling paradox lurks behind this proposition; Marx and Keynes had both to deal with it.

If, in class-divided society, the Many are deprived of means while affluent are only the Few, if – privileges of affluence notwithstanding – power ultimately resides in numbers and if oppression drives the Many to revolt, as Marx would maintain, or 'the passions of malignity, jealousy, hatred of those who have wealth and power (even in their own body)' (Keynes, 1972, p. 300) prompt them to rebellion, as Keynes would prefer, the paradox is not that revolutions occasionally do occur. It is that they do not break out all the time. Why do we not find our societies in a state of permanent revolution or permanent counter-revolution? How are we to explain the long intervals of social armistice, of relatively stable balance of forces in the social system, prevailing between two subsequent acute phases of the class war? We have two model answers to consider. Answer number one:

Thus this remarkable system depended for its growth on double bluff or deception. On the one hand the labouring classes accepted from ignorance or powerlessness ... a situation in which they could call their own very little of the cake that they and Nature and the capitalist classes were co-operating to produce. And on the other hand the capitalist classes were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying condition that they consumed very little of it in practice ...

In writing thus I do not necessarily disparage the practices of that generation. In the unconscious recesses of its being Society knew what it was about ... Society was not working for the small pleasures of to-day but for future security and improvement of the race, – in fact for ‘progress’. If only the cake were not cut but was allowed to grow ... a day might come when there would at least be enough to go round, and when posterity could enter into the enjoyment of our labours. In that day overwork, overcrowding and underfeeding would come to an end, and men, secure of the comforts of the body, could proceed to the nobler exercise of their faculties. (Keynes, 1920, pp. 17–18)

And here follows answer number two:<sup>2</sup>

The connection between distribution and the material conditions of existence of society at any period lies so much in the nature of things that it is always reflected in popular instinct. So long as a mode of production still describes an ascending curve of development, it is enthusiastically welcomed even by those who come off worst from the corresponding mode of distribution. This was the case with the English workers in the beginnings of modern industry. And even while this mode of production remains normal for society, there is, in general, contentment with the distribution, and if objections to it begin to be raised, they come from within the ruling class itself (Saint-Simon, Fourier, Owen) and find no response whatever among the exploited masses. (Engels, 1969, p. 180)

The first answer is based on the experience of capitalism in Europe – essentially in Victorian England – before the Great War. The second refers to a characteristic allegedly shared by capitalism and all other ‘antagonistic modes of production’ (the Marxist term for a social system based on class exploitation) throughout human history. What is the difference between these two answers?

Virtually none. Keynes’s answer is effectively Engel’s answer minus the historical generalization. Over much else the two authors, the two systems of thought as far as represented by the given quotations, are in agreement. Capitalism is a historically transient form of social organization, on this there is a fundamental coincidence. It will be succeeded by its opposite regime; instead of inequality and poverty, affluence and social justice will then prevail. Capitalism is preparing this transition unintentionally, in a contradictory manner, by using the poverty of the majority to aggrandize the wealth of the few. Capitalist society is class-divided between a bourgeoisie and a proletariat. The latter gets a raw deal out of the situation, whether one calls it

exploitation or not – and Keynes has always been very careful to avoid using the terrible ‘E’ word, of the frightening implications. But the proletariat, for reasons on which Engels and Keynes are essentially in agreement, takes its time about registering the inequity of its position and beginning to upset the capitalist appercart.

Interesting coincidence. The bourgeois reformist, whom the present chapter chooses to describe as a bourgeois Marxist, and the wealthy nineteenth-century revolutionary who in style of life, though not at all in beliefs, was the archetypal bourgeois Marxist, both satisfy their need to rationalize the historical sequence of stability and revolution by attributing to the working class an almost mystical insight into the logic of the historical process, a subconscious understanding vindicating capitalist exploitation. As a consequence workers do not at all resent being exploited. They positively enjoy it, if only it is done in the greater cause of human material progress. They may not know that they love it so much (‘in the unconscious recesses of their being’ (Keynes) or ‘in popular instinct’ (Engels)) but they do, despite even ‘the passions of malignity, jealousy, hatred of those who have wealth and power’ besetting, in Keynes’s opinion, the conscious layers of their existence.

Such are the wonderful uses of an acquaintance with Freud. When the subconscious dictates, consciousness is not all that hard to manipulate. A little double bluff here, some deception there, generous doses of ignorance and powerlessness in between, and the conscious side of things is pulled easily into line. The master’s consciousness is, after all, as much in the dark as the men’s concerning history’s Grand Design, although masters may be assumed to be doing rather better out of their side of the double bluff than workers out of the ignorance and powerlessness that is their lot.

Keynes never held the working class in very high esteem. For him they represented the passive element of capitalism. They were structurally incapable of taking any positive initiative in the unfolding of the historical project of society. They were useful, indeed they were indispensable, but merely as toilers, dumb beasts of burden. They ought to be treated fairly, as long as fairness to them caused no prejudice to the exploitation mainsprings of capital accumulation, but they also had to be kept firmly in their place under the undisputed authority of a purely bourgeois Establishment. Given these premises, to attribute to the workers the false consciousness (or should one, in acknowledgement of Keynes’s Freudian overtones, say ‘false subconsciousness’) of identification with the aims of a capitalist society that exploited them, constitutes no anomaly for Keynes’s outlook.

Engels, on the other hand, even if his intention was clearly not to cultivate an apologetic myth but rather to construct an analytical ‘mythodology’, had no right to be so complacent. In the unclouded vision of his fiery youth,

long before he settled down at late middle-age to compose the canonical Marxism of *Anti-Dühring*, he has given evidence of a much greater sense of reality. Readers of his vibrant youthful masterpiece, *The Conditions of the Working Class in England* – a work in which seething indignation at social injustice boils over from pages upon pages of solid empirical research – would be hard pressed to discover, in the attitudes of industrial workers described in that book, any trace of wild enthusiasm over the system of distribution in nineteenth century England. It was the contrary attitude that Engels discovered among workers and he found it only too natural: ‘A class which bears all the disadvantages of the social order without enjoying its advantages, one to which the social system appears in purely hostile aspects – who can demand that such a class respect this social order?’ (Engels, 1975, Vol. IV, p. 424).

Yet respect for the social order is exactly what the *Anti-Dühring* thesis predicts that English workers should have shown, indeed ‘enthusiastically’ so, under the capitalist mode of production ‘in the beginnings of modern industry’. Or were, perhaps, these beginnings earlier than in 1844? How far back must we go to find workers radiating goodwill towards their exploiters? In the eighteenth century they were smashing up machines. Earlier still, bloody legislation had been needed to keep them quiet, while they were being inducted into the pleasures of the bourgeois labour market, or so at least Marx in *Capital* would have us believe.

The further back in time, the more rebellious workers seem to become. Working class acquiescence to the capitalist status quo is a rather recent phenomenon. It characterizes late, in the Marxist view declining, rather than early, robustly rising capitalism. Little had Engels foreseen in 1878, the year of publication of the *Anti-Dühring*, that the fate of Marx’s communist movement in the century following his own, would revolve around and ultimately be sealed by this reversal of working-class loyalties. Just as little could Keynes resist, at the beginning of the present century, the feeling that disaster, partly to be precipitated by changes in workers’ attitudes, was already gathering thick around the capitalist system:

[T]he principle of accumulation based on inequality was a vital part of the pre-war order of Society and of progress as we understood it ... this principle depended on unstable psychological conditions, which it may be impossible to re-create. It was not natural for a population, of whom so few enjoyed the comforts of life, to accumulate so hugely. The war has disclosed the possibility of consumption to all and the vanity of abstinence to many. Thus the bluff is discovered; the labouring classes may be no longer willing to forego so largely, and the capitalist classes, no longer confident of the future, may seek to enjoy more fully their liberties of consumption so long as they last, and thus precipitate the hour of their confiscation. (Keynes, 1920, p. 19)

Or, as Marx put it, 'the knell of capitalist private property sounds. The expropriators are expropriated'. Moreover, their expropriation is hastened by their own acts.

The common ground between Marx and Keynes seems to be expanding. Their preoccupation with the philosophy of history has a very practical purpose: to give them a handle on the problems of the decline of capitalism. They agree on the layout of the battlefield for the class struggle of their epoch, they also agree with regard to the origin of the troops deployed, irrespective of the position each one reserves for himself regarding those troops. In broad lines they coincide in the diagnosis of the class-nature of bourgeois society, the revolutionary possibilities implicit in it. In addition to the acceptance of the pre-determined historical transience of the capitalist system, the sequence inside capitalism of an early, progressive era of uninhibited economic growth, succeeded by an era of economic malfunction and terminal decline, outlined by Keynes, is also strongly reminiscent of the basic explanatory scheme of historical materialism proposed by Marx. So is also Keynes's emphasis on rapid accumulation, implemented by means of the strengthening of private property – the establishment, in a manner peculiar to his own theorizing, of a correspondence principle between the form of ownership and the character of economic activity.

But there are also significant differences. Capitalists in Keynes tend to dig their own graves not because, as in Marx, they remain true to themselves, not because they press on regardless of anything else with capital accumulation, but because they stop acting in character, they start dissipating in excessive consumption what should have been invested. Mainly, however, there is in Keynes an emphasis on psychological forces which ill accords with the technological determinism of a lot of standard Marxist approach to social analysis. This emphasis will lead Keynes eventually into a prescription for social change which diametrically opposes, while in important respects mirroring, the revolutionary project favoured by Marx. In the end it is this, more than anything else, which makes Keynes a Bourgeois Marxist.

