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Discussion on the Economy

Modern Monetary Theory: Keynesianism Warmed Over

- K.C. Adams -



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Modern Monetary Theory

Keynesianism Warmed Over

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TML Weekly is providing a critique of Modern Monetary Theory (MMT) as put forward in an article titled "Fiscal Deficit, Modern Monetary Theory and Progressive Economic Policy" by Andrew Jackson (July 14, 2020). Andrew Jackson is the former Chief Economist at the Canadian Labour Congress and is a Senior Policy Advisor at the Broadbent Institute.

MMT is in vogue today as arguments are found to back up changes to fiscal policy to rescue the rich from the crisis which results from the tendency for the rate of profit to fall.

The critique provides selected excerpts from the item by Jackson on "Modern Monetary Theory" with comments in double parentheses. The complete item is available [here](#).

MMT is something of a misnomer. Far from being "modern," it draws heavily on monetary theories developed in the 1930s by John Maynard Keynes, and since that time, by left Keynesian economists rejecting orthodox finance and the view that government budgets should (almost) always be balanced, that deficits crowd out private investment which should be driving the economy, that monetary policy (changes in interest rates) as opposed to fiscal policies (changes in public spending) should be the key policy tool for managing fluctuations in the economy, and that private investment is much more productive than government spending.

The central proposition of MMT is that a state controlling its own currency can readily finance fiscal deficits (resulting from spending increases or tax cuts) at low or no cost through money creation and direct funding of government spending by the central bank.

((The "central proposition" eliminates all but the most powerful countries from consideration. Even those without their own currency within a common currency such as the Euro zone are treated unequally. Compare the situation of Greece with that of Germany or France. Greece was unable to "readily finance fiscal deficits" using the Euro and suffered terribly. Greece is under the domination of the big European powers and U.S. imperialism and does not have the ability to act independently in its own interest.

Even a large and developed country such as Argentina with its own currency is constantly under attack because its huge public debt is in a foreign currency (mainly the U.S. dollar but also the Euro and Yen).

The "central proposition" ignores the real world of U.S. dollar hegemony backed by the U.S. military, which gives U.S. imperialism a powerful weapon to bring others under its control.))

Unlike households or businesses, governments with their own currency and their own central bank can never go broke because they can always create money to fund deficits or to pay off debts.

((This statement wanders into the world of idealism bordering on mysticism. It conjures up the idea that something which is not produced can be consumed. Without workers producing new value as goods and services, the country has no new value to consume unless it steals from others. The concept that a "central bank can never go broke because they can always create money to fund deficits or to pay off debts" denies the reality that the human factor, the working class, must

be set in motion on means of production if any good or service is to be produced and consumed. How does a nation or people organize that reality and with what aim are crucial issues.

Money can represent social product that has been produced. It can represent potential production but the potential must become actual or the relationship collapses.]

Assertions such as "can never go broke" are used to divert people away from facing the problems as they pose themselves.))

The only real constraint on public spending for countries with monetary sovereignty is real productive capacity. Too much additional deficit financing of public spending or tax cuts in an economy with full employment will push up inflation.

((No imperialist economy has ever had "full employment." The closest an imperialist country comes to full employment is through full military mobilization to fight a major war. In that case, many from the working class are not engaged in creating social product but destroying it through warfare and many of those that are working are producing war materiel.

According to the imperialists, full employment would give too much power to the working class to increase its claims on the new value it produces. Full employment would destroy the imperialist labour market or at least render it powerless to control the working class.

As well, "monetary sovereignty" can only exist within a sovereign country. No country, including Canada, within the U.S.-controlled imperialist system of states is independent or a sovereign state. This lack of sovereignty includes lack of control over its money supply or currency.

These terms "full employment" and "monetary sovereignty" are bandied about to dull the mind and render it incapable of analyzing the concrete conditions.))

Canada and many other countries do have "fiat" money that can be created by central banks "at the stroke of a pen."

((Yes, Canada does have a fiat currency but that fiat currency serves the ruling global oligarchs in control. If it serves the oligarchs to create money "at the stroke of a pen," they will do it, as Trudeau has demonstrated with his \$350 billion plus deficit for this fiscal year.))

Central banks can and do expand the monetary base.

((The U.S. central bank, the U.S. Fed, is a cartel of private banks doing their bidding. Canada's central bank is an institution of the state under the control of the oligarchs with the leadership carefully chosen to serve their private interests and pay the rich.))

[I]n normal times, the great majority of new money is created by the private banking system as loans rather than directly by the central bank to finance the government's operations.

((The recurring economic crises could also be called "normal" as they normally occur with regularity. During a crisis, the competing oligarchs are at each other's throat with even more ferocity than usual, and "normal" lending and borrowing become frozen. The central bank intervenes with "liquidity" "at the stroke of a pen" to rescue the situation for the oligarchs, at least those best positioned to weather the storm or even increase their strength and wealth such as certain oligarchs have done during this crisis, i.e. the dirty dozen -- the 12 uber rich individuals in the U.S. who have increased their personal wealth many times over during the COVID pandemic.))

MMT rightly challenges the orthodox idea that government budgets should be balanced and

that deficits should be incurred only to fight deep depressions when low interest rates no longer work. As argued by Keynes in the 1930s, deficits will not crowd out savings and private investment if the economy is operating below capacity.

((Why should a Canadian be concerned about crowding out private investment even at the best of times? What problem facing society has private investment solved? Has it solved the housing question including homelessness, poverty, inequality etc? Has it solved the question of war and peace? If problems are to be solved then people have to have the control, power and means to do so and under imperialism it means claiming what belongs to the people by right despite possibly crowding out savings and private investment of the oligarchs.

For the working class it means solving the problem of its unequal oppressive social relation with those who buy its capacity to work, and creating a new social relation among workers themselves. It means striking out on a new pro-social direction for the economy and democratic renewal where members of the polity are truly equal and can exercise control over those economic, political and social affairs that affect their lives.))

