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Marx and Keynes: The Primacy of Politics

In a 1989 article "After Annales: The Life as History," Jacques Le Goff has emphasized that, as his title implies, the newly popular biographical studies need not, and must not, return to the traditional anecdotal biography but should move forward while retaining the insights of the Annales school and the other disciplines enlisted by that school. After publishing *L'Imaginaire médiéval* in 1985, he began a life of Louis IX on the example of biographical histories, works "in which a man, his writings, and his age illuminate each other to marvelous effect" (405). In this sense one can illuminatingly undertake a comparative study of the lives as history of Karl Marx (1818–1883) and John Maynard Keynes (1883–1946), who have much more in common than a temporal relation to the Victorian Age and their character as great economists and world historical personages.

Both Marx and Keynes were much more political than is generally recognized or accepted. Indeed, contradicting their own powerful emphases on economics, their lives and works can illustrate the primacy of politics over economics in world history. Marx's classic statement of materialism in *Zur Kritik der Politischen Ökonomie* (1859) is unequivocal: "The economic structure of society," constituted for him, "the real foundation, on which rises a legal and political superstructure" (*Werke* 13:8). While Keynes granted considerable importance to politics, in *The General Theory of Employment, Interest and Money* he affirmed in easy arrogance: "Practical men...are usually the slaves of some defunct
economist" (Collected Writings 7: 383). Whatever they thought, or
thought they thought, Marx and Keynes consciously used politics
to achieve the consummation of their economic ideals.

Another value of biographical history is to rejoin what the indi-
vidual disciplines have necessarily cast asunder. Too often the
ideas of Marx and Keynes are studied in isolation from their
actions. Marxology disputes endlessly about base and superstruc-
ture, dialectics, dialectical materialism, historical materialism,
and production or property relations, among many other grand
locutions, with interpretations requiring interpretations to be
related to the real, working world. Most self-defined Keynesians,
as well as economists generally, are little aware of Keynes's many
political and policymaking activities. Marx and Keynes had in
common the rare characteristic of being both original thinkers
and implementers of (their own) ideas. When we pursue them we
can see idea and act fused in their persons, as M. Le Goff would
agree, "to marvelous effect."

Capital and The General Theory, their greatest statements, can
be better understood as ideas and historical forces if we approach
these works as much as possible as Marx and Keynes did, by
reliving their lives with them to the point of creation—and beyond.

The young Marx had established himself as a dominating,
responsible leader—as a natural political being. At twenty-four
he was the editor of a liberal Cologne newspaper; gaining ascen-
dancy over its bourgeois board of directors, he made it a powerful
critic of the established order, and in five months drove it into
a fatal collision with the Prussian government. He presently
became a leader among revolution-minded émigrés in Paris,
again offended authority, was expelled from France, and moved
on to Brussels. There, in 1846, he founded his first revolutionary
organization, the Communist Correspondence Committee. In
1847 he united his group with the radical artisans of the League
of the Just to create the Communist League, for which he wrote
the Communist Manifesto. During the German Revolution of 1848
Marx was again an editor, this time as unquestioned master of a
leading newspaper, and a Rhineland political leader of consider-
able weight. In London, after the failure of that bourgeois revolu-
tion, he concentrated on the proletarian revolution to come.
Beginning in the 1860s after a period of regroupment of forces,
he led the First International toward world revolution while guid-
ing the German Social Democrats toward a nationally based effort. During these later years, without altering his objectives, Marx adjusted his schedule of revolutionary action.