### 3. PSYCHOLOGISM VERSUS DETERMINISM

Marx sees the relations of ownership, in any economic system throughout history, as the necessary effect of the stage of development reached by the material forces of production of humanity; this effect is only secondarily influenced by other factors. Keynes sees the relations of ownership in capitalism as the outcome of a certain psychology, peculiar to a given historical epoch, a specific civilization and a specific continent:



For a hundred years the system worked, throughout Europe, with an extraordinary success and facilitated the growth of wealth on an unprecedented scale. To save and invest became at once the duty and the delight of a large class. The savings were seldom drawn on and, accumulating at compound interest, made possible the material triumphs which we now all take for granted. The morals, the politics, the literature and the religion of the age joined in a grand conspiracy for the promotion of saving. God and Mammon were reconciled. Peace on earth to men of good means. A rich man could, after all, enter into the Kingdom of Heaven – if only he saved. A new harmony sounded from the celestial spheres. It is curious to observe how, through the wise and beneficial arrangement of Providence, men thus do the greatest service to the public, when they are thinking of their own gain, so sang the angels. (Keynes, 1972, p. 62)

But if psychology is fundamental, is there anything more fundamental than psychology? Marx has given one famous answer to this. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being; their social being determines their consciousness. On occasion Keynes's versatility brings him very close to the same view:

Shakespeare, like Newton and Darwin, died rich ... But whether or not Pope is right that Shakespeare:

For gain not glory winged his roving flight

And grew immortal in his own despite

his active career chanced to fall at the date of dates, when any level-headed person in England disposed to make money could hardly help doing so. 1575 to 1620 were the palmy days of profit – one of the greatest 'bull' movements ever known until modern days in the United States ... – Shakespeare being eleven years old in 1575 and dying in 1616. I offer it as a thesis for examination by those who like rash generalisations, that by far the larger proportion of the world's greatest writers and artists have flourished in the atmosphere of buoyancy, exhilaration and the freedom from economic cares felt by the governing class, which is engendered by profit inflations. (Keynes, 1971b, p. 137, footnote 3)

Applied to works of art or poetry, most Marxists would find Keynes's materialism a bit too simplistic, too reductionist, reminiscent of Zhdanov's ukases on Socialist Realism. Remarkably, his philosophical materialistic enthusiasms do not reach out to encompass the interplay between forces and relations of production he does perceive – otherwise how could he assert the optimality of the bourgeois regime to the accumulation of real wealth – but he steers clear of the determinist idea of any necessary correspondence.

In fact, Keynes's psychological approach to the economy inverts the main Marxist chain of causation, which runs from the forces to the relations of production, replacing it with the secondary chain, of some importance also in Marx, which runs from the relations to the forces. In Keynes, the growth of the forces of production can claim no primacy whatsoever over the structure

of the relations of production. The origin of property relations is essentially psychological and contractarian, although the social contract in question is an unequal and mostly a tacit one, mainly shaped by custom. In their turn, property rights and the spirit in which they are exercised, may either accelerate or decelerate the development of material productive forces but they can never be overtaken by them and become their 'fetters' in the Marxist sense, because the growth of the forces of production is not fuelled by any autonomous dynamism of its own.

Consequently, a revolution against the system of property, as distinct from one against injustices of distribution associated with it, can never acquire an economically justified character. Its destructive action can never release any pent-up production forces, because none exist in a state of suspended animation. It also follows, however, that a revolutionary upheaval threatening the relations of ownership may arise quite independently of any pressure from the sphere of the forces of production. The possibility of a revolution not arising from the needs of material development of society, one of purely psychological or other origins, is very relevant to the Keynesian approach.

The implications of this theoretical choice are crucial indeed. Based on psychological rather than material conditioning, ownership relations, together with the economy which stands on them, become vulnerable to psychological shocks, notorious for their randomness. Even the Great War, a shock of major proportions, had nothing preordained about it in the conditions of economic life. It follows that there was nothing inescapable about the downfall of the system which the War had threatened to cause. Capitalism's life had not exhausted its natural term – it had not, in 1914, made the accumulation of capital perfect, it had not yet produced the solution of the economic problem of mankind – nor had it been caught up in any insoluble internal economic contradictions either. An accident happened to it on its way to the fulfilment of its historic role. It was a severe accident, the system might never recover from the attendant dislocations. But, given its essentially psychological nature, it was also possible that the illness might respond to psychological treatment. Keynes would endeavour to prescribe a cure.

No prescription of such kind could ever be effective in the eyes of Marx. Capitalism was incapable of solving the economic problem of mankind; it could only prepare the ground for the solution. At some point it would have to be got rid of in order, exactly, for the solution to go ahead. Any systematic malfunction observed in the relations of capitalist ownership could only have one explanation: from forms of development of the production forces these relations had already turned into their fetters. Without that, no psychological shock, no matter how severe, could have seriously jeopardized the existence of the system. Given that, no amount of psychological treatment, no matter how drastic, could ever save it. To these principles Lenin's theory of imperi-

alism added that the origin of world wars, far from being accidental or rooted in human irrationality, had to be sought in the severe contradiction between forces and relations of production in modern capitalism.

It does not follow that social psychology became irrelevant to the Marxist project. It was in the aims and the mode of psychological operation that Marx differed from Keynes. In the belief that the capitalist system was doomed on material grounds, Marx would deploy psychological techniques in order to speed up its replacement with a more advanced form of social organization. Trusting the revolutionary potential of the working class he strove to wrench them out of the ideological thralldom, in which the ruling ideas of the ruling class held them. They had to learn that a great role of positive social leadership lay ahead for them. No more ignorance or cajoling 'by custom, convention or authority', no more 'double-bluff or deception' could be allowed to go unchallenged. In the workers there lay hidden not only destructive but also creative forces and, seeing a use for both, Marx endeavoured to move the working class to action by making them conscious of their positive historic mission, as he defined it. His ambition was to make the workers class conscious, Keynes's fear was that they might become bluff-conscious. Keynes was capable of perceiving only the destructive potential that an ideological unshackling of the proletariat might unleash. 'Thus the bluff is discovered; the labouring classes may not be willing to forgo so largely ...' consequently capital accumulation might come to a disastrously premature end because, outside the bourgeoisie, who else would accumulate?

#### 4. THE GREAT CAPITALIST CLASS

It is, admittedly, difficult to imagine a social class more dynamic and creative than the modern bourgeoisie:

The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations put together. Subjection of Nature's forces to man, machinery, application of chemistry to industry and agriculture, steam navigation, railways, electrical telegraphs, clearing of whole continents for cultivation, canalisation of rivers, whole populations conjured out of the ground – what earlier century had even a presentiment that such productive forces slumbered in the lap of social labour? (Marx and Engels, 1976, Vol. VI, p. 489)

Many a bourgeois Marxist has fallen in a trance over this dithyrambic hymn, the one part of Marx's writings that they unreservedly embrace, while resenting his very next move, the elevation of the working class to the place of natural successors of the bourgeoisie in the role of social leadership. Marx's

choice would for ever remain incomprehensible to Keynes: '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?' (Keynes, 1972, p. 258)

The boorish proletariat! How very remiss of them not to have cultivated their taste and their intellect at Eton and King's. Yet, this social arrogance, together with the genuine, deeply felt pride in his own class, were instrumental in allowing Keynes – free of the inhibitions of an upstart or the regrets of a renegade – to take the full measure of the fall of his contemporary bourgeoisie from the pinnacle of their nineteenth century achievement. Having spent most of his mature life in what he described as 'the dead season of our fortunes', he followed upon Marx's admiring flourish with a rather sad coda of his own:

We are thus faced in Europe with the spectacle of an extraordinary weakness on the part of the great capitalist class, which has emerged from the industrial triumphs of the nineteenth century, and seemed a very few years ago our all powerful master. The terror and personal timidity of the individual of this class is now so great, their confidence in their place in society and their necessity to the social organism so diminished, that they are the easy victims of intimidation. This was not so in England twenty-five years ago, any more than it is now in the United States. Then the capitalists believed in themselves, in their value to society, in the propriety of their continued existence, in the full enjoyment of their riches and the unlimited exercise of their power. Now they tremble before every insult; – call them pro-Germans, international financiers, or profiteers, and they will give you any ransom you choose to ask not to speak of them so harshly. They allow themselves to be ruined and altogether undone by their own instruments, governments of their own making, and a press of which they are the proprietors. (Keynes, 1920, pp. 222–3)

Keynes does not stop to consider whether the capitalist class, being mere instruments of his 'double bluff', merited the high-sounding title of 'great' or the unconditional attribution to them of all industrial triumphs of the nineteenth century. In the vertiginous rise of the industrial might of humanity, characteristic of that epoch, he perceived both the historical mission of the bourgeoisie and the social justification of their privileges. The idea that even the position achieved by 'the great capitalist class' in the industrial revolution might have owed more to length of purse than to greatness of genius, was a Marxist heresy which never occurred to him. Extremely perceptive, on the other hand, of the pertinence of the process of money-making to the historical hegemony of the bourgeoisie, he became very worried about the corruption of money, caused by the Great War:

Lenin is said to have declared that the best way to destroy the Capitalist System is to debauch the currency ... As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery. Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. (*ibid*, p. 220)

Keynes's efforts to come to grips with the problem of inflation in the early 1920s constitute one of the turning points of his intellectual development. From the problems of money he passes on to the problems of the money-makers as a class, in order to emerge with the astounding conclusion of rejecting money, in order to save the bourgeoisie.

## 5. THE PATHOLOGY OF MONEY

Keynes perceives inflation as far more potent a threat against the survival of the capitalist regime than the mere dissipation of investment potential ('the labouring classes may be no longer willing to forgo so largely, and the capitalist classes ... may seek to enjoy more fully. ...') implicit in an upsurge of consumption. Equivalently, he comes to recognize the internal distortions and in-fighting among sections of the bourgeoisie as potentially far more dangerous than the out-fighting with the workers. Uppermost in his mind becomes the element of unjustified enrichment of entrepreneurs – typically owners of large appreciating stocks of real goods and debtors of large depreciating sums of money – which inflation entails. Money-making he regards as legitimized, therefore capable of serving the proper interests of the bourgeoisie, only in so far as it represents a process of accumulation of real capital, real economic growth, moving in parallel with and dependent on the money process. In normal times the psychology of the entrepreneur, his creative instincts, will guarantee the coincidence of the two processes. In abnormal times his aggressive instincts will take the upper hand, leading to the opposite result. The ultimate, most pernicious effect of inflation is exactly in this psychological unhinging of the businessman:

Amidst the rapid fluctuations of his fortunes [the businessman] loses his conservative instincts, and begins to think more of the large gains of the moment than of the lesser, but permanent, profits of normal business. The welfare of his enterprise in the relatively distant future weighs less with him than before, and thoughts are excited of a quick fortune and clearing out. His excessive gains have come to him unsought and without fault or design on his part, but once acquired he does not lightly surrender them, and will struggle to retain his booty. (Keynes, 1972, p. 68)

Of course he will. He is only human. But in seizing the chance of easy enrichment through inflation he slips into dereliction of his historical mission, the promotion of industrialization and progress, and ends up damaging his own social legitimacy:

In his heart he loses his former self-confidence in his relation to society, in his utility and necessity in the economic scheme. He fears the future of his business and his class, and the less secure he feels his fortune to become the tighter he clings to it. The business man, the prop of society and the builder of the future, to whose activities and rewards there has been accorded, not long ago, an almost religious sanction, he of all men and classes most respectable, praiseworthy, and necessary, with whom interference was not only disastrous but almost impious, was now to suffer sidelong glances, to feel himself suspected and attacked, the victim of unjust and injurious laws – to become, and know himself half guilty, a profiteer. (ibid, p. 69)

Socially-rooted insecurity, the result of concrete historical developments, will hold the entrepreneur back from investing, not the pseudo-psychology of the individual's propensity to invest arising, in a timeless manner, out of mechanistic statements about the marginal efficiency of capital, as so many retailers of Keynes's thought have wished us to believe. Nor is the one-dimensional psychology of the single individual or of one social stratum in isolation which preoccupies him; he seeks out the interplay of emotions inside and across social classes. The study of inflation, the pathology of money, leads Keynes to the pathological anatomy of the spirit of bourgeois society; he becomes a kind of economic psychoanalyst of capitalism. He no longer views the 'great capitalist class' as one homogenous body, presenting a united front to third parties. He discovers its internal splits, the importance of in-fighting among its factions. In his 1923 Tract for Monetary reform, exactly in connection with his study of inflation, he first introduces the distinction between an 'investing class' (the savers) and a 'business class' (the entrepreneurs) having opposite interests; a distinction destined to become so significant in his later work.