[P]ublic investments financed through deficits and debt can create a more robust economy and infrastructure, leaving future generations with greater wealth and opportunities.

((But under imperialist control the "robust public economy and infrastructure" becomes a prime target for privatization especially when other private investment opportunities are few, the rate of profit has shrunk with productivity and pay-the-rich schemes using public funds have become a "necessity" for any private investment of any size.))

Keynes, unlike the "bastard Keynesian" wing of mainstream economics, looked forward to the day when the economy would be driven by productive public investment with no need for the state to borrow from the rentiers living off interest income.

((Obviously Keynesians disagree among themselves whether Keynes ever looked forward to such a day or maybe it was simply propaganda to fool the gullible. An economy "driven by productive public investment" would have to be under the control of the actual producers and capable of defending itself from imperialist marauders or it would not last long. Many in Latin America and the Caribbean dream of an economy "driven by productive public investment" but are faced with the harsh reality of defending themselves against imperialist aggression if their dream is to come true.

The other aspect of this is the fact that the imperialist economy has long been recognized as having fallen into parasitism and decay. The economy is more characterized by unproductive investments and war than anything else. The author even acknowledges this when he speaks of the extra cash coming the way of the imperialists from tax cuts and other pay-the-rich schemes being used unproductively in such things as stock market buybacks and increased dividends.

Some people refuse to see the world as it presents itself because they do not want to face the necessity of a new direction and being part of sorting out what that direction looks like or should be, which means confronting the imperialists and facing down their anger and counter attacks.))

[T]he key ideas of MMT are not so much modern as a return to the radical Keynes and the left Keynesian tradition.

Both hold that conventional policy results in economies running well below capacity much of the time, and both reject the mainstream view that the macro-economy should be primarily managed through monetary rather than fiscal policy.

Today ... the Bank of Canada is printing billions of dollars to buy government bonds in

order to lower interest rates.

For the first time they have moved beyond "quantitative easing" -- buying up government bonds in the secondary market to lower interest rates -- to direct purchases of government bonds.

They are supporting massive federal and provincial government deficit spending. The Bank may not loudly endorse MMT, per se, but they are acting on that basis and demonstrating that the state can indeed always pay for what must be done.

[A]ll kinds of orthodox economists and policy makers have temporarily accepted that a massive increase in public spending can and should be undertaken without raising taxes and almost irrespective of the deficit and debt.

[T]he key question is how long this can go on.

((Why is this the key question? Should the key question not be the issue of who controls the economy, and in whose interest and with what aim? The imperialists are desperate to save their bacon and they are throwing tons of money at doing just that. Already the imperialist think tanks and media are full of dire predictions of tax increases and a tightening of the belt for the people.

Why not simply admit that the crisis has increased the striving of each oligopoly working as part of a cartel and of coalitions to control everything, beginning with state institutions of each country and their governments? They will do anything to protect their private interests.

They are at each other's throats over how to proceed, most decidedly or openly in the U.S. and internationally with China and Russia. How do the established imperialists and centres deal with the upstarts and competitors that are rising in Asia and to a lesser extent in Russia? World war is a grave danger if people do not build an anti-war government. Refusing to recognize the dangers is not helpful to the people organizing to defend the rights of all by humanizing the natural and social environment and making Canada a zone for peace.))

Stephanie Kelton [*the main U.S. economist/professor promoting MMT, or rather being promoted as such, was an advisor to Bernie Sanders and is now with the Biden gang -- TML Ed. Note*] calls for much higher levels of public investment and spending to deal with a wide range of social ills, funded directly by the central bank, on a continuing rather than one-time emergency basis. This has understandably appealed to progressives.

So long as we have low inflation and a very depressed economy, the Bank of Canada is unlikely to change course and will backstop massive government spending to deal with the crisis.

They will give fiscal policy the latitude to drive recovery in full recognition of the fact that even near-zero interest rates are not enough to deal with the slump. But, as things stand, they still basically control monetary policy.

MMT is rather silent on this, just saying that governments can set the interest rate. It begs the question of who actually controls interest rates, and in whose interests.

Dating back to at least the 1970s, the Bank of Canada ... has generally chosen to accept some slack in the economy so as to discipline labour and to maintain low and stable inflation.

((To say the Bank of Canada has generally chosen to accept some slack in the economy is an overgenerously benign way of describing unemployment, insecurity, poverty, war, the refusal to

address and resolve social problems and the direct onslaught on workers' rights with the anti-social offensive. The working class movement has long been in retreat suffering attacks on their rights, pensions and other social programs, the deterioration of conditions of work through contract work, part-time work and now the gig sector, privatization, the expanding pay-the-rich and war economy and destruction of any semblance of independence of the country through multiple free trade agreements and imperialist globalization as well as the integration of state bodies/structures and regulations with those of the United States war economy and Homeland Security.))

Conventional thinking has emphasized setting low interest rates in an economy operating below capacity, as has been the case in the slow recovery from the global financial crisis.

But this, as Kelton argues, has starved public spending, while fuelling the destructive and unsustainable growth of household and corporate debt, and fuelling the asset price inflation that has greatly increased inequality of income and wealth.

((Note: Imperialist economics describes asset price inflation as a rise in the price of assets, as opposed to consumer goods and services. Typical assets are financial instruments such as bonds, shares, and their derivatives, as well as real estate and means of production, especially raw material or commodities as the imperialists like to call them. All these assets are bought and sold multiple times. This is the continuous exchange of already-produced value and in many instances such as commodity futures and the stock market no production at all, which could be termed fictitious value. The imperialist economy does not attend to its overall health but rather to the health of the individual competitors within it who hold power. Economic crises are regular occurrences because the human factor/social consciousness and aim to meet the needs of the people and society are blocked from playing their decisive and necessary role.))

[C]orporations have borrowed at low rates to ramp up unproductive activities such as share buy backs and increases in dividends.