Marx's operations during the Revolution of 1848 illustrate his genius for politics—for decisive action in accord with both immediate circumstances and his ultimate aims. Two months after returning to Germany, arguing that the new freedom permitted legal revolutionary methods, he dissolved the Communist League against the resistance of some of the other leaders and joined the left-wing but bourgeois Democratic Party. With his *New Rhine Gazette* as an organ of the Democrats, his strategy was to cooperate with the progressive bourgeoisie until his proletariat was ready to succeed it. When the revolution began to falter, Marx dissociated himself from the Democrats, proclaimed his movement's proletarian essence, and in the famous Red Edition, the last issue of his newspaper, cried defiance in the words of a staff poet: "Noch im Sterben rufend: 'Die Rebellion!'" [In my act of dying calling out, "Rebellion!"] (*Werke* 6: 521). In the same issue, in his own words, Marx counseled the workers he was leaving behind: "Wir warnen Euch . . . vor jedem Putsch . . . Ihr wäret rettungslos verloren" [We urge you to avoid any attempt at a putsch . . . You would not have a chance] (*Werke* 6: 519). Marx left behind the unsullied memory of a pure revolutionary party on which to build future action.

One subsequent negative action relates strikingly to Marx's policy in Germany. In September 1850, in its new London headquarters, he broke up the revived Communist League to keep it out of the hands of irresponsibles. In the face of strengthened reaction they had proposed to attempt premature revolutionary operations. He said to his opponents: "Wir sagen den Arbeitern: 'Ihr habt 15, 20, 50 Jahre Bürgerkrieg durchzumachen'" [We tell the workers, "You have fifteen, twenty, fifty years in which to endure the civil war"] (*Werke* 8:598). In that interval Marx could best serve the revolution by writing *Capital*, the first volume appearing in 1867.

*Capital* was to become the fundamental statement, the dynamic constitution of the revolutionary movement, and was to establish Marx's intellectual authority over it—to make him unquestioned leader into the boundless future. Its vast bulk, however, rests on the arbitrary affirmation that all value is created by labor. Capitalist entrepreneurs rob the workers of the surplus value of their
work; hence there is a fundamental injustice in the system. Inherent in this moral evil is a functional disorder which will destroy capitalism: stripped of surplus value, the workers cannot buy their share of the flood of commodities produced. In Marx's forceful language the result, besides monstrous wealth at one pole, is the "Akkumulation von Elend, Arbeitssqual, Sklaverei, Unwissenheit, Brutalisierung und moralischer Degradation auf dem Gegenpol" [accumulation of misery, sweated labor, slavery, ignorance, brutalization, and moral degradation at the opposite pole]—and periodic crises leading to the self-destruction of the system by way of a failure of consumption (Werke 23: 675). Yet *Capital* is an implicit recognition of the creativity of the capitalists, and the general prosperity and the rising living standards of the workers—despite depressions, other huge defects, and odd evils—challenge the validity of Marx's pure economic theory. This is not, however, to deny that *Capital* is the greatest effort of the imagination to comprehend the new capitalistic world created by the Industrial Revolution, as well as a classic statement of the human condition.

John Maynard Keynes, becoming an active policymaker while still in his twenties, compressed in his person a great number of practical roles, some of them specifically political and all of them affecting his economics. These included editor of the *Economic Journal* for thirty-three years; Treasury official responsible for interallied finance during World War I, and Treasury representative at the Paris Peace Conference; financial journalist; speculator on the currency, commodity, and stock exchanges; chairman of an insurance company and director of another; Liberal Party leader and chairman of its journal of opinion; adviser on anti-depression policy; and generator of the original conceptions (and negotiator in their creation) of the International Monetary Fund and the World Bank. During these years, until his World War II responsibilities interfered, he taught economics at Cambridge University, "his brilliant lectures forming the minds," as one British observer wrote in *Time and Tide* in 1921, "of the largest numbers of students ever to attend lectures in economics" (Collected Writings 17: 240). All these activities nourished the economic conceptions, policy prescriptions, and political philosophy in his *General Theory*.