In itself, the distinction as such is nothing new in Political Economy. With its origins in Turgot, it is restated by J. B. Say, it reappears in Ricardo. In them it is on the whole presented as a more or less unproblematic instance of division of tasks amongst the economically ruling strata of society, some saving, some providing finance, some deploying entrepreneurship. Marx is possibly the first to have grasped the full disruptive potential of this division. In his view it launches the 'transformation of the actually functioning capitalist [Keynes's business class] into a mere manager, administrator of other people's capital, and of the owner of capital into a mere money capitalist [the investing class].' For Marx, this development gives rise to '...a new financial aristocracy, a new variety of parasites in the shape of promoters, speculators

and simply nominal directors; a whole system of swindling and cheating by means of corporation promotion, stock issuance, and stock speculation. It is private production without the control of private property.' A kind of irresponsibility begins to spread among the 'business class':

The credit system appears as the main lever of over-production and over-speculation in commerce solely because the reproduction process, which is elastic by nature, is here forced to its extreme limits, and is so forced because a large part of the social capital is employed by people who do not own it and who consequently tackle things quite differently than the owner, who anxiously weighs the limitations of his private capital in so far as he handles it himself. (Marx, 1972, p. 439)

This irresponsibility, which in Marx afflicts production itself through speculative operations, is admittedly not the irresponsibility of an inflationary epoch, when extra money is made without any additional productive effort. It is not the kind of profiteering that frightened Keynes in the early 1920s. It belongs, however, to the same family of phenomena. Inflation would not have been able to ravage the post-war economy so extensively without the prior slow transformation of economic relations which placed at the disposal of a minority of active capitalists vast sums of money belonging to a majority of passive capitalists:

The Capital itself, which a man really owns or supposed to own in the opinion of the public, becomes purely a basis for the superstructure of credit ... All standards of measurement, all excuses more or less justified under capitalist production, disappear here. What the speculating wholesale merchant risks is social property, not his own.

Equally sordid becomes the phrase relative to the origin of capital to savings, for what he demands is that others should save for him ... The other phrase concerning abstention is squarely refuted by his luxury, which is now itself a means of credit. Conceptions which have some meaning on a less developed stage of capitalist production, become quite meaningless here. (ibid, p. 439)

These potential effects of changes, which Marx was able to detect below the surface of economic and social reality in the late nineteenth century, broke out into the open as a result of post-war inflation in the twentieth. To the profiteering of the entrepreneurs Keynes was soon able to add the excessive claims of financiers who shackled enterprise and to observe how internecine antagonisms between the 'investing' and the 'business' class, could spill over to their relations with labour, leading to a possible social threat:

The sight of this arbitrary rearrangement of riches [via inflation] strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, [The 'business class'] beyond their

deserts and even beyond their expectations or desires, become 'profiteers', who are the object of the hatred of the bourgeoisie, [i.e. of the 'investing class'] whom the inflationism has impoverished, not less than of the proletariat. (Keynes, 1920, p. 220)

As to the workers, they may begin raising questions far more dangerous than the moderate increase of their capacity to consume during the war:

No man of spirit will consent to remain poor if he believes his betters to have gained their goods by lucky gambling. To convert the businessman into a profiteer is to strike a blow at capitalism, because it destroys the psychological equilibrium which permits the perpetuance of unequal rewards. The economic doctrine of normal profits, vaguely apprehended by every one, is a necessary condition for the justification of capitalism. The business man is only tolerable so long as his gains can be held to bear some relation to what, roughly and in some sense, his activities have contributed to society. (Keynes, 1972, p. 69)

The psychological equilibrium of the double-bluff has come under severe strain. A bluff-conscious proletariat is not such a harmless animal as a bluff-unconscious one. It may develop revolutionary aspirations. Faced with the sheer unproductive profiteering of the other side, the revolutionary spirit may acquire even an intellectual respectability. No compelling historical law dictates that capitalist institutions become at some stage materially counterproductive, necessitating a social revolution to clear the way for progress. If, however, it so happens that they do become such, their mutation upsets society's sense of distributional justice. Keynes sees no point in a revolution against stubborn economic realities: 'Against political tyranny and injustice Revolution is a weapon. But what counsels of hope can revolution offer to sufferers from economic privation, which does not arise out of the injustice of distribution but in general?' (Keynes, 1920, p. 277). But if the doctrine of justified normal profits suffers a collapse, if under changed circumstances analytical reason becomes compelled to install in its place a doctrine of exploitation, – what then?

## 6. PROFITS, EXPLOITATION AND PROGRESS

To the extent that the Great War with its disastrous aftermath receded in time, while the cataclysms semi-predicted in the *Economic Consequences of the Peace* failed to materialize, Keynes's fears of a breakdown of the capitalist order also began to fade. Was it not possible that he had overestimated the likelihood of a disaster? Why not? Keynes was capable of accepting such mistakes graciously. He was far too committed a man of action and a positive thinker to resist the promise of better-than-expected developments. It was in a



more relaxed mood that he settled down to compose a magnum opus about the workings of the capitalist economy.

Money would, once again, dominate the centre of his interest but no longer mainly in its pathological, inflationary aspects. While many of his previous writings concentrated on the pathology, the *Treatise on Money* would focus on the physiology of money, consequently on the role played by the bourgeoisie, the money-makers, under normal conditions in the economy. Concern with profiteering would yield pride of place to a sober study of profit but, even in the more sedate world of the *Treatise on Money*, the primacy of the real over the money economy and the importance of class analysis would remain paramount.

For Marx, the essence of class relations in the capitalist economy can be summed up in the appropriation, without counterpart, of the workers' surplus-product by the bourgeoisie not directly – as under slavery or serfdom – but indirectly, through the extraction of surplus-value by means of the market mechanism. Money profit is the form of surplus-value treated by Marx as basic; he derives from it rent, interest, entrepreneurial profit and even taxation as subsidiary cases.

Money-making, the process by which money generates more money is, therefore, as central in Marx as in Keynes, if not more so. The labour theory of value, the doctrine that the exchange value and ultimately the money value of goods represents the expenditure of human labour in the production of these goods, offers one very effective way of linking profit and exploitation: money grows in the process of money-making (of selling goods for profit) because labour has been added to raw materials, so that their value has increased in the course of producing the final product before its sale. Workers, however, are paid for only part of the increase, the rest of it accrues gratis to their employers.

This is a central theorem which, in the language – adequate to it – of the labour theory of value, makes an important point. The labour theory of value suffers from many failings but it has at least one advantage: it hammers into the mind the idea that money does not grow on trees. And yet, in many cases, money appears to be doing exactly that – to be growing on trees. Profit often appears to be made through transactions that have no reference to the production process whatsoever, a merchant buys a stock of goods and resells it to someone else for profit, without even so much as moving the goods from the warehouse. Where is the influence of production and the role of labour in that?

To begin making the labour theory of value and surplus-value (profit) plausible, this stumbling block has to be cleared out of the way. All cases in which profit is patently made merely from activities of buying and reselling must be shown as non-essential, even misleading, on the fundamentals of a

mature capitalist economy and as a non-basic, if not a pathological phenomenon.

Marx's technique for achieving this was to argue that on each occasion, where a case like that occurred, the intermediary, the merchant, must have either bought the goods at below their value and sold them at their value or bought them at their value and sold them above their value. Either way the merchant himself benefits, but someone else, the person standing at the beginning of the C–M–C (commodity–money–commodity) chain or the person standing at its end is making a loss; the former because he sold below value, the latter because he bought above value. Take all participants in the chain of transactions together: individual profits and losses cancel out. The participants in the market cannot become collectively richer by overcharging one another. It follows either that aggregate profit is identically zero – in which case the growth of real wealth in society will not be reflected in any aggregate monetary magnitude – or, if there is positive profit (surplus value) it must have arisen outside the sphere of exchange, the sphere of circulation of commodities, in the sphere of production, where exploitation of labour actually takes place.

Keynes had no primary interest in a labour theory of value as the basis of a theory of exploitation. To the extent that he had spoken about it – always without uttering the terrible 'E' word – in *The Economic Consequences of the Peace*, he had cast his statements in terms of physical product; he spoke of the extraction of surplus-product, not of surplus-value. In the *Treatise on Money*, translating exploitation from physical into value terms was not one of his main concerns either. What chiefly interested him was to show that, in the normal case, increases in monetary wealth had necessarily to be associated with corresponding increases in the real wealth of society. This was no mere technical point with him; it was part and parcel of his belief in the creative social function of the bourgeoisie. Confronted with the apparent possibility of parasitic enrichment, he adopted a strategy very similar to Marx's; he set out to show that in the aggregate no monetary surplus, no monetary saving, is possible where no investment takes place:

That saving can occur without any corresponding investment is obvious, if we consider what happens when an individual refrains from spending his money income on consumption ... [T]he savers are individually richer by the amount of their savings, but the producers of consumption goods, who have sold their current output at a lower price than they would have got if the savings had not taken place, are poorer by an equal amount. Thus in such circumstances the saving, instead of resulting in an increase of aggregate wealth, has merely involved a double transference – a transference from the savers to the general body of consumers, and a transference of wealth to the savers from the general body of producers, both total consumption and total wealth remaining unchanged. (Keynes, 1971a, p. 156)

In their different contexts Marx and Keynes are saying basically the same thing: from the ordinary circulation of commodities only so much value (so much money) can be withdrawn in the aggregate as was originally put in, no more. Individuals may, but the economy as a whole cannot enrich itself by merely rearranging the size or pattern of money flows among its members. That includes the time-pattern of flows, as Keynes was particularly clear in insisting. Saving, which consists of breaking the exchange circuit 'commodity-money-commodity' (C-M-C), at the M link – withdrawing money after a sale has been concluded and sitting on it, not throwing it back into circulation to effect a further purchase – on its own will not add one little atom of wealth to the aggregate amount. Mere 'waiting', that great mainstay of the Austrian theory of capital, is totally ineffective as a source of new riches. For aggregate wealth to increase, funds have not only to be returned to circulation, they must be invested in production, the unique live source of social enrichment.