MMT rightly emphasizes that priority should be given to fiscal policy over monetary policy, while taking no single position on what governments should spend on.

Proponents such as Stephanie Kelton generally support big increases in public investment – the green economy, education, infrastructure, etc., as well as a federal job guarantee.

They also argue that if and when inflation becomes a problem, it could be tackled through selective tax increases on households and business, as opposed to an increase in interest rates which would limit government investment and drive up the carrying costs of the public debt.

((The public debt is to private investors and in the case of the U.S. many foreign state investors. U.S. public debt is unique in that it can borrow to pay for whatever it has already borrowed and more, such as its military because it dominates the world. Countries and people are hesitant to challenge U.S. authority because the U.S. will destroy whatever it cannot control.

Government borrowing from itself exists in tandem with government borrowing from private interests. A moratorium on servicing the public debt to private lenders and investigating its legitimacy and prohibiting any future such borrowing would be a positive reform but the people must be organized and mobilized to implement and defend such a reform.))

Kelton argues that support for MMT should exist across the political spectrum, but she neglects the role of real interests.

The banks want to retain their central role in money creation.

MMT also tends to minimize real structural constraints on government macro-economic policy in the context of global capital flows.

(("Global capital flows!" -- A rather genteel way of referring to imperialism and the brutal private interests of the oligarchs who scour the world in search of maximum profits and places to pillage. The imperialists have no sense of social responsibility because that would interfere with their aim of maximum private profit. Countries under the thumb of imperialism do not have all-sided self-reliant economies within nation-building projects. The country under control has to offer the imperialists something such as certain raw materials or cheap capacity to work from their working class. As soon as something negatively disturbs the return on investment, the imperialists will pull the plug and abandon the people or lash out at those it may accuse of causing trouble.))

MMT says that governments can control the interest rate through the central bank. This is true in the first instance but highly problematic in a world of capital mobility if investors fear too much inflation or currency devaluation.

The Bank of Canada can maintain low interest rates, but they face the possibility of capital flight on the part of both domestic and foreign capital, which would bring down the exchange rate and fuel inflation.

((These comments mean that fiscal or even overall government policies cannot prevent "capital flight" if the imperialists feel their interests are threatened. This means the central issue is one of control. Who controls the economy and in whose interests? To control the economy, the working class has to control the politics, as politics is the concentrated expression of economics. Controlling capital flight requires controlling the economy in the public interest and the value that comes into and out of the economy. It means building up the independence and self-reliance of the economy through extended reproduction. This requires control over the new value and how new value is distributed. This requires democratic renewal and the working people gaining political decision-making power for otherwise the imperialists will continue to dominate.))

This point is discounted by MMT proponents, who are mainly talking about the U.S. which controls the global reserve currency and is thus in a unique situation.

Many foreign central banks of surplus countries such as China and Japan own huge reserves of U.S. bonds that they would be reluctant to sell quickly since this would raise their own exchange rate, result in large paper asset losses, and cause a major disruption to the global financial system....

The ability of the bond markets to punish smaller countries with high levels of public debt and incipient inflation cannot be dismissed.

((Argentina comes to mind. Much of its massive public debt is in foreign currency (U.S., Euro and Yen) unlike Canada where only a small percentage is in a foreign currency. But Canada's public debt is held mostly by "institutional investors" that are linked with U.S. imperialism. Canada is just as vulnerable to "punishment" by the bond markets if the government does anything to annoy the imperialists and this cannot be discounted or dismissed and must be taken into account politically. The people have to be mobilized politically and organized to fight to defend their interests otherwise nothing will change and the imperialists will carry on anti-consciously leading us all to disaster.))

Keynes argued that countries could only control interest rates if currencies were managed and if there were controls on international flows of capital.

((Who controls these flows from where and to where? International investment of accumulated wealth is fundamental to imperialism, which is associated with the thirst for cheap raw materials,

workers to exploit and places to pillage and control. When the young Soviet Union cut off one-fifth of the world from imperialist investment and theft this seriously weakened imperialism and was a key reason that imperialism was determined to destroy the Soviet Union through war and subversion.

Controls on international flows of capital are a pipedream without a determined political battle waged by an organized and politically conscious people determined to direct the economy in a new way that favours them and builds the nation and the new.))

Dismantling of the post-War Bretton Woods arrangements was intended to set the stage for a shift from nationally controlled economies to a world of international capital flows that constrain governments.

((Exactly, and this became U.S. global dollar hegemony and its position as the imperialist reserve currency that those in the U.S. imperialist controlled system of states were compelled to buy and hold in reserve. Dollar hegemony is a big factor favouring U.S.-controlled globalization and control of the international financial system allowing it to enforce sanctions and blockades and punish anyone who dares to resist U.S. control.))

MMT is right to argue that so long as the economy is operating below potential, we can and should run large deficits to fill the gap and to address public policy priorities such as the need for affordable housing, expanded public healthcare and building a green economy.

((The writer uses the expression "below potential." What is the potential of the imperialist economy? The potential lies in the modern socialized economy of industrial mass production but imperialist control carves it up into contending narrow private interests and their cartels and coalitions. Competing private individuals and groups obsessed with the aim of maximum profit for themselves are quite capable of tearing each other apart and blowing up the whole to serve their narrow private interests. The potential cannot become actual without the economy coming under the control of the actual producers, the working class, with a new aim to constitute the nation so that it serve the people and society.))

These deficits will have most impact in both social and economic terms if used to finance well-chosen public investments, as opposed to tax cuts. Inflation is not likely to be a problem.

((Why is inflation not likely to be a problem? Because the working class has been beaten down and its organizational strength decimated. Price inflation is a weapon to defeat wage increases and reduce the claims of workers on the social product they produce. Prices are not stable but under the control of the oligarchs and serve their interests. You could say with certainty that as the working class begins to reorganize and pull itself up and claim what belongs to it as it must, the imperialists will fight back with price inflation and other means to combat any widespread wage gains just as they did in the 1970s.