Beginning in 1909 Keynes taught orthodox neoclassical economics as defined by his early patron Alfred Marshall, although
he was soon nurturing subversive thoughts about the uncertainties threatening capitalism. Keynes's *Economic Consequences of the Peace* (1919), written in protest against the peace terms and accurately predicting disastrous consequences if they were not corrected, emphasized the fragility and questioned the equity of the world economic order. In a major lecture in 1924, "The End of Laissez-Faire," he saw modern society, as the title suggested, finding a new equilibrium between individualism and socialism. While remaining officially a Liberal, Keynes would presently be calling himself a democratic socialist. Meanwhile, he found himself vainly opposing a series of decisions as fateful as those of the peace conference. Britain's return to the Gold Standard in 1925 resulted in an intensification of deflation and depression, with 10 percent unemployment. It also led to the General Strike of 1926 as employers, trying to reduce wages to compensate for the overvalued pound, aroused the resistance of the workers, whom Keynes took the occasion to defend. The world Depression of the 1930s confirmed his warnings and saw him serving on important governmental bodies addressing it.

In the years 1929–1931 Keynes was prescribing a British New Deal long before the American New Deal began: a government-coordinated general effort like Franklin D. Roosevelt's National Recovery Administration; public works projects financed by counter-deflationary loans; and official study of the possibility of changing "the distribution of wealth." All of these expansive ideas, as well as his more modest ones, were ignored or rejected. Like Marx, he was driven into gaining his ends in the long run—by writing a book that would change thinking and so move people toward his vision of a healthy and just economic order.

Keynes began to construct *The General Theory* with the dismantled parts of his *Treatise on Money*, which he had begun to write in 1924 and which he published on October 31, 1930. When he tried to apply it to the Depression, the *Treatise*, neoclassical in essence despite some advanced ideas, simply failed to persuade other economists and responsible government leaders. Realizing its inadequacy with the help of criticism by younger colleagues, Keynes revised his thinking quickly and radically—revolutionized it to slay neoclassical economics and replace it with a new theory that could promise, among other things, to end the Depression.

The *General Theory* model represented a free-enterprise system with two major weaknesses—a tendency toward insufficient con-
sumption (not dissimilar from *Capital*'s failure of consumption as caused by proletarian poverty) and insufficient business investment, this latter the effect of liquidity preference and the resultant hoarding of money by wealth holders. The book was eloquently argued, staunchly defended by Keynes's young followers against the attacks of the leading neoclassical seniors, and powerfully supported by the effects of the dismal economic conditions on all minds. It began to convert more and more economists because it showed them how to actuate the levers of the governmental machine, thus fiscal and monetary policy, to attack the Depression conditions. Another factor was Keynes's creation of a Keynesian school around his students, future leaders of the profession, among whom "discussion was conducted very much in the atmosphere of a revivalist meeting: 'Brother are you saved?"—as one of them, the enduringly faithful Austin Robinson, later wrote (41). The book's message also had strong populist attractions with its socialist aspects, including the advocacy of the socialization of investment, and because it suggested increasing the incomes of the poorer classes as a method of improving economic conditions generally. Published on February 4, 1936, *The General Theory* was beginning significantly to affect government policy in England and North America by 1938 and 1939. After World War II, as the senior economists retreated and retired, it became the dominant economic theory in the West.

One can find weaknesses in Keynes's *General Theory* symmetrical with those in Marx's *Capital*. The Keynesian work, like the Marxian, has proved to be more effective in application than defensible in theory. In *The General Theory* itself Keynes never actually proved the failure of consumption he claimed to see as likely (*Collected Writings* 7: 97). In regard to his other major argument, on money and liquidity preference, he had developed a complex chain of reasoning to the effect that the excessive demand for liquidity tended to raise the cost of investment funds and thus reduced the operations of entrepreneurs to stagnation levels. In pure theory Keynes's logic, however, depended on the assumption, which he never troubled to prove, that entrepreneurs have no bargaining power in dealing with the economic agents providing finance. In the half-century since it appeared, moreover, *The General Theory* has experienced the denial in practice of its major theses. Consumption has proved to be a problem not because it has been too low, but because it has been too high,
causing inadequate saving and inflation, while enterprises, in the face of increasing consumption, have been expanding continually despite the cost of investible funds. With all the problems still remaining, there has been no threat of a depression of the extent of the 1930s. Yet Keynes, like Marx, has been proved right on a grander scale than permitted by pure theory. Both thinkers understood and commanded the total reality—the politics, sociology, psychology, and the rest—better than the isolated economic part of it, and recognized the need for the conscious social organization of the economy.