Investible funds have themselves to arise somewhere; they no more grow on trees than money does. The closed circuits of circulation cannot generate additional investment funds in the aggregate. Production can. In the context of capitalistic institutions of property, a substantial part of the product is withdrawn from workers' consumption and made available to bourgeois entrepreneurs. That much Keynes had already known since the *Economic Consequences of the Peace* in 1920. The new element in the *Treatise on Money* is the addition of a monetary mechanism, whereby the extraction of surplus product is made consistent with the institutions of a free market economy. The mechanism is nothing else but profit inflation. Prices run ahead of money wage costs so that the real wage falls and profits inflate; extraction of surplus-product becomes extraction of surplus-value.

Never had this transfer been more significant than at the beginnings of the capitalist era, in the period described by Marx as the epoch of 'primitive accumulation'. Keynes has also identified a primitive accumulation epoch, chronologically close to that of Marx:

Putting it shortly, we may say that profit inflation in Spain lasted from 1520 to 1590, in England from 1550 to 1650, and in France from 1530 to 1700 ... Never in the annals of the modern world has there existed so prolonged and so rich an opportunity for the business man, the speculator and the profiteer. In these golden years modern capitalism was born. At whose expense? [W]ages in France and England ... were not rising comparably to prices ... and the greater part of the fruits of the economic progress and capital accumulation of the Elizabethan and Jacobean age accrued to the profiteer rather than to the wage earner. (ibid, pp. 140–41)

Is this not the description of a rather extra-ordinary epoch, an explanation of the origins but not of the current reality of capitalism? Not in the least. Every

period of active investment, not just the original one, is characterized by an inflation of profits and a corresponding squeeze on real wages: 'A relatively low level of real wages is necessarily a characteristic of a period of profit inflation, because it is partly at the expense of current consumption that the abnormal growth of capital which accompanies a period of profit inflation is derived.' (ibid, p. 144)

Is this not the 'inflationism' against which Keynes thundered in the early 1920s? Not at all. When profits from the profit inflation are used for productive investment, profiteering is redeemed. The great capitalist class is fulfilling its historic mission and even the exploited proletariat, whether delighted or not, may come off better:

Thus, if we consider a long period of time, the working class may benefit much more in the long run from the forced abstinence which a profit inflation imposes on them than they lose in the first instance in the shape of diminished consumption. Moreover, the amount of the diminution in their current consumption corresponding to a given increment of capital wealth is no greater if it comes about in this way than if it is due to voluntary saving; it is only the distribution of the resulting wealth which is affected, and, so long as wealth and its fruits are not consumed by the nominal owner but are accumulated, the evils of an unjust distribution, may not be as bad as they appear. (ibid, pp. 144-5)

The boorish proletarians! That much they deserve. The main thing is for accumulation of capital to continue uninterrupted, for its rate to be as far as possible maximized. How fast depends critically on the rate of abstinence of workers: the smaller their consumption as a proportion of total output, the greater is the investment potential, the faster the rate of growth of capital, the speedier the increase of total output. Workers' consumption is but a proportion of total output. A small volume of initial consumption, allowing a higher percentage of output to be saved and invested and output to grow fast will, sooner or later, overtake in absolute terms consumption in a different economy, where workers started consuming a higher proportion of total output initially, but they restricted investment potential and slowed down growth.

The rigorous theory behind this proposition was supplied by the other Cambridge genius of the 1920s, Frank P. Ramsay, a contemporary with whose work Keynes was fully familiar. The common sense of the proposition consists of the observation that a smaller part (consumption) of a faster growing whole (total output) will eventually become larger than a larger part of a slower growing whole. In that sense there is indeed a point in time in the future when the relatively more deprived workers of economy one will become better off than the less deprived of economy two. A more rapacious bourgeoisie, provided it maximizes investment, turns out in the fullness of time, to be more worker-friendly than a less grubbing one. Such are the

surprises of the double bluff. The bourgeois is a bourgeois, for the benefit of the working class.

Should society accept persistently higher present sacrifice in exchange for higher future affluence? Given that for Keynes society, under conditions of a healthy and robust capitalism, worked not 'for the small pleasures of the day' (making sure, of course, these were not denied to the likes of Lady Ottoline Morrell, Violet Asquith and her second husband or to the Bloomsbury circle of intellectuals) but for 'progress', the answer was obvious.<sup>3</sup>

So, by the end of that staggering decade, the 1920s, things seemed to be somewhat settling down. Workers were back in the trough of exploitation, capitalists back in their accumulation 'for progress'. The delicate psychological equilibrium on which the functioning of the capitalist system depended seemed to have stood the various tests of war and post-war:

The inherent stability of the European economic systems has responded with a rapidity and completeness that could not have been anticipated. Great Britain has troubles of her own due to pride and precipitancy in her financial and currency policies, as in her reversion to the old gold standard. But all Europe has stable currencies. The devastated areas are entirely restored. The standard of life of German working men is somewhat higher than it was before the War. (Keynes, 1972, Vol. XI, p. 366)

*Après la pluie beau temps.* But then, suddenly and without warning on 29 October 1929, the thunderbolt out of the blue sky struck Wall Street, throwing the capitalist world into its deepest depression ever and scattering for the rest of his life to the four winds any temptation to bourgeois complacency, nascent in the mind of Keynes.

## 7. THE DEMONOLOGY OF MONEY

Keynes's most surprising response to the onset of the Depression of the 1930s consists in a resounding reaffirmation of his belief in capitalism; in its irreplaceability as a phase, transient but positive and essential, in the process of human development. His essay *Economic Possibilities of our Grandchildren* is Keynes's proclamation of faith, in the midst of the severest test the system had to undergo in peacetime conditions. No trace of phillistinism, no sign of bourgeois complacency, mars its high spirit. Behind the mask of an apparently facetious style it launches one of the most robust, militant defences to issue from the pen of a bourgeois thinker in the last century.

At the same time it is possibly the most ambiguous, most deeply divided against itself, text Keynes ever wrote. The tension between the past and the future of his thinking reaches, in these few pages, nearly breaking point; the

cocoon of his erstwhile theoretical perceptions is almost rent asunder for the thinking of the General Theory epoch to come strutting forward.

For one thing, it is the most historical–materialistic of Keynes’s writings. It begins with an overview of the progress of material production over the ages, starting with what anthropologists nowadays describe as the neolithic industrial revolution. The increase of productivity is made if not into the motive force, certainly into the unifying element of the entire history of mankind. The whole long process, covering thousands of years, is seen to culminate in the vertiginous growth of the forces of production under bourgeois rule. No bemoaning of the decline of ‘the great capitalist class’ finds any place here. In terms strongly reminiscent of the relevant passage in Marx’s *Manifesto of the Communist Party*, Keynes writes about the pinnacle of bourgeois achievement:

From the sixteenth century with a cumulative crescendo after the eighteenth, the great age of science and technical inventions began, which since the beginning of the nineteenth century has been in full flood – coal, steam, electricity, petrol, steel, rubber, cotton, the chemical industries, automatic machinery and the methods of mass production, wireless, printing, Newton, Darwin, and Einstein, and thousands of other things and men too famous and familiar to catalogue. (Keynes, 1972, p. 324)

The success of this enormous human enterprise was based on persistent accumulation of capital. ‘The growth of capital has been on a scale which is far beyond a hundred-fold of what any previous age had known’. This presupposed the division of society into hegemonic rich and industrious poor but its inherent tendency was to reach a stage at which that division itself would be overcome:

All this means in the long run that mankind is solving its economic problem. I would predict that the standard of life in progressive countries one hundred years hence will be between four and eight times as high as it is today. There would be nothing surprising in this in the light of our present knowledge. It would not be foolish to contemplate the possibility of a far greater progress still. (ibid, pp. 325–6)

In such conditions, not only further capital accumulation – hence the division of society into rich and poor – becomes unnecessary, even the need to work at all tends to vanish:

We shall do more things for ourselves than is usual with the rich today, only too glad to have small duties and tasks and routines. But beyond this, we shall endeavour to spread the bread thin on the butter – to make what work there is still to be done to be as widely shared as possible. Three hour shifts of a fifteen-hour week may put off the problem for a great while. (ibid, pp. 328–9)

Whatever the principles of distribution in such circumstances, they obviously can no longer be the capitalist ones. Capitalism, through its very material success, will have dug its own grave: a conclusion fully consistent, virtually identical as far as it goes, with those of Marx. Both authors share forecasts of generalized affluence and abolition of labour, both envisage the prospect as an unprecedentedly liberating one for humanity. In Keynes, with his deeper psychological penetration, his greater caution, sometimes even suspicion of human nature, a certain fear of freedom, not to be met with in the greater enthusiast Marx, does creep in. 'Yet I think with dread of the readjustment of the habits and instincts of the ordinary man, bred into him for countless generations, which he may be asked to discard within a few decades'. But both are agreed that, to be feared or not, the achievement of freedom depends on a prior breakthrough of work into unheard-of levels of productivity:

The actual wealth of society, and the possibility of constantly expanding its reproduction process, therefore, do not depend upon the duration of surplus-labour, but upon its productivity ... In fact, the realm of freedom actually begins only where labour which is determined by necessity and mundane considerations ceases; thus in the very nature of things it lies beyond the sphere of material production. Just as the savage must wrestle with Nature to satisfy his wants, to maintain and reproduce life, so must civilized man, and he must do so in all social formations and under all possible modes of production. With his development this realm of physical necessity expands as a result of his wants; but, at the same time, the forces of production which satisfy these wants also increase ... But it nonetheless still remains a realm of necessity. Beyond it begins the development of human energy which is an end in itself, the true realm of freedom, which, however, can blossom forth only with this realm of necessity as its basis. The shortening of the working-day is its basic prerequisite. (Marx, 1972, p. 820)

The way forward to this radiant future passes, for both authors, through the vale of tears of capital accumulation by means of money-making. Why does money-making possess such dramatic effectiveness? It is rather surprising that neither Marx nor Keynes, so conscious both of them of the power of money, ever raised this question directly. Perhaps they considered it too elementary; alternatively they may have thought that their whole opus constituted essentially one big answer to that great unformulated question. Whatever the case, ample justification for a specific question of this kind does exist while elements of a specific answer can be found in various of their writings.