Control of prices in the people's interest can be achieved through public control of the wholesale market and an imposition on the major sectors and producers of a modern formula to determine prices of production of goods and services. A modern formula includes an average rate of profit and enough reproduced-value to meet the needs of the working people and society. This is coupled with all large businesses fully paying for the infrastructure they consume during the course of their activities (mass transportation, roads, bridges, electricity, water, sewer etc.))

We can run large fiscal deficits now, but not indefinitely, without major changes in fiscal and monetary policy and in political direction. In the longer run, we cannot have everything we want just by printing money.

((We cannot have everything we want when we, the working people, do not have control over the economic, political and social affairs of the country.))

If we want permanently higher public spending, we also need to raise taxes.

((What happened to the declaration of the importance of public funds from public enterprise? Public enterprise is the only sure source of public income. This can be coupled with public control of the wholesale sector and prices of production governed with a modern formula that guarantees a certain level of individual and social reproduced-value (wages, benefits and social programs serving the people). This requires determined political control of the economy by the working people. The imperialists always revert back to attacks on the people through taxes, in particular individual taxation, which they sometimes even call progressive.))

If we want much more public investment, we will also have to give less priority to private consumption, especially the luxury consumption of the rich.

((The issue is not private consumption but private expropriation of new value (profit) through private control of the socialized economy. The actual producers, the working class, have to bring to the fore their aim for the economy to serve the people and nation-building and exercise control over the economy so their aim is fulfilled.))

If we want greater control of our economy, we must confront the power of private financial interests.

((How this is to be done is not addressed. It requires building a political party which organizes the workers movement to take up its own nation-building based on democratic renewal. By constituting the nation, the working class must take practical measures to gain control over the economy and country.))

MMT, based on the theoretical legacy of left Keynesian economics, offers us a way forward, but it does not free us from the very real constraints of capitalism.

((The way forward is to free ourselves from the constraints of imperialism. Without freeing ourselves from the constraints of imperialism there is no way forward, only in this instance the empty policy objectives and words of warmed over Keynesian economics. Even when they were given rise to, Keynesian economics were designed to block the working class from freeing itself from the constraints of imperialism in organizing, thinking and theory. Today, they are promoted as a so-called already discredited "Third Way" to suggest that the "one percent" can be made to share their wealth with the "ninety-nine percent" so as to renew capitalism to make it work. It is the miracle the new Throne Speech and Finance Minister pledge to achieve. It is nothing but pie in the sky to hide the schemes to pay the rich and fool the gullible. Their problem is that the only gullible these days are the highest echelons of business unions whose own narrow private interests put them as out of touch with reality as the government and its ministers with whom they hope to align the working class.))

From the TML Archives

Invoking the Ghost of Keynesianism to Derail the Workers' Movement

- K.C. Adams -

Originally published in December 2010.

Some people have the habit of resurrecting the ghost of Keynesianism in an attempt to divert the workers' movement from engaging in a concrete analysis of concrete conditions. It is not uncommon to hear that what is needed to deal with the present economic crisis are "Keynesian measures to stimulate employment and strengthen the domestic market." This prescription is pitted against the neo-liberal measures in a manner designed to suggest that there are two options facing the peoples of the world.

What does this mean in practice? Does a formula exist that corresponds to "Keynesian measures"? Why would Keynesian measures from the economic crisis of the 1930s be suitable today? Such measures, whatever they imply, do not emerge from a concrete analysis of the situation in any country or from a human-centred program arising from the reality of the class struggle taking place today.

Global neo-liberalism using electronic and other means to control entire economies under the aegis of U.S. military and economic hegemony is not the same world of the 1930s. Also, to introduce the prescription "Keynesian measures" sidesteps the issue of what those measures were in the 1930s and what they accomplished. They certainly did not put an end to the crisis or prevent the big powers of Europe, the United States and Japan from preparing for war to re-divide the world.

The fact that neo-liberals beginning in the 1970s attacked public spending on big projects and social programs, which they called Keynesian measures, does not clarify what those measures may be in the present circumstances or lend them any credibility as a program of action that is human-centred and which can bring positive relief for the people in the current circumstances. Some commentators called the Bush/Obama Troubled Asset Relief Program (TARP) bailouts of the financial sector a Keynesian measure while others disputed that assertion. Others in the U.S. speak of the need for "military Keynesianism," a program of pouring money into war preparations, militarization of social and cultural life and war. In this sense, Canada is undergoing "military Keynesianism" where every facet of life is being militarized as one price to be paid for deeper annexation into the U.S. Empire.

For the U.S. economy where much of what is called the military industrial complex is spread out over many states, public spending on war preparations and war does "stimulate employment and strengthen the domestic market." Do proponents of "Keynesian measures" approve of public war spending as a positive program? Certain economists say war spending is Keynesian but that it is only about half as effective as similar public spending outside the military sector. Much of the war material does not circulate as means of production and consumption within the domestic economy, especially in predatory wars in poor countries such as Iraq and Afghanistan, where spending is concentrated in the war theatre.

When thinking about Keynes and his rise to prominence, it should be remembered that public spending of any kind in significant quantities is a feature of monopoly capitalism, which had just come into being at the turn of the century when he was being groomed as an intellectual to defend the British Empire. Public spending was not a feature of nascent capitalism of the nineteenth century.

Two momentous events marked the consciousness of all intellectuals of the first two decades of the twentieth century: World War I and the Great October Socialist Revolution in Russia. All intellectuals from that time, of which Keynes was one, were products of a new era that had burst on the scene with such thunder and drama: the era of imperialism and the proletarian revolution. Keynes in his personal and public life came down squarely on the side of defending monopoly capitalism and opposing the working class from gaining political power. His intellectual skills were much appreciated by the ruling elite of Britain and he was richly rewarded. Monopoly capitalism posed new problems for the class in power and Keynes provided theoretical guidance in dealing with those problems. The rise to power of the monopolies meant that the capitalist state itself had undergone momentous changes. The cost of WWI meant new forms of taxation were introduced of which the personal income tax was the most important. Personal income tax provided the imperialist state with enormous amounts of public funds. How to use these public funds to defend the monopoly capitalist system and assist particular monopolies to defeat competitors in the global marketplace and who was to exercise control over those funds became practical and theoretical problems for the ruling elite of which Keynes was an important member.