Marx’s achievement includes the creation of a movement which ruled more than a third—and profoundly affects the thinking of all—of the world’s people today. It was a venial error for him to have written Capital around and about advanced economies while creating an ideology instinctively fitted so well to the needs of the less developed economies. Stalin’s Russia and Mao Zedong’s China, operating as command economies, could compress time and accomplish in a generation what had taken free-enterprise societies a century or two to accomplish. Of course this forced development, under its humanly flawed political leadership, has been accompanied by terrific hardship and vast loss of life; historiography can describe this better than it can understand or explain it. Nor should recent events in the former socialist nations be permitted of themselves to make us forget how much was accomplished and under what inspiration.

*The General Theory* established itself most fortuitously for the West at a moment when the Depression was behind it and the Cold War before it. Keynesian economics provided an important aid to the morale of Western society and its leadership immediately after World War II. The Depression had badly shaken confidence in the free-enterprise economy; Keynesian economics helped restore it. Western economists could believe they had defenses against the high unemployment and other depression conditions to be expected after demobilizing so many millions of fighting men. Actually, partly because Keynesian policies were already being instituted, those postwar problems did not arrive, nor, as time went on, did endemic weak consumption or excessive liquidity preference appear. The British White Paper of 1944 had declared it a government objective to maintain “a high and stable level of employment after the war,” and the U. S. Employment Act of 1946 announced that government’s commitment “to
promote maximum employment” (qtd. in Lekachman 177, 171–72). Other Western nations undertook similar responsibilities. Yet, even if Keynesian expansionist action was not needed immediately after the war, the demand for long-term Keynesian economic intervention showed itself. Perversely, this was because of a development specifically excluded from the General Theory model. Economies of scale have resulted in the creation of larger and larger enterprises which could become threats both to economic stability and democratic government. The possible bankruptcy of a large firm could mean unacceptable regional, if not national, unemployment, while, contrariwise, the sheer wealth of such firms could have excessive influence over legislators and laws. This development has led to governmental acceptance of responsibility actively and permanently to direct the economy entirely in Keynes’s spirit, recalling his ideal of democratic socialism. Like Marx, Keynes possessed a true instinct for the elements of power and politics in society and economy.

It is not to denigrate Marx to note that the power structure which an aggressive leadership left behind in the Soviet and Chinese regions stifled liberty and efficiency, while their rusting, retrograde industrial establishments continue to hold back progress. Yet Stalin and Mao had to create classes of trained professionals to staff their ambitious economies, and these experts, exercising their new freedom, have the ability to hack off the rust and drag them into the twenty-first century. It is not to denigrate Keynes to note that his compromise between free enterprise and socialism is unstable, and that a slow, soft socialism pervades the West more and more. In both Marxian and Keynesian cases, privatization actions can counter the surviving—and/or creeping—socialism and enliven these societies. In the last decade of the twentieth century we see how the political economists Marx and Keynes have divided the world between them.

NOTES
1. “[D]ie ökonomische Struktur der Gesellschaft bildet die reale Basis, worauf sich ein juristischer und politischer Überbau erhebt.” All translations from the German are mine.
2. The following details are found in Felix 79–93 and passim.
3. See, for example, his article, “Great Britain’s Foreign Investments,” *New Quarterly*, February 1910 (*Collected Writings* 15: 44–59).


5. These included the Committee on Finance and Industry (1929–1931), Economic Advisory Council (1930–1931), Committee on the Economic Outlook (1930), Committee of Economists (1930), and Committee on Economic Information (1931–1940).


REFERENCES