For Marx, no less than for Keynes, capital accumulation represented for the bourgeoisie an aim in itself, a target to be pursued in abstraction of everything else and in particular of consumption: 'Accumulate, accumulate. This is Moses and the prophets' – such was the battle-cry of the bourgeois in Marx. In this context, money possessed a quality altogether peculiar to itself; it could provide a single, homogeneous, tangible target for the capitalist to

concentrate his abstract single-mindedness on. Moreover, to satisfy the requirement of unremitting continuity of the process of capital accumulation, money, at least in its healthy state, presented the additional advantage of non-fungibility; it was capable of preserving value and transferring wealth over time and from one generation to the next.

The presence of a suitable instrument for continuous accumulation may to some extent itself motivate the corresponding activity. But only to some extent. The real psychological motivation, the feeling of insatiability associated with the process, would remain unexplained. Insatiability could hardly be accounted for in terms of a need for physical wealth; in their purely physical form needs are satiable. Satiety would be the end of the accumulation process. There had to be something else about money, which made individuals feel they could never have enough of it, that they were constrained to go on accumulating it for ever.

Marx, steeped as he was in the tradition of Hegelian dialectics, sought an explanation or, perhaps, a rationalization, along the lines of contradictions, inherent in the very essence of the object of study. Given that it represents generalized purchasing power, money knew no qualitative limits to its effectiveness. For as long as his money lasted, its fortunate master was installed in a position of absolute sovereignty over the market. The whole universe of commodities, the whole world of human creation had to yield to him, since his money could be transformed into, could assume the concrete form of any commodity whatsoever. Even non-existent commodities could be conjured up out of nowhere, made upon order, provided he could describe his desires and be prepared to foot the bill. Technological impossibilities would still bound this expanding universe but from the point of view of the individual the universe would be so large as to have virtually no frontiers. Money would, therefore, confer, on its individual owner, an understandable feeling of omnipotence over goods, for as long, that is, as his money lasted.

Inevitably, the amplitude of the qualitative infinity would be marred by the restrictiveness of its quantitative finiteness. The money owner would obviously wish the qualitative aspect to prevail over the quantitative but, at any instant of time, or indeed within any finite period of time, resolving the contradiction according to his wishes would clearly be impossible. Over any finite period of time no infinite amount of money, no matter how desirable, could come into existence; there always had to be a budget constraint.

The only resolution of this conflict is to substitute the more realistic target of an infinite time series, consisting of finite terms, for the utopian aim of an instantaneously available infinite amount. Over time there is no limit; money is not fungible and time is endless. Thus, it is found that the character of money, its very 'nature', so to speak, carries within itself the motivation of making its own infinite accumulation a self-sustaining objective, an aim in



itself. Add to this the theorem that money-making acquires a firm basis only when it operates through the production process, and the connection of the non-satiety of the need for money with the never-ending effort at accumulation of productive capital is established almost geometrically.

Such was the explanation of Marx, the scion and inheritor of Classical German philosophy. Keynes, whose philosophical predilections leaned towards a more direct kind of psychology, would probably have remained cold to such heavy dialectical bombardment of a psychological problem. An amateur of Freud rather than a devotee of Hegel, he chose to dissect the money motive (looking at it from the vantage point of its future rejection by humanity) as a manifestation of a kind of libido particularly powerful in the mind of the entrepreneur:

Of course there will still be many people with intense, unsatisfied, purposiveness who will blindly pursue wealth – unless they can find some plausible substitute. But the rest of us will no longer be under any obligation to applaud and encourage them. For we shall inquire more curiously than is safe today into the true character of this ‘purposiveness’ with which in varying degrees Nature has endowed almost all of us. For purposiveness means that we are more concerned with the remote future results of our actions than with their own quality or their immediate effects on our own environment. The ‘purposive’ man is always trying to secure a spurious and delusive immortality for his acts by pushing his interest in them forward into the future. He does not love his cat, but his cat’s kittens; nor, in truth the kittens, but only the kittens’ kittens, and so on forward to the end of catdom. For him jam is not jam unless it is a case of jam tomorrow and never jam today. Thus by pushing his jam always forward into the future, he strives to secure for his act of boiling it an immortality. (Keynes, 1972, pp. 329–30)

To explain perseverance in a never-ending effort of capital accumulation Marx used the image of pursuit of infinite command over the material world of products, Keynes the more metaphysical one of chasing after a spurious immortality. They both had to implicate their money-maker in a chase after an eternally moving objective, simultaneously conquered and elusive; an objective incorporated in an addictive object, which rules its owner instead of being ruled by him. Otherwise they could make no sense of the drive for the accumulation of capital as an aim in itself, the activity which lies at the heart of the capitalist system. Marx went on from then to trace the wider historical repercussions of this apparently meaningless obsession:

Except as personified capital, the capitalist has no historical value ... And so far only is the necessity of his own transitory existence implied in the transitory necessity for the capitalist mode of production. But, so far as he is personified capital, it is not values in use and the enjoyment of them, but exchange-value and its augmentation, that spur him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production’s

sake; he thus forces the development of the production powers of society, and creates those material conditions, which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle. Only as personified capital is the capitalist respectable. (Marx, 1972, p. 592)

Marx, of course, meant 'personified productive capital'. Keynes was less exclusive in his attribution of respectability. For a certain period of capitalism's history, he attached positive value to the division of tasks, inside the bourgeoisie, between the money capitalists and the production entrepreneurs: 'there grew up during the nineteenth century a large, powerful, and greatly respected class of persons, well-to-do individually and very wealthy in the aggregate, who owned neither buildings, nor land nor business, nor precious metals, but titles to an annual income in legal-tender money.' (Keynes, 1972)

These persons were the specialists in saving, the money lenders, indulging in money-making in its purest form. As long as they acted in harness with entrepreneurs, their enormous power played an indispensable, beneficial role in the accumulation process. It was, therefore, essential that a proper balance be maintained between them and the entrepreneurs. Like all social equilibria in Keynes this one also was strongly psychological in nature. It had to be based on mutual esteem and respect by each one for the other side's role in the economy. There had to be symmetry in the economic power between the two subdivisions of the bourgeois class but, unfortunately, their possibilities regarding money-making were not symmetrical. Entrepreneurs, active capitalists, in their capacity as investors, had only one way to make money beget more money: invest in production, make of production an end in itself. Financiers, on the other hand, had alternatives to lending for productive purposes: they could become financial speculators; they could become users ripping off the properties of distress borrowers; they could become, indirectly, via the public debt, tax-farmers. In any of these capacities they could make a lot of money, without contributing one little bit to capital formation.

One could think of various events capable of instructing money capitalists on the benefits of sterile speculation, hence pushing them into encroaching on productive capitalists and upsetting the psychological equilibrium between the two bourgeois groups. In the immediate Great War aftermath, instability of money seemed to Keynes to represent the most dangerous inducement:

The individualistic capitalism of today, precisely because it entrusts saving to the individual investor and production to the individual employer, presumes a stable measuring of value, and cannot be efficient – perhaps cannot survive – without one.

For these grave causes we must free ourselves from the deep distrust which exists against allowing the standard of value to be the subject of deliberate decision. We can no longer afford to leave it in the category of which the distinguishing characteristics are possessed in different degrees by the weather, the birth-rate, and the Constitution – matters which are settled by natural causes, or are the resultant of the separate action of many individuals acting independently, or require a revolution to change them. (Keynes, 1972, p. 75)

A great idea, brilliantly expressed but, perhaps, not comprehensive enough. Keynes seems to have overlooked here that the division of tasks between the individual investor and the individual employer is not all that watertight; the employer may turn himself into an investor, if abstaining from production and lending at interest becomes the more profitable operation. Therein lies the weakness of money-making as the driving force of capital accumulation; it is in the nature of money that it maintain the continuity of that process by continually interrupting it. The interruptions may become substantial, employment and accumulation may stop, a money panic may ensue among producers, without any improper behaviour on the part of financiers. Marx was, probably, the first analyst of capitalism to cover this aspect of money by a striking formulation:

The function of money as the means of payment implies a contradiction without a terminus medius. In so far as the payments balance one another, money functions only ideally as money of account, ... In so far as actual payments have to be made, money does not serve as a circulating medium ... but as the individual incarnation of social labour, as the independent form of existence of exchange value, as the universal commodity. The contradiction comes to a head in those phases of industrial and commercial crises which are known as monetary crises. ... Whenever there is a general and extensive disturbance [of the mechanism for clearing mutual debts] money becomes suddenly and immediately transformed, from its merely ideal shape of money of account, into hard cash. Profane commodities can no longer replace it. ... On the eve of the crisis, the bourgeois, with the self-sufficiency that springs from intoxicating prosperity, declares money to be a vain imagination. Commodities alone are money. But now the cry is everywhere: money alone is a commodity. As the hart pants after water, so pants his soul after money, the only wealth. (Marx, 1967, pp. 137–8)

While his hart pants after money like that, so long as the money famine continues, the employer cuts back on production and unemployment rises. Subjecting merely the standard of value to rational planning will not solve that problem, before the whole economy is made subject to a similar regime. The contradiction Marx was speaking of, Keynes was to rediscover when he issued his exasperated cry in the *General Theory*:

Unemployment develops ... because people want the moon; – men cannot be employed when the object of desire (i.e. money) is something which cannot be

produced and the demand for which cannot be readily choked off. There is no remedy but to persuade the public that green cheese is practically the same thing and to have a green cheese factory (i.e. a central bank) under public control. (Keynes, 1961, p. 235)

The difference now is that the deliberate decision of the public authorities will no longer be addressed at supporting the rationality of the bourgeoisie, through a policy of sound money, but at manipulating its illusions, through flooding the market with printed green cheese. Keynes has abandoned his effort to separate 'good' from 'bad', healthy from sick money, having realized that money is indissolubly both 'good' and 'bad'. Technically, inflation never ceases to be an issue with him but, at a deeper level, he becomes convinced that no real cure to the money illness is ever possible; society will have to accommodate itself to the dirty stuff as it finds it until, in the fullness of time, it abolishes money completely:

When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of pseudo-moral principles which have hagridden us for two hundred years, by which we have exalted some of the most distasteful human qualities into the position of the highest virtues. We shall be able to dare to assess the money motive at its true value. The love of money as a possession – as distinguished from the love of money as a means to the enjoyments and realities of life – will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. (Keynes, 1972, p. 329)

Throughout the decade of the 1920s Keynes managed to hold his growing resentment against the psychological influence of money separate from his technical study of monetary problems. Not much of his resentment (obvious in such texts as his 1925 *A Short View of Russia* or his 1927 *Clissold*) was allowed to feed into the *magnum opus* he was composing at the same time, the *Treatise on Money*. The crucial significance of his 1930 *Economic Possibilities of our Grandchildren* is that in it his new psychological insights are allowed to burst through and blend with his economics. That is what makes the text such a turning point in his intellectual development towards the *General Theory*.

