

## Lord Keynes Economist of Capitalism in Decline

In the sickness of its declining years capitalism is being nursed by the Labour Party. Lord Keynes, who died on April 21st, was the doctor who prescribed the treatment. His theories, on which rest the belief in the possibility of "full employment" under capitalism, have come to the widely accepted not because of intrinsic merit or originality, but because capitalists and the Labour politicians alike have dire need of a panacea that will, they hope, make capitalism work or at least persuade workers that it will. Faced with mounting unemployment and the political discontent that it causes, many Tory and Liberal politicians had lost confidence in their ability to save capitalism. Lord Keynes promised them another lease of life. The Labour Party, new to power, never had much confidence in its own ability, and the "economic blizzard" of 1931 that wrecked the Labour Government destroyed even what it had; so Keynes was their hope, too.

He believed that investment and price trends could be made subject to governmental control and thereby booms and slumps could be ironed out and approximately full employment secured. His views found expression in the National Government's "White Paper on Unemployment Policy" (1944), in which the Government accepted "as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war". The Labour Government has endorsed this White Paper. Keynes directly influenced the Liberal and Labour programmes.

"It was mainly through his personal influence", says the *Times* (April 22nd), "that the Liberal Party adopted as their platform in the election of 1929 the proposal to conquer unemployment by a policy of public works and monetary expansion". The section of the Labour Party that opposed the MacDonald-Snowden economy cuts in 1931 quoted Keynes in support of their view. The Labour Party's report on "Full Employment and Financial Policy" (1944) largely rests on Keynes's theories. It declares that "the best cure for bad trade is to increase purchasing power and to speed up development". It looks to loans, "compulsory if necessary", from the Banks to "help the Chancellor to find the purchasing power required for full employment . . ." "If bad trade and general unemployment threaten, this means that total purchasing power is falling too low . . . We should give the people more money, and not less, to spend."

Socialists have no hesitation in saying that if the Labour Government attempts anything of the kind—it may, of course, get cold feet and scurry to the safety of "orthodox" financial policies, as did Snowden and MacDonald—it will not succeed in avoiding unemployment and crises. Capitalism depends for its relatively smooth functioning on the capitalists' confidence in their prospect of selling their goods at a profit. By the time that bad trade threatens the capitalists will already be apprehensive and the proposed government policy would sap their confidence still more. It is one thing to propose to increase the workers' purchasing power but the capitalists (including the Government itself in State industries) are at all *Times* forced by competition to seek to *reduce* the purchasing power of the working class in relation to the mass of goods produced for the market. This they do, if not directly, by wage cuts, then indirectly by installing labour-displacing machinery to increase output and lower costs of production.

Always the workers can buy only part of the commodities they produce (but which belong to the owners of the means of production), the part represented by their wages. Keynes and the Labour Party ignored these basic facts of private ownership and the wages system and looked to financial schemes to relieve the disequilibrium when, periodically, it had produced a crisis of bad trade and unemployment. Events will show that unemployment cannot be abolished under capitalism, even though its growth may for a time be masked by war, war preparations and totalitarian controls.

The extent and nature of the dependence of capitalists and the Labour Party on Keynes's theories was shown by the estimates of his work published by the *Herald* and the *Times* on April 22nd. The *Herald*, under the heading "The Great Lord Keynes", by a Labour MP, Mr. Evan Durbin, said that Keynes "more than anyone else . . . bridged the gap between Liberalism and Socialism". The *Times* developed the same idea at length:-

"The Keynesian approach offered a bridge between the academic economists on the side and 'the brave army of heretics'-Mandeville, Malthus, Marx, Gesell and Hobson (to name only a few)-on the other. This may yet prove to have been Lord Keynes's most valuable achievement".

Marx is here put in curious company, but the *Times'* inclusion of him had a reason. The *Times* thinks that Keynes had found the way to cure unemployment and thus save capitalism from the challenge of Socialists. It quotes him as defending his policy of full employment through State control of investment "both as the only practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition for the successful functioning of individual initiative".

The *Times* went on to claim that Keynes had shown how to bring about reconciliation between the orthodox political parties and the "growing army of deeply discontented reformers and revolutionaries". The claim is certainly true of the Labour Party, but woe betide that Party when Keynes's full employment policy fails them and the bridge he built collapses. Let it therefore be clearly understood that neither Keynes nor anyone else has reconciled the Socialist demand for the abolition of capitalism with the despairing attempt to make the system tolerable by trying to cure unemployment within its framework.

(June 1946)