[Meeting Keynes Meadway]

Michael Roberts, April 8, 2013

My recent article for the *Socialist Review* (What's wrong with the Keynesian answer to austerity?, *http://www.socialistreview.org.uk/article.php?articlenumber=12273*.) has provoked a mild ripple of debate within leftist economic circles in the UK. In particular, James Meadway, the lively leftist economist, has sprung to the defence of Keynesian ideas in the struggle against 'austerity'. He commented on my piece critically and referred to a blog post he did last October explaining how Marxists like me are too hard on Keynesians (*http://faithfultotheline.wordpress.com/2012/10/09/keynes-keynes-and-keynes/*). Meadway's main argument is that you should not tar with the same brush leftist or so-called post-Keynesians like himself (I think he is) that are anti-capitalist in their objectives with the so-called New or 'bastardised' Keynesian views of people like Paul Krugman that stick to sustaining capitalism and basically follow all the old neo-classical economic models (see my recent post, *http://thenextrecession.wordpress.com/2013/04/03/keynesian-economics-in-the-dsge-trap/*).

Of course, it is true that there is a spectrum of views within the Keynesian economics fold – there was back in the 1930s and early 1940s. There were communists or socialists like Joan Robinson and Michel Kalecki whose ideas have been developed by post-Keynesians like the brilliant Engelbert Stockhammer, Ozlem Onaran and other Kalecki followers (for more see, *http://hussonet.free.fr/postk.htm*). But the vast majority of economists who consider themselves Keynesians do not espouse the view of the post-Keynesians and are much closer to the position of Krugman in the US, or Richard Layard or Malcolm Sawyer (*http://www.classonline.org.uk/pubs/item/fiscal-austerity-the-cure-which-makes-the-patient-worse*) in the UK. Let me remind you of The Manifesto for Economic Sense that Krugman and Layard wrote back in summer 2012 as their way forward to solve the economic crisis. On my blog, I re-edited it as A Socialist Manifesto to show the strong differences between Keynesian and Marxist policies against austerity (*http://thenextrecession.wordpress.com/2012/07/03/a-manifesto-for-socialist-sense/*). Have a look.

Within the Marxist or socialist spectrum, there are also many different strands. Divisions are great about what Marx 'meant' and what is the 'Marxist theory of crisis'. Indeed, I would say that my own set of views is probably a minority opinion within the Marxist school of economics, which is led by the likes of Gerard Dumenil, David Harvey, Richard Wolff or Michael Lebowitz. The majority of Marxists look to underconsumption or overproduction, inequality, financialisation or financial instability as the main causes of crises under modern capitalism, and not to profitability and fictitious capital, as I do. And I am not even dealing the wide range of views on imperialism, the euro single currency and so on.

But having said there is wide range of views within Keynesian and Marxist economics, that does not mean that we cannot draw a line in the sand both theoretically and policy-wise over the differences between a Marxist view of the capitalist economy and even the radical post-Keynesian one. In my view, there are qualitative differences between Keynesian and Marxist view of what is happening in a capitalist economy and what to do about it.

James Meadway says in his post (op cit) that *a "radical Keynesian" programme in this case would mean *hugely* more than just "governments spending more money": it would include, inter alia, the overhaul of the financial system, the democratic direction of investment, and so on. Keynes himself – to come to the third confusion –at least toyed with this, concluding his General Theory with a call for the "euthanasia of the rentier" and the "socialization of investment". Keynes was unabashedly, unashamedly pro-capitalist and elitist (retaining, for example, his Presidency of the Royal Eugenics Society right up until his death); nonetheless he identified circumstances in which in order to save capitalism it was necessary to destroy it. It is this tension in his work that the radical left needs to play up to, rather than smothering: that the (correct) insights of Keynes (in aggregate demand, in the dysfunctionality of finance) need bringing out and the contradictions need exacerbating. The anti-capitalist elements should be brought to the fore. A blanket dismissal of "Keynesianism" as such cannot do this.*

But that's just the problem. Keynes 'toyed' with ideas like the 'socialisation of investment' but in the final analysis – and it is in the analysis – he remained in the pro-capitalist camp. His vague 'socialisation' never even got as far as the programme of the Labour Party at the time for 'the common ownership fo the commanding heights of the economy', let alone workers' control or democracy. As Meadway says, Keynes was very elitist and a great supporter of 'bourgeois values'. And his 'euthanasia of the rentier' implies only some gradual natural phasing-out of the rent-seeking financial sector. There was no call for the public ownership of the banks – indeed, I don't hear that from the lips of many post-Keynesians now.

In a recent post (op cit), I pointed out the positive contribution that Keynesian theory has made to economics. But there are three things that distinguish Keynesian theory (in all its forms) from the Marxist one and thus decide the issue for me on what"s wrong with it. The first is that Keynes does not break from the neoclassical model of perfect markets and factors of production. There is no theory of value based on the exploitation of labour power. That is a fundamental error in understanding the laws of motion of capital.

That leads to the second reason. For Keynes, profit is not the independent variable driving investment, employment and growth. On the contrary, profit does not appear in Keynes' calculation, except as a dependent variable of investment. Keynes gets it the wrong way round. His macro aggregates hide the exploitative nature of the capitalist system and thus also miss its Achilles heel, profit. Even his foray towards profitability in his discussion of declining returns on capital is conceived in neoclassical marginalist terms i.e. the 'marginal efficiency of capital', not profit from labour power. Thus Keynesian policies for more government spending to boost 'aggregate demand' pay no attention to the impact of such spending on profitability. So Keynesians cannot understand or explain why capitalists do not support more government spending even in a slump – it is irrational. Don't capitalists want to save capitalism?

And third, what also flows is the view that there is no flaw in the productive manufacturing sector of a capitalist economy. Crises and slumps are caused by flaws in the financial sector. The capitalist mode of production for profit through markets is basically fine. As Meadway puts it, Keynes had *"very roughly, in Marxist terms, a concern with the problem of realization and the issues raised by volume 2, rather than (as in more supply-side approaches) a concern with the problems of volume 3."* Well, you cannot do without Volumes 1 and 3 that deal with exploitation and profitability.

The issue is not whether Marxists should work with Keynesians against the policies of austerity. Of course, they should (although I am not sure some Keynesians will always work with Marxists!). For my part, I'd work with President Obama or Nick Clegg if they opposed 'austerity' (but they don't). The issue I was looking at in the article in Socialist Review was whether Keynesian economics can show a way out of the fall in living standards and employment for the majority of people in the US and Europe, imposed (only partly) by austerity. Also can Keynesian economics offer a way to end permanently the cycle of booms and slumps under capitalism? I don't think it can.