However, in that text itself, Keynes is not yet ready to abandon his commitment to the old bourgeois ways. On the contrary, he reasserts his faith in them in a strikingly unflinching manner. It is as if he is holding fast out of fear lest his loyalty be swept away by the rising tide of his own thought. Having described the radiant future of humanity, after capitalism has finished its work and gone away (to the scrap-heap of history, as Marx would say), he adds:

But beware! The time for all this is not yet. For at least another century we must pretend to ourselves that fair is foul and foul is fair, for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of economic necessity into daylight. (ibid, p. 331)

Fair is foul and foul is fair. The war-cry of the witches in Macbeth has haunted Keynes ever since his uncanny, poetic sensitivity picked it up amidst the hubbub of the diplomatic chatter in the smoke-filled rooms of negotiation of the Versailles Treaty.<sup>4</sup> In those days of his despair he had still managed to keep its cynical morality at bay. In the equally desperate days of 1930 he surrendered to its siren-call. There was no getting away from it, money was both foul and fair. It was fair by means of being foul and foul while doing fair work. The striving for money, an oppressive blind process, unconscious of its own destination should remain blind if it was to function effectively. Even after its secret had been discovered by science, society could do little else but pretend it did not know. To reap the benefits it must surrender to the process with its eyes closed.

How much credibility is there left in a psychological, a double-bluff theory of capitalism, if the players must go on pretending to be still taken in by the bluff even after the bluff has been called? Is not Keynes's desperate plea for a foulness, useful to an as yet uncompleted process of capital accumulation, a vindication in fact of historical materialism at its most deterministic? History is independent of men's will, of their knowledge, of their morality. For many Marxists that would be the end of the story. For Keynes it was not quite like that. Behind the brave face he was putting on the catastrophic events of the Great Depression, his mind was reaching out to radically new ideas, intended to relegate to oblivion the money-makers and all their works. But being an eminently responsible thinker, who felt the hegemony of his class under threat of immediate collapse, he did his best to discourage rejecting the Old, until he had something New to propose in its place. This probably explains his mechanistic defence of existing capitalist institutions even at the expense of his own psychological approach to social phenomena. But deep in his heart – standing poised at that moment between the old mentality of the class that claimed his loyalty and a new mentality which he aspired to build for them himself – Keynes resisted the pressure of objective events. Reluctant to throw his psychological method entirely to the winds, unable still, at the same time, to effectively resolve the dilemma oppressing his mind, he sought refuge in his own peculiar brand of utopia:

The strenuous purposeful money-makers may carry all of us along with them into the lap of economic abundance. But it will be those peoples, who can keep alive, and cultivate into a fuller perfection, the art of life itself and do not sell them-

selves for the means of life, who will be able to enjoy the abundance when it comes. (Keynes, 1972, p. 328)

Cultivate the art of life itself into a fuller perfection, refuse to sell one's life for the means of life and at the same time accept that fair is foul and foul is fair because useful. From what depths of despair could Keynes dredge up such an impossible prescription?

## 8. USE VALUE AND EXCHANGE VALUE

With the *Economic Possibilities of our Grandchildren*, the concept of a contradiction between the use-value and the exchange-value of commodities, one of the mainstays of Marxist economics, makes its entrance in Keynes's economics in a really grand manner. Keynes was subsequently to draw a large number of implications, psychological, economic even political from this crucial idea. In pursuit of spurious immortality, Keynes's capitalist for ever boils jam destined never to be eaten. It is not values in use and the enjoyment of them, but exchange-value and its augmentation that spur him on into action, enriching him materially but impoverishing him spiritually. 'The more you have the less you are', such was Marx's warning, unbeknowningly echoed by Keynes in a thousand voices. While fully acknowledging the incentive force of money-making Marx set against it, on the negative side, its morally corrosive effect on the capitalist:

The expansion of value, which is the objective basis or the main-spring of the circulation M–C–M, becomes [the capitalist's] subjective aim, and it is only in so far as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is as capital personified and endowed with consciousness and a will. Use-values must, therefore, never be looked upon as the real aim of the capitalist; neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at. This boundless greed after riches, this passionate chase after exchange-value, is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. (Marx, 1967, Vol. I, pp. 152–3)

For Marxists, who in principle expect social morality to be split along class lines, the resolution of the dilemma presented by money appears easier. The 'semi-criminal, semi-pathological' propensity of loving money as a possession is apportioned to the bourgeoisie, while the healthy attitude towards money 'as a means to the enjoyments and realities of life' to the proletariat:

[T]he humanity of the workers is constantly manifesting itself pleasantly. They have experienced hard times themselves and can therefore feel for those in trouble. ... For them money is worth only what it will buy, whereas for the bourgeois it has an especial inherent value, the value of a god, and makes the bourgeois the mean, low money-grubber that he is. The working-man who knows nothing of this feeling of reverence for money is therefore less grasping than the bourgeois whose whole activity is for the purpose of gain, who sees in the accumulations of his money-bags the end and aim of life. (Engels in Marx and Engels, 1975, p. 420)

Keynes's analysis of capitalist mentality converges onto that of Marx, but the motivation of the two is very different. Marx simply denounces a state of affairs; he sees no reprieve for the capitalist from the vicious circle of money pursuit, Keynes writes in the hope of persuading the bourgeoisie to break the vicious circle. He wants the capitalist to reject capitalism.

Marxists assign the abolition of the domination of money to the workers, whom they consider psychologically well-prepared for the task. Few things, on the other hand, could be more distasteful to Keynes than the spectacle of social hegemony, in this crucial area, passing from the hands of his cherished educated bourgeoisie to the intolerable uncouth proletarians. At the same time, his whole penetrating intuition into the inter-war socio-economic situation was warning him that time was running out for the old system:

The decadent international but individualistic capitalism, in the hands of which we found ourselves after the War, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous – and it doesn't deliver the goods. In short we dislike it and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed. (Keynes, 1982, p. 239)

Perplexed or not, 'we' have to acknowledge that the capitalism that we know is a regime unworthy of 'us', unworthy of the bourgeoisie. At some point during the 1920s, Keynes arrives at this striking conclusion. It hits him with the full force of a very personal revelation; it liberates his mind, it gives new wing to his thinking. He now feels able to reconcile loyalty to the class of his origin and allegiance, with criticism radical to the point of rejection, of the system that had made his class its fortunes. His remaining service to the bourgeoisie will be to show them how to abandon sterile money-making for the building of a system, still ruled by them, but dedicated to use, not to exchange-value:

The nineteenth century carried to extravagant lengths the criterion of what one can call for short the financial results, as a test of the advisability of any course of action sponsored by private or by collective action. The whole conduct of life was made into a sort of parody of an accountant's nightmare. Instead of using their vastly increased material and technical resources to build a wonder-city, they built slums, because slums 'paid'. Even today we spend our time ... in trying to

persuade our countrymen that the nation as a whole would be richer if unemployed men and machines are used to build much needed houses than if they are supported in idleness. ... We have to remain poor because it does not 'pay' to be rich. We have to live in hovels, not because we cannot build palaces, but because we cannot afford them. (Keynes, 1982, p. 241)

Keynes's conversion to a use-value oriented economic activity, his decision to jettison the 'strenuous purposeful money-makers' even before capitalism had completed its historical mission, the perfect industrialization of production, reflects partly his exasperation with the morass of the 1930s. The collapse of production and capital accumulation during the Depression was manifestly caused by the breakdown of the money-making process. Industry would not have refused to produce if it could do so profitably or even, in many cases, merely break even; most private enterprise was paralysed by the prospect of sheer bankruptcy. Closing down bankrupt business, moreover, did not seem to have the anticipated healing effect on productive activity, familiar in the past. Not much spontaneous re-allocation of resources towards the more efficient industries appeared to be taking place; bankruptcies simply dragged more bankruptcies in their wake, in a seemingly unending omnivorous swirl. It looked as if the time-honoured rules of money-making had exhausted their potential; they offered no prospect to investment, or even to continuing production at normal levels. The rule of exchange value was becoming non-operational; Keynes was now to grant the thing he had so desperately resisted in the *Economic Possibilities for our Grandchildren*: that bourgeois relations of ownership had become an obstacle, a fetter à la Marx, to the growth of production forces: 'Thus our argument leads towards the conclusion that in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich, as is commonly supposed, is more likely to be impeded by it.' (Keynes, 1961, p. 376)

The abstinence of the rich costs dearly in terms of interest payments, it throttles enterprise. Why should entrepreneurs have to overcome this additional obstacle, piled upon so many others? The lure of profit, supposed to motivate the strenuous money-makers, begins to appear to Keynes inadequate, as a source of incentive. The long wait for profit on new investment to materialize undermines the certainty of any strict financial calculation, thereby reducing the incentive power of prospective monetary gain. If we speak frankly, Keynes will protest, we have to admit that our basis of knowledge for estimating the yield ten years hence of a railway, a copper mine, a textile factory, the goodwill of a patent medicine, an Atlantic liner, a building in the City of London amounts to little and sometimes to nothing; or even five years hence (*ibid*, pp. 149–150). Without such knowledge, every act of investment is something of an act of faith, a leap in the dark, an exercise of spontaneous optimism flowing from the animal spirits of the entrepreneur. Money, the jam



which one always boils without ever serving, is too weak a fare for animal spirits. Exchange value is dethroned from its high place in the investment process. Not the pursuit of spurious immortality, the attraction of real live things is what ultimately stimulates the animal vitality of spontaneous optimism. Animal instincts thrive on use-value: 'If human nature felt no temptation to take a chance, no satisfaction (profit apart) in constructing a factory, a railway, a mine or a farm, there might not be much investment merely as a result of cold calculation.' (*ibid*, p. 150)

With his new-found resolution of the social dilemma – how to maintain the bourgeoisie while rejecting capitalism – at hand, Keynes is now prepared to venture to extremes of criticism of market economies comparable to those of the Marxist agitators. It seemed always strange that the brilliant economist who was, at the same time, a convinced conscientious objector against the Great War, writing in an atmosphere charged with anti-capitalist pacifism, found opportunity to speak only about the economic consequences of the Peace but never about the economic causes of War. Was it his sense of responsibility to his class that restrained him from so heavy a condemnation? Keynes's social criticism was nothing if not responsible. He would never launch gratuitous accusations, and even justified ones he would scarcely utter if he had no remedy to offer. Given his fundamental re-orientation towards a use-value economy, however, he did have such remedies; consequently he felt confident to denounce the evil:

War has several causes. Dictators and others such, to whom war offers, in expectation at least, a pleasurable excitement, find it easy to work on the natural bellicosity of their peoples. But, over and above this, facilitating their task of fanning the popular flame, are the economic causes of war, namely, the pressure of population and the competitive struggle for markets. It is the second factor, which probably played a preponderant part in the nineteenth century, and might again, that is germane to this discussion. (Keynes, 1961, pp. 381–2)

In the nineteenth century governments had to engage in foreign expansionism; they knew no better way of increasing trade and generating industrial employment for their teeming populations. Re-orientation on generating use-values at home – national autarky, to use Keynes's term – could do the same job in a superior way, without any longer the need for commercial conquests.