Keynes himself was not only an ardent promoter and theoretician of the capitalist system and the British Empire; he was an active participant in the 1920s stock market frenzy. He lost a sizeable fortune with the 1929-30 stock market collapse; however, he recovered all of it and more by the end of WWII. First Baron Keynes' personal fortune upon death was equivalent to \$16.5 million.

Large public spending to help certain monopolies or sectors and more generally to defend the system from collapse or takeover by the working class through revolution is a feature of monopoly capitalism. Little academic literature was available in the early years of monopoly capitalism to support such activity and give it theoretical guidance. Keynes and other intellectuals provided practical and theoretical guidance to the state during a period of economic crisis and global revolutionary upheaval within the British Empire and elsewhere.

Keynes' theoretical works were widely used to argue both for a liberal social welfare state and militarized fascist state according to the conditions and needs of a particular imperialist bourgeoisie. Theoreticians of German National Socialism within Hitler's Nazi Party used Keynes' promotion of public spending to provide theoretical justification for using public money to help particular monopolies and to underwrite the rearmament of Germany. These theories can now be said to underpin the arguments that workers and people generally should rally behind their own monopolies so that they become competitive and successful in the global marketplace. In a similar manner, people are taught one-nation politics of rallying behind U.S., Britain, German, French or Japanese empire-building. In Europe his theories were used to bolster European socialism (against "oriental despotism") and in North America, U.S. exceptionalism. Both contend that monopoly capitalism does not contain within itself contradictions that need to be resolved through revolution led by the working class.

Keynes was one of the leading intellectuals of the 1944 international monetary system called Bretton-Woods, which U.S. imperialism with the acknowledgement if not full agreement of Britain, imposed on its allies and colonies. Bretton-Woods established the International Monetary Fund and the precursor to the World Bank. Importantly, Bretton-Woods created the institutional conditions for U.S. financial hegemony over the capitalist world and the modern system of international usury to bind the former colonies to the imperialist states in perpetual indebtedness. Bretton-Woods marks a turning point from nation-building within the capitalist countries to an imperialist system of states dominated first by two superpowers and today by a single superpower striving for sole domination. It positioned the U.S., even before the end of WWII, to lead the imperialist world to encircle and smash the Soviet Union and its allies around the world and to transform old colonial rule over the developing countries into imperialist rule and domination. It prepared the economic conditions for the nuclear blackmail of the peoples of the world and the series of predatory U.S. wars against Korea, Vietnam and others that continue today with the war

and occupation of Afghanistan and Iraq, the economic blockades against Cuba, the DPRK, Zimbabwe and others, threats of aggression against the DPRK, Iran, Lebanon, Somalia, Sudan, Syria, Venezuela and many more countries striving for independence, and the maintenance of hundreds of U.S. military bases throughout the world.

Keynes became a prominent economist of the twentieth century fully educated and imbued with the direct experience of monopoly capitalism and serving its needs. This means his ideas are marked with the necessity to serve the monopolies in the era of imperialism and the proletarian revolution. They are a clear departure from the economists of the nineteenth century, the period of nascent capitalism, who would engage and argue with Karl Marx and his concrete analysis of capitalism. Keynes simply dismissed Marxist economics as wrong and would not argue out his differences. His role was to serve monopoly capitalism and oppose the necessity of moving capitalism forward to socialism to resolve the basic contradictions within the capitalist system, a system that has outlived its transitory role in transforming petty production of the mediaeval era into mass industrial production. Keynes held the working class in complete contempt as not capable of leading itself or society. In this sense politically, he was completely opposed to the concept and practice of democracy where the people directly participate in governing themselves. This contempt for the people and democracy was inculcated into him at Eton and Cambridge where he was constantly praised as brilliant and superior to all other human beings and deserving of wealth, prestige, power and privilege. The British educational system does not accept that workers are capable of thinking at a level sufficient to govern themselves, manage society and its socialized economy, and resolve its contradictions. This means that any attempt or even talk of nation-building led by the working class, which vests sovereignty in the people and puts at the centre the human factor/social consciousness, is denounced and ridiculed by the ruling elite of Britain and the United States and all their institutions.

Keynes in His Own Words

Originally published in December 2010.

A trend in thinking and outlook can be found in the selected quotations provided below, which are followed by comments in double parentheses. The actual practice of Keynes reveals he is a finance capitalist and theoretician for imperialism and the preservation of monopoly right and the right of imperialism to rule globally over the working class and oppressed peoples with impunity.

Direct experience has taught the working class that during the 20th century, an avowed anti-communist such as Keynes could not make a positive contribution in the realm of politics and social policy. Someone unwilling to unite with communists, someone full of contempt and hatred for the working class could not make a positive contribution in political, social and cultural life. In the case of Keynes, he was not merely unwilling to unite with the communists, his mission became their defeat. He became the darling of the Labour Party whose mission was to make sure the British working class would remain under the thrall of a ruling class determined to preserve its spheres of interest and influence and defeat the road of the October Revolution.

Hardened articulated stands of racism towards others, hatred for communism and the working class would preclude individuals like Keynes from making a contribution towards the people's well-being and general interests of society. Anti-communism and racism are stands of an egocentric who puts personal prejudices and desires, and the narrow interests of the rich and privileged and the status quo ahead of the rights of all, their collectives and the general interests of society, especially the necessity for change.