With Keynes's characterization of the causes of the war as economic, of the 'abstinence' of the rich as an obstacle to economic growth, and of the Depression as the end of an epoch, that of exchange-value – a determinism very similar to that of historical materialism seems to be taking hold of his thought. Yet, as an eminently activist thinker, he would have felt distinctly ill at ease in any framework imposing on him too deterministic a straightjacket. The Depression had for him, both an objective and a subjective side; it was a

watershed not only in the performance of the economic mechanism but also in thinking about the economy. It did not mark the end of something which had been inevitable and the beginning of something else, equally inevitable; had thinking changed earlier, nineteenth century capitalism – the worship of the Moloch of War and Mammon of exchange value – might have been evitable:

There was nothing which it was not our duty to sacrifice to this Moloch and Mammon in one; for we faithfully believed that the worship of these monsters would overcome the evil of poverty and lead the next generation safely and comfortably, on the back of compound interest into economic peace. Today we suffer disillusion, not because we are poorer than we were – on the contrary even today we enjoy, in Great Britain at least, a higher standard of life than at any previous period – but because other values seem to have been sacrificed and because, moreover, they seem to have been sacrificed unnecessarily. (Keynes, 1972, p. 242)

The correspondence of the forces and the relations of production had not, after all, been a necessary one, not even in the past. History could have been written in a different, more human style. Keynes was determined to set it written differently in the future. He prepared his attack methodically along a very wide front.

## 9. THE OPEN CONSPIRACY

Keynes's masterplan can be reconstructed to involve a three-pronged attack. First, the one powerful institution which had remained outside the domain of the market – the State – would be invited to reject exchange-value as a criterion for public economics. This would provide a starting point, a bridgehead of the new regime within bourgeois society. As a bridgehead for use-value it would be unable to hold out long, unless the mentality of the public was, meanwhile, itself reshaped in a parallel fashion. Such re-education of the bourgeois was to be the second move in Keynes's campaign. Finally, at a third stage, the transformed bourgeoisie would be invited to take over and run the State, in order to reshape the remaining institutions of social life. Equipped both with a power base, in the State, and a social base, in the bourgeoisie, the victory of the new ideas would be assured.

It was a project with all the makings of a grand political strategy, to be tested at the level neither of individuals nor of political parties but of whole integral social classes. If successful, it might reproduce a pattern of events analogous, in its class-power aspects, to that of the transition from the Middle Ages to the Modern epoch. In the same way that the nobility in England had

been able to survive as a ruling class while leaving behind it the feudal system, the bourgeoisie might remain at the helm, managing the process of social transformation, while capitalism would be becoming a thing of the past. Given the benevolence of the scheme (to those in power) no secret or violent action was required, just a meeting of minds able to encompass new horizons of enlightenment: 'In one way only can we influence these hidden currents, – by setting in motion those forces of instruction and imagination which change opinion. The assertion of truth, the unveiling of illusion, the dissipation of hate, the enlargement and instruction of men's hearts and minds, must be the means.' (Keynes, 1920, p. 278)

To the end of his life, Keynes remained faithful to this beautiful apostrophe of the concluding pages of the *Economic Consequences of the Peace*. Only an open conspiracy could suit his type of mind.

Regarding the state the way forward seemed to him clear. The state would have to get rid of the principles of exchange value first in its own domain, the provision of public goods: 'It is the state, rather than the individual, which needs to change its criterion. It is the conception of the Chancellor of the Exchequer as the chairman of a sort of joint-stock company which has to be discarded'. (ibid, p. 242)

The criterion for the individual would, in truth, change much more gradually, but the scope of its application would be immediately restricted:

For my own part I am now somewhat sceptical of the success of a merely monetary policy directed towards influencing the rate of interest. I expect to see the State, which is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage, taking an ever greater responsibility for directly organising investment; since it seems likely that the fluctuations in the market estimation of the marginal efficiency of different types of capital, calculated on the principles I have described above, will be too great to be offset by any practicable changes in the rate of interest. (Keynes, 1961, p. 164)

With public goods and the overall management of investment exempt from exchange-value criteria, treating private individuals' excessive money addiction would become feasible. The change would be facilitated because for individuals no complete cut-off from age-old habits of profit-seeking would be needed:

There are valuable human activities which require the motive of money-making and the environment of private ownership for their full fruition. ... But it is not necessary for the stimulation of these activities and the satisfaction of these proclivities that the game should be played for such high stakes as at present. Much lower stakes will serve the purpose equally well, as soon as the players are accustomed to them. The task of transmuting human nature must not be confused

with the task of managing it. Though in the ideal commonwealth men may have been taught or inspired or bred to take no interest in the stakes, it may still be wise and prudent statesmanship to allow the game to be played, subject to rules and limitations, so long as the average man, or even a significant section of the community, is in fact strongly addicted to the money-making passion. (ibid, p. 374)

As to the character of the more serious tasks which Keynes had in mind for the bourgeoisie, he has spared us the effort of a laborious search. In a rather unexpected place, an essay of literary criticism on *Clissold*, a novel by his contemporary H.G. Wells, he tucked away the whole key to the riddle:

From where are we to draw the forces which are to 'change the laws, customs, rules, and institutions of the world'? 'From what classes and types are the revolutionaries to be drawn? How are they to be brought into co-operation? What are to be their methods?' The Labour Movement is represented as an immense and dangerous force of destruction, led by sentimentalists and pseudo-intellectuals, who have 'feelings in the place of ideas'. A constructive revolution cannot possibly be contrived by these folk. The creative intellect of mankind is not to be found in these quarters but amongst the scientists and the great modern business men. Unless we can harness to the job this type of mind and character and temperament, it can never be put through – for it is a task of immense practical complexity and intellectual difficulty ... We must persuade the type of man whom it now amuses to create a big business, that there lie in waiting for him yet bigger things which will amuse him more. This is Clissold's 'open conspiracy'. (Keynes, 1972, p. 319)

The forces of the new party of social change will be enlisted from among the ranks of the educated bourgeoisie and the intelligentsia. They will form an elite party of a new type, a vanguard of the bourgeois class, capable of maintaining bourgeois hegemony over into the post-capitalist era. Their loyalty could be trusted implicitly, but the same could not be said about their stamina. Despite all their merits, Keynes knew them to be, in one respect, almost fatally flawed. Events, historical opportunities, even Keynes himself had, for a long time, kept inviting them to join the new party. But these people were not responding:

What, then, is it that holds them back? ...Why do practical men find it more amusing to make money than join the open conspiracy? I suggest that it is much the same reason as that which makes them find it more amusing to play bridge on Sundays than go to church. They lack altogether the kind of motive, the possession of which, if they had it, could be expressed by saying that they had a creed. They have no creed, these potential open conspirators, no creed whatever. That is why, unless they have the luck to be scientists or artists, they fall back on the grand substitute motive, the perfect ersatz, the anodyne for those who, in fact, want nothing at all – money. Clissold charges the enthusiasts of labour that they have 'feelings in the place of ideas'. But he does not deny that they have feelings.

Has not, perhaps, poor Mr. Cook something which Clissold lacks? Clissold and his brother flutter about the world seeking for something to which they can attach their abundant libido. But they have not found it. They would so like to be apostles. But they cannot. They remain businessmen. (Keynes, 1982, p. 320)

They would so much like to be apostles of use-value or rather Keynes would so much like them to be: but, at the end of the day, money could still take its revenge. It could defend itself by winning over the very troops dispatched to put an end to its domination. Money which only unites by eternally dividing, money which gives power over creative life only by eternally holding creation and enjoyment hostage, has done to the bourgeoisie, its putative masters, the ultimate disservice. It has placed the survival of their social hegemony in jeopardy by corroding their capacity to transform themselves. This, rather than any technical or even economic consideration, is what, in the last resort, has irrevocably condemned the money motive in Keynes's mind.

## 10. REVOLUTION AND DEFEAT

Keynes had no illusions about the drastic consequences of his attack on exchange-value. He wished to achieve a positive revolution but was very alive to the risk of provoking a negative reaction. He knew how easy it could be to scare his bourgeois off, particularly at an epoch when continual crises were forcing people into spontaneous attitudes of institutional and intellectual retrenchment:

But once we allow ourselves to be disobedient to the test of an accountant's profit, we have begun to change our civilisation. And we need to do so very warily, cautiously and self-consciously. For there is a wide field of human activity where we shall be wise to retain the usual pecuniary tests. (Keynes, 1982, p. 243)

Constraints imposed by the immediate situation had also to be taken into account. Survival had first call on the intellectual and political resources of society in the 1920s and 1930s; reform came second, it should not be allowed to get in the way of recovery. Emergency measures, on the other hand, if properly handled, might begin inducting the bourgeois into habits of collective action, necessary for reform. Keynes wrote to Roosevelt in 1933:

You are engaged on a double task, recovery and reform – recovery from the slump, and the passage of those business and social reforms which are long overdue. For the first, speed and quick results are essential. The second may be urgent, too; but haste will be injurious, and wisdom of long-range purpose is more necessary than immediate achievement. It will be through raising high the prestige

of your Administration by success in short-range recovery that you will have the driving force to accomplish long-range reform.