The quotations selected from Keynes' published material mostly deal with his political views. Often singular quotes are not enough to see a trend but in the case of Keynes, his anti-communism, contempt for workers and opposition to people's active and conscious participation in government, and his open racism towards non-Europeans considered inferior and certain Europeans are more than evident.

Readers should remember that Keynes wrote at a time when class divisions were extremely sharp both in Britain and internationally with the creation of a workers' socialist homeland in Russia in 1917, the great stirring and revolt of the peoples of the colonies, the prolonged economic crisis of the 1930s and the creation of the international United Front Against Fascism. Keynes consistently served the British Empire and imperialism during this tumultuous time and was well rewarded for his service to the ruling class.

After WWI and the Socialist Revolution and creation of first Soviet Russia and then the Soviet Union as a homeland of the international proletariat, imperialism centred in Europe, the United States and Japan demanded new arrangements to keep the working class oppressed, the Soviet Union encircled and isolated, the colonies subdued, and the monopoly capitalist class in power with their monopolies defended and free to expand their empires. The situation was unlike anything the capitalist class had faced before.

One trend that emerged favoured fascism with its one-nation politics, open suppression of the working class movement, public spending to militarize the society and pursue empire-building in an aggressive and expansionist way, challenge the dominant imperialist powers and re-divide the world.

Another trend was social-democracy taken up as the variant of liberalism to line workers up behind their own ruling capitalist class through public spending on big state projects and war preparations to defend the colonies they already possessed and pressure weaker or rising imperialist powers such as Germany and Japan to respect the status quo regarding the division of the world.

On the economic front, these struggles for new arrangements intersected in similar policies of using the public treasury to fund stimulus measures to defend big business from the ravages of the economic crisis. All the imperialist countries began to use public funds to save big business and their monopolies such as the stimulus measures of Franklin Delano Roosevelt of the United States, which included the Tennessee Valley Authority, rehashed in 2009-2010 with the Bush/Obama bailouts of the big financial enterprises, auto and other monopolies.

In 1930s Germany, stimulus measures using public funds were incorporated into the program of the national socialists of Hitler's Nazi Party to defend particular German monopolies such as Krupp and Siemens AG, build big state projects and rearm the country using both public funds and funds borrowed from U.S. finance capital.

The economic theories of Keynes dealing with public spending during a downturn in the business cycle were convenient and gave a stamp of intellectual approval for those dominant imperialist states charting a liberal course and also the rising imperialist states charting a fascist aggressive course. It is not surprising that intellectuals of the capitalist elite such as Keynes would find favour in both imperialist camps because the reality of monopoly capitalism is that state policies are not based on principles but the pragmatic needs of the moment.

In the pre- and post-World War Two period, monopoly capitalist states were either openly fascist or liberal conciliators with fascism according to their immediate self-interest. One glaring example occurred during WWII involving the U.S., Britain and the other imperialist states that were at that time allied with the Soviet Union in the world war to defeat the aggressive imperialist axis led by

Germany and Japan. Right at the height of the war in 1944, they forged the Bretton-Woods fascist international monetary agreement as a cornerstone of their plans to impose U.S. imperialism as the sole superpower and use their united financial and military power to continue the colonial system with new arrangements after Germany and Japan were defeated.

An important aspect of Bretton-Woods was to tighten the encirclement of their ally the Soviet Union to weaken and eventually destroy the workers' homeland. Keynes was a leading architect of this new international financial arrangement of finance capital, which created both the International Monetary Fund and the forerunner of the World Bank and legalized usury as a form to force tribute from the developing and weaker capitalist countries.

Quotations of Keynes

Views on communism, the working class and Marx's *Capital*

These quotations are selected from articles in the *New Statesman* (Republished in the booklet *A Short View of Russia* by Hogarth Press in 1925 and in *Essays in Persuasion* (1931).)

Like other new religions, Leninism derives its power not from the multitude but from a small minority of enthusiastic converts, whose zeal and intolerance make each one the equal in strength of a hundred indifferentists.

((Such a silly notion. "A small minority of enthusiastic converts" would not have been able to overthrow an imperialist power such as Russia if the multitude of workers and peasants had not been prepared subjectively and organizationally to engage in heroic revolutionary struggle to defeat their oppressors. Keynes is merely expressing his contempt for the people, who in his mind are incapable of embarking on a conscious path of revolutionary struggle to move society forward to a human-centred alternative to capitalism. He hates anyone with a different outlook to his. For him the working class perspective on economics, politics and culture in general must be dogmatic and intolerant because it is so diametrically opposed to his capitalist outlook, which in his mind is sanctified by his long English lineage and tradition and is therefore the only true and normal thinking.))

How can I accept a doctrine which sets up as its bible, above and beyond criticism, an obsolete text-book which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, whatever their faults, are the quality in life and surely carry the seeds of all human advancement? Even if we need a religion, how can we find it in the turbid rubbish of the red bookshop? It is hard for an educated, decent, intelligent son of Western Europe to find his ideals here, unless he has first suffered some strange and horrid process of conversion which has changed all his values.

((It is the "boorish proletariat" that is the rising aspect of the great contradiction of the capitalist world. Keynes is terrified that the negation of the "boorish proletariat, the mud and its turbid rubbish" is about to be negated even in sweet England and he will lose his power, wealth and privilege to those -- he can barely bring himself to say the word without using an obscenity -- those workers who create the wealth that supports his lavish intellectual lifestyle serving the monopolies and the British Empire.))

Keynes gives the following racist and anti-Semitic "explanation" of the character of members of the Soviet Union:

In part, no doubt, [their character] is the fruit of Red Revolution. In part, perhaps, it is the

fruit of some beastliness in the Russian nature -- or in the Russian and Jewish natures when, as now, they are allied together.

((The combining of Bolshevism and Judaism as underlining features of those "beasts" who would destroy European civilization was a common theme among Hitlerite fascists of the day. Keynes goes a step further into racism considering the threat to European civilization comes from a combining of "some beastliness in the Russian nature" with Judaism. This propaganda amongst the British intelligentsia was part of the pressure on German imperialism to launch an assault on the Soviet Union, which it eventually did in 1941.

British intellectuals such as Keynes have never accepted responsibility for preparing European public opinion to encourage and even hail the German Nazis for launching their murderous war on the peoples of the Soviet Union, which resulted in unprecedented destruction and death. Their only regret is that the invasion did not happen before the 1939 Treaty of Non-Aggression between Germany and the Union of Soviet Socialist Republics, which was a factor in delaying the attack until 1941.

The habit of Keynes not to argue issues out but simply to launch abuse and ascribe to adversaries one's own habits is characteristic of a fascist outlook and the lowering of political culture under monopoly capitalism, as distinct from the interest in advancing science during the 19th century. It is the return to medieval obscurantism and absolutism under the cloak of being the most advanced and erudite.))

Leninism is a combination of two things which Europeans have kept for some centuries in different compartments of the soul -- religion and business. We are shocked because the religion is new, and contemptuous because the business, being subordinated to the religion instead of the other way round, is highly inefficient.

((Besides the contemptuous disregard for what constitutes Leninism, how does Keynes reconcile the fact that the Roman Catholic Church was for centuries the largest landholder and participant in European business and crusader for spoils abroad? The Protestant Reformation played an integral role in preparing the subjective conditions for the victory of capitalism over medieval property relations.

Leninism unmasked the hypocrisy of the Church, especially in Russia where it had worked hand in glove with the most diabolical exploiters and medieval tyrants.))

Continuing his critique of revolutionary Russia Keynes writes:

Comfort and habits let us be ready to forego, but I am not ready for a creed which does not care how much it destroys the liberty and security of daily life, which uses deliberately the weapons of persecution, destruction and international strife. How can I admire a policy which finds a characteristic expression in spending millions to suborn spies in every family and group at home, and to stir up trouble abroad?

((Interesting comment given that striving to become rich and free from the drudgery of ordinary work is the creed of the bourgeoisie. And how have owners of capital kept the working class oppressed if not through bribery of working class leaders using superprofits from exploitation in the oppressed countries. Ideological subversion is the backbone of suppressing proletarian revolution in Britain and all other monopoly capitalist countries. Keynes himself is an excellent example of a well-prepared indoctrinated agent of the owners of capital emerging from the middle strata.

The hypocrisy of Keynes is boundless. British spying is lionized even in films and the popular culture but the working class spreading its views through its own propaganda organs and

discussions in ordinary families is "to suborn spies in every family and group at home." And to express social solidarity abroad for the rights of the peoples fighting against the British and U.S. Empires is characterized as "stirring up trouble abroad."

What Baron Keynes refers to as "stirring up trouble abroad" is proletarian internationalism and the working class does not shy away from doing its duty to support all those who are striving to free themselves from imperialist oppression and to move their societies forward to the emancipation of the working class.

The infiltration of capitalist spies and agents into the peoples' movements, the specialty of the czarist police, has been institutionalized not only by the CIA, Homeland Security, MI5, MI6 and CSIS but also with non-governmental agencies (NGOs) and certain labour organizations and charities that openly block the people from taking up politics and organizing to solve problems in their own interests and to resolve the contradictions facing their societies, especially their exploitation by the imperialist empires.))

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.

((Workers and their allies should remember this "confession" when they hear or read his name. "Justice and good sense" and principles are soon "suborned" by pragmatic policies of the "educated bourgeoisie" fighting the "class war" against the "boorish proletariat."))

Support for Eugenics

Keynes was an active proponent of eugenics, having served as Director of the British Eugenics Society from 1937 to 1944. As late as 1946, before his death, Keynes declared eugenics to be "the most important, significant and, I would add, genuine branch of sociology which exists." (From "Opening remarks: The Galton Lecture (1946)," *Eugenics Review*, 38(1), 39-40.)

((This was not a stand from idle curiosity or ignorance. It was active participation in the movement for European fascism. During the period prior to WWII, support for eugenics meant support in particular for Nazism. Eugenics was presented as "the study and practice of selective breeding applied to humans," with the supposed aim of improving the species as opposed to moving society forward by changing the social conditions and resolving class contradictions.

Eugenics is a form of one-nation politics. The ruling elite make a determination of all those considered acceptable to constitute a nation of themselves based on ethnic, religious, political, physical and intellectual criteria. All outside the criteria are excluded and even exterminated as became the policy of Nazi Germany and today requires that all those who do not swear allegiance to the "values" declared American, Canadian, British, civilized, etc., are subjected to civil death which is to say that no civil rights apply to them.

During the 1930s, eugenics was most closely associated with the German Nazis and their political program to cleanse Germany of all those people considered undesirable. All "imperfect human beings" such as communists, Jews, Roma, Slavs, Gays, people with physical or mental imperfections and those upholding values or possessing a conscience in contradiction with Hitler's Nazi Party were to be deported or exterminated. British liberal intellectuals and others through their conciliation with fascist ideology such as racism, anti-communism and eugenics have to be held to account for the role they played in preparing subjective conditions for mass murder in the concentration camps, the war crimes committed by the German military abroad and other Nazi atrocities.))

Quotation from "The End of Laissez-faire" (1926)

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, the events of history.

((The working class has not developed its ideology to entertain the British intellectual elite. The ideology is meant to guide the working class in constituting the nation to vest sovereignty in the people and open the path towards the complete emancipation of the working class and elimination of class society.))

Quotations from "Essays In Biography" (1933)

I have sought with some touches of detail to bring out the solidarity and historical continuity of the High Intelligentsia of England, who have built up the foundations of our thought in the two and a half centuries, since Locke, in his *Essay Concerning Human Understanding*, wrote the first modern English book. I relate below the amazing progeny of Sir George Villiers. There is also a pride of sentiment to claim spiritual kinship with the Locke Connection and that long English line, intellectually and humanly linked with one another, to which the names in my second section belong. If not the wisest, yet the most truthful of men. If not the most personable, yet the queerest and sweetest. If not the most practical, yet of the purest public conscience. If not of high artistic genius, yet the most solid and sincere accomplishment within many of the fields which are ranged by the human mind.