On the other hand even wise and necessary reform may, in some respects, impede and complicate recovery. For it will upset the confidence of the business world and weaken its existing motives to action before you have had time to put other motives in their place. (ibid, p. 290)

The superhuman political skill simply does not exist which could achieve to substitute one set of tried and tested motives of a whole social class with some newfangled contraptions, dreamt up by a philosopher, if practical life itself has not prepared the ground for them in the course of everyday affairs. Keynes would have to give up his cause for lost before he ever started if he could not claim that certain embryos of the future he was envisaging were already of themselves taking shape in the womb of the present. Always emphasizing the continuity of bourgeois hegemony, he sought images of the future everywhere around him. In the spread of consumer affluence he discovered a foretaste of the abolition of the economic problem:

I look forward, therefore, in days not so very remote, to the greatest change which has ever occurred in the material environment of life for human beings in the aggregate. But, of course, it will all happen gradually, not as a catastrophe. Indeed it has already begun. The course of affairs will simply be that there will be ever larger and larger classes and groups of people from whom problems of economic necessity have been practically removed. The critical difference will be realised when this condition has become so general that the nature of one's duty to one's neighbour has changed. For it will remain reasonable to be economically purposive for others after it has ceased to be reasonable for oneself. (Keynes, 1972, p. 331)

The Clissolds of this world need not worry. They will be the first to be absolved from the drudgery of having to make a living; they will be given the leisure to turn themselves into public-spirited managers of socialized firms, but it is they who remain in charge, for ever on the saddle. Even that section of the bourgeoisie who have to be cast aside for the sake of progress, will fall softly, smoothly and gracefully, and have, in any case, already started to do so:

I see, therefore, the rentier aspect of capitalism as a transitional phase which will disappear when it has done its work. And with the disappearance of this rentier aspect much else in it besides will suffer a sea-change. It will be, moreover, a great advantage of the order of events which I am advocating, that the euthanasia of the rentier, of the functionless investor, will be nothing sudden, merely a gradual but prolonged continuance of what we have seen recently in Great Britain, and will need no revolution. (Keynes, 1961, p. 376)

For Marx, by contrast, a revolution is necessary exactly in order to disengage from the clutches of the old society the green shoots of the new. Force,

after all, is but the midwife of every old society pregnant with a new one. But regarding the factual basis of the detection of pregnancy Marx occasionally adduced evidence, rediscovered and described by Keynes, in strikingly similar terms, several decades later. The emergence of collective capitalism had, in this respect, special significance:

Formation of stock companies. Thereby ... the capital, which in itself rests on a social mode of production and presupposes a social concentration of means of production and labour-power, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinct from private capital, and its undertakings assume the form of social undertakings as distinct from private undertakings. It is the abolition of capital and private property within the framework of capitalist production. (Marx, 1967, Vol. III, p. 436)

To Keynes this preliminary mutation looked like the road to an almost complete, smooth, transition:

But more interesting is the trend of joint stock institutions, when they have reached a certain age and size, to approximate to the status of public corporations rather than that of individualistic private enterprise. One of the most interesting and unnoticed developments of recent decades has been the tendency of big enterprise to socialise itself.... The extreme instance, perhaps, of this tendency in the case of an institution, theoretically the unrestricted property of private persons, is the Bank of England. It is almost true to say that there is no class of persons in the kingdom of whom the governor of the Bank of England thinks less when he decides on his policy than of his shareholders. Their rights, in excess of their conventional dividend, have already sunk to zero. But the same thing is partly true of many other big institutions. They are, as time goes on, socialising themselves. (Keynes, 1972, pp. 289–90)

In a letter to the *Times* on 25 March 1925 Keynes added to the Bank of England, as another institution that had almost completed its spontaneous socialization, the *Times* newspaper! How impeccable a bourgeois gentleman he could be among his peers.

It is hard to think of poverty-stricken Third World countries, repaying their debts by virtually exporting their meagre capital resources to the capital-suffused West, and believe in the euthanasia of the rentier. It is hard to think of the Chief Executive Officer of United Airlines clearing an amount equal to a cool 1200 times the earnings of a flight attendant<sup>5</sup> and believe that he particularly suffers from Clissoldian libidinal socialist anxieties. It is hard to watch the antics performed in management leveraged buyouts and not agree with Marx that the abolition of the capitalist mode of production within the capitalist mode of production itself 'reproduces a new financial aristocracy, a new variety of parasites in the shape of promoters, speculators and simply nominal directors; a whole system of swindling and cheating by means of

corporation promotion, stock issuance, and stock speculation.' (Marx, 1967, Vol. III, p. 438).

It is hard looking at today's world, to imagine a failure greater than that of Keynes – unless, of course, it be the failure of Marx. Of this last Keynes has left evidence of an almost prophetic insight:

The economic transition of a society is a thing to be accomplished slowly. What I have been discussing is not a sudden revolution, but the direction of a secular trend. We have a fearful example in Russia today of the evils of insane and unnecessary haste. The sacrifices and losses of transition will be vastly greater if the pace is forced. For it is of the nature of economic processes to be rooted in time. A rapid transition will involve so much pure destruction of wealth that the new state of affairs will be, at first, far worse than the old, and the grand experiment will be discredited. (Keynes, 1982, p. 245)

Keynes and Marx were both fierce class loyalists. Keynes spoke contemptuously of the 'boorish proletarians', Marx found that 'the nobility of man shines upon us from their work-hardened bodies' (Marx and Engels, 1975, p. 313). Both were genius grand-strategists of class confrontation. To the social classes which claimed their respective allegiances they prescribed long-range strategies for seizing the high moral and political ground; for leading society forward to the conquest of a future, the broad contours of which they envisioned in a strikingly similar manner. They even foreshadowed parallel ways for each one of their classes to dissolve themselves into a future, presumably classless, commonwealth. The bourgeois were to shed the egotistic narrowness of private interest, to become the friends and leaders of mankind; the proletarians, having no sectional interest to defend, were to liberate the whole of society by virtue simply of their own liberation.

The State held a central place in the strategies of both. Marx had fewer illusions about the incorrigibly tyrannical nature affecting any kind of state, even a proletarian one. 'The dictatorship of the proletariat' was his frank description of the new regime. He would have liked to get rid of all dictatorships, of the entire dehumanizing institution of political power, straight away, but could set no realistic alternative to conquering the salient of state power in the battlefield of the class struggle. As a second best, he put his trust in his friend, Engels's prediction that in the hands of the working class the state, even though not abolished by the Revolution, would gradually 'wither away' (Engels, 1969, p. 33).

This illusion, neglecting here its tragic consequences, is mirrored at an intellectual level by Keynes's corresponding illusion of the 'euthanasia of the rentier', coming about without the formal abolition of bourgeois property. Both strategies of transformation of society have their peculiar spot of a guilty conscience; both have been irresolute about some central evil of soci-



ety, acknowledged by them as such, which social class inhibitions or imperfections in their respective intellectual apparatus prevented them from attacking head on; both try to fend off fate by declaring that, in the new society, the evil will go away on its own; both have failed dismally to exorcise the evil.

Marx and Keynes share the common fate of having being ultimately bypassed, let down – hero-worshippers might even say outright betrayed – by the respective social class, the historical victory of which they each sought so much to secure. Eager to adopt their short-term tactical prescriptions, whether of head-on assault, as in the case of Marx, or of subtle manipulation, as in the case of Keynes, social classes on the whole preferred to turn their backs to the grandiose vision of their ideological champions. Marx's industrial proletariat showed no great desire to take up arms in the cause of the socialist revolution; they settled for a car and a set of mass-produced kitchen furniture instead. Keynes's bourgeoisie showed no inclination to sacrifice its profits on the altar of the 'open conspiracy' for a bourgeois-led socialist future. Content with their post-war market triumphs, they stopped short at safeguarding their privileges by the relatively inexpensive expedient of the various Welfare States. They wasted no intellectual energy to flesh out Keynes's uplifting masterplan of social transformation; instead they chose to fall back upon the grand substitute theory, the perfect ersatz, the anodyne for those who, in fact, want no real social change at all – Keynesian economics. Recovery, to which Keynes had bent so many of his efforts, proved too successful. It swallowed up his reform, his vast intellectual power and effort of persuasion notwithstanding. As the Young Marx could have told him already in 1844: 'Theory can be realised in a people only insofar as it is the realisation of the needs of that people. ... It is not enough for thought to strive for realisation, reality must itself strive towards thought.' (Marx, 1975, p. 183)

Yet, in the materialization of successful recovery there is, perhaps, a final saving grace for the author of the *General Theory*. An effective contribution to recovery from the vast, massive disasters of two World Wars and an unprecedented worldwide economic depression is, in itself, no mean achievement. Rescuing the immediate position and resigning to the fact that the future will look after itself according to its own understanding, may well be the limit of what politicians, economists and social philosophers will ever be graced with achieving. The Long Run is, after all, for undergraduates. Mature people live in the here-and-now:

One begins to wonder whether the material advantages of keeping business and religion in different compartments are sufficient to balance the moral disadvantages. The Protestant and Puritan could separate them comfortably because the first activity pertained to earth and the second to heaven, which was elsewhere. The believer in progress could separate them comfortably because he regarded the first as a means to the establishment of heaven upon earth hereafter. But there is a

third state of mind, in which we do not fully believe either in a heaven which is elsewhere or in progress as a sure means towards heaven upon earth hereafter, and if heaven is not elsewhere and not hereafter, it must be here and now or not at all. (Keynes, 1972, Vol. IX, p. 268)

Keynes, a product of his epoch and his social environment, was in many respects, a supercilious, arrogant, intolerable social and intellectual snob. No socialist, perhaps not even a genuine democrat, could easily forgive him his 'boorish proletarians'. No Marxist could easily condone his rude, illiterate digs at Marx's *Capital*. Yet, despite all that, no one could fault him with lacking decency, human dignity or social sensitivity. In the midst of the tragic disasters the twentieth century has heaped on humanity, Keynes dedicated his influence and a large part of his genius to alleviate immediately the privations, the sufferings of millions of human beings. Rather than despair that heaven is not at all, he strove to conjure up in the barricaded lives of his contemporaries, there and then, a small patch of heaven. How could any one of us claim to be civilized and regard the obnoxious Etonian with anything else but gratitude.

## NOTES

1. Keynes to his mother, Florence, written on 26 March 1916. Reproduced in Robert Skidelsky, (1983), pp. 325–6.
2. The text of answer number two, though admittedly not by Marx himself, was written by an interpreter of his thought very close to him, his lifelong friend Frederick Engels. It comes from *Anti-Dühring*, a book which circulated with the unreserved imprimatur of Marx.
3. As an aside, it is interesting to note that this part of Keynes's argument was translated by his contemporary Cambridge Marxist and Sovietologist, Maurice Dobb, to Soviet conditions as a rationalization of the superhuman sacrifices imposed on the Soviet working class by Stalinist industrialization (see Dobb, 1960, p. 71). Apparently capitalism, whether State Stalinist or Modern Bourgeois sometimes prompts similar apologetics to their intellectual representatives.
4. "Then began the weaving of that web of sophistry and Jesuitical exegesis that was finally to clothe with insincerity the language and substance of the whole Treaty. The word was issued to the witches of all Paris:  
"Fair is foul and foul is fair  
Hover through the fog and filthy air." (Keynes, 1920, p. 47)
5. *International Business Week*, number 3202–532, 6 May 1991, New York: McGraw Hill, p. 55.

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