((This quote praising dead Englishmen Locke, Villiers and others in the long English line is inexplicably followed by a snipe at communists for venerating their heroes, leaders and ideologues.))

All the political parties alike have their origins in past ideas and not in new ideas -- and none more conspicuously so than the Marxists.

((How can origins be found in new ideas? The point is to develop ideas which are consistent with the present conditions, which requires concrete analysis of concrete conditions. Modern personalities do not reject their origins found in the struggles and theories of the working class wherever the people have made a contribution including the ancient thought material of past civilizations. Modern personalities are not so arrogant to declare they arrived at the present without a past found in the struggles and thought material of people that have come before them and advanced human civilization to what it is today. The point however is not to dwell on the past and ancient thought material in the sense of turning it into dogma or an icon but to change the social conditions of the present and give rise to new thought material.

This is what Lenin did in creating the Leninist political party of a new type, which was qualitatively different from the working class organizations created by Karl Marx and Frederick Engels during the 19th century. And this is what Hardial Bains and others did within the conditions of the betrayal of the Leninist path set by the October Revolution. And so it is with CPC(M-L) and other revolutionary communist parties that constantly renew themselves to meet the challenges of the contemporary conditions that are themselves constantly in a state of change, development and motion.))

Quotation from "The General Theory of Employment, Interest and Money" (1935)

Gesell's chiefwork is written in cool and scientific terms, although it is run through by a more passionate and charged devotion to social justice than many think fit for a scholar. I believe that the future will learn more from the spirit of Gesell than from that of Marx.

((Wikipedia has this note on Silvio Gesell (1862-1930) so admired by Keynes: "Gesell founded his

economic thoughts on the self-interest of people as a natural, healthy motive to act, which allows the individual to follow the satisfaction of his/her needs and to be productive. The economic system must do justice to this pre-condition, otherwise this system would undoubtedly fail. This is why Gesell called his proposed economic system 'natural.' This stance put him in clear opposition to Karl Marx, who called for a change in social conditions.))

Taking selfishness into account, Gesell called for free, fair business competition with equal chances for all. This included the removal of all legal and inherited privileges.

((This admiration of Keynes for Gesell reflects the contradiction of economists of the era of early monopoly capitalism who still had one foot in the previous period. This contradiction is resolved with neo-liberalism, which marks the full-blown adherence to monopoly right over public right and the smashing of any illusions people may still have that a return to pre-monopoly capitalism is possible or even desirable.))

Quotation from John Kenneth Galbraith, "The Age of Uncertainty"

Keynes never sought to change the world out of any sense of personal dissatisfaction or discontent. Marx swore that the bourgeoisie would suffer for his poverty and his carbuncles. Keynes experienced neither poverty or boils. For him the world was excellent. (*Chapter 7, pg.198*)

((For a Marxist, of which Marx was the first but certainly not the last, the world exists objectively and subjectively as it presents itself, no more no less. Marxists, similar to non-Marxists, are born into a world that is not of their making. Marxists accept the world as it is, analyze its contradictions and set about with others to organize to change it.

Any dissatisfaction and discontent the working class may feel arises in part from a sense of helplessness. As soon as workers refuse to be victims or spectators to their own mistreatment and class oppression and unite and organize with others from their class to change the social conditions the dissatisfaction and discontent they may have felt is overwhelmed by the spirit of social solidarity and the knowledge that the workers and their allies are organizing and marching forward to solve the problems in the real world, the problems that are at the root of their dissatisfaction and discontent. Social solidarity is the result of unity in action for the same cause. It inspires even the most oppressed to be courageous in the face of their difficulties. Modern personalities, views the problems which exist with affection in spite of the "carbuncles," because they can be tackled with a program of one's own making. Having such a program is, in turn, the affirmation of the human factor/social consciousness, of life itself.))

Wikipedia writes: "The Bloomsbury Group or Bloomsbury Set was a group of writers, intellectuals and artists who held informal discussions in Bloomsbury (central London) throughout the 20th century... Their work deeply influenced literature, aesthetics, criticism, and economics as well as modern attitudes towards feminism, pacifism, and sexuality. Its best known members were Virginia Woolf, John Maynard Keynes, E.M. Forster, and Lytton Strachey."

Keynes is quoted by Quentin Bell in his *Virginia Woolf, A Biography* (*Hogarth Press, 1972, p. 177*). The biographer Bell relates an anecdote of Virginia Woolf, Keynes and T.S. Eliot discussing religion at a dinner party, in the context of their struggle against Victorian era morality.

At the end of the said dinner party a disturbance reminded Keynes 'of his theme,' and he remarked that 'the youth had no religion save Communism and this was worse than nothing.' Marxism 'was founded upon nothing better than a misunderstanding of Ricardo,' and given time, he, Keynes, 'would deal thoroughly with the Marxists' and other economists, to solve the economic problems their theories threatened to cause.

((The economic problems the Marxists threatened to cause are those of the actual producers reaffirming their right to control the direction of the economy. They are quite capable of finding their own path forward through the difficulties their affirmation of themselves as the actual producers may cause. This means in part, the rejection of the thesis of Keynes and other capital-centered intellectuals that workers are a cost of production; it means demanding first claim on the social product of the actual producers and the satisfaction of the claims of society through the government before those of owners of capital and their minions are met; it means gradually eliminating the claims of owners of capital altogether. Workers gladly accept the challenge of overcoming difficulties these measures may bring. Attempts to haunt them with the ghost of Keynes will not derail them.))

Note

A short biography of John Maynard Keynes (1883-1946) is available in *Wikipedia* where some details of his class origin, upbringing and public life in service of the British Empire are given.

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