

# Eisenhower and Keynesism

By William Z. Foster

KEYNESISM IS THE economics of monopoly capitalism in the period of the general crisis and decline of the world capitalist system. It is the theory, worked out in the main by the late John Maynard Keynes, noted British bourgeois economist, to the effect that by manipulating governmental fiscal policy by various devices, the capitalist economy can be "managed" and "stabilized," with the result that cyclical economic crises, and eventually the general crisis of capitalism itself, can be very greatly mitigated or even eliminated.\* This bourgeois illusion is, of course, in contradiction to Marxist economic science and the whole perspective of socialism.

Keynesians are roughly of two variants with regard to the stress that they place upon the several types of governmental business stimulants. The Social Democratic and liberal Keynesians lay considerable weight upon strengthening the purchasing power of the working masses—by improved wages, ex-

panded social insurance, shorter working hours, and the like; whereas the big bourgeois Keynesians, with their "trickle-down" theory, more directly subsidize industry. These differences among the Keynesians largely disappear in practice, however; for as we shall see, they all tend to unite around the ultra-reactionary program of arms production as the best means of invigorating industry.

Keynesism has become the dominant economic policy not only of the government of the United States, but of all the major capitalist governments. The United Nations has also given Keynesism its blessing in its so-called program for full employment.\*\* The first practical step in the direction of a Keynesian anti-crisis policy was taken by President Hoover at the outset of the great economic crisis (1929-33), when he launched the Reconstruction Finance Corporation and proceeded to pour hundreds of millions of dollars into it, for the purpose of subsidizing and revitalizing various sick and hungry banks, railroads, and industrial corporations. Hoover's stated

\* J. M. Keynes, *The General Theory of Employment, Money, and Interest*.

\*\* O. Nathan, *Science and Society*, Summer 1951.

purpose was that if these concerns could be made prosperous corresponding benefits would eventually "trickle down" to the millions of unemployed workers. But the whole scheme failed dismally; as industry continued to collapse, the army of the unemployed mushroomed, and actual starvation conditions developed among the masses, climaxing in a general economic breakdown.

After Roosevelt was swept into office the country, from March 1933 on, was treated to another and bigger dose of Keynesian policies designed to stimulate industry. But this time there was a somewhat different content to it. That is, without neglecting the profits of the corporations, Roosevelt, by various make-work devices, undertook to furnish some degree of improved purchasing power to the working masses. To this general end, during the next six years, he expended about \$40 billion of government funds. But this dose of Keynesian economic drugs could not revive the stricken economic system. All through the period, until 1939, when the demand for munitions for World War II revived industry, the economic system remained crippled; the unemployed in the United States ranging from 7,000,000 to 10,000,000. The Roosevelt-Keynesian measures proved quite unable to overcome what Stalin called "the depression of a special kind." The dribble that the workers got in relief and in make-work could not offset the tremendous exploitation of the

workers that was taking place in industry and was causing the economic crisis.

#### EISENHOWER'S KEYNESIAN PROGRAM

The Eisenhower Administration, like those of Truman, Roosevelt, and Hoover before it, is also committed to the Keynesian program of stimulating industry through fiscal manipulation, especially by cultivating government expenditures. Eisenhower shares the general illusion of the bulk of the bourgeois economists, to the effect that, with "correct" governmental policies, economic crises can be greatly reduced in severity, if not ended altogether. The "experts" no longer subscribe to the conviction, prevalent among them a generation ago, that periodic economic crises were inherent in the capitalist system and that nothing can be done about them except to let them blow themselves out.

Upon various occasions, President Eisenhower has declared emphatically that this country, under Republican leadership, will never again be allowed to slip into a serious economic crisis. He and his economic soothsayers constantly reassure the American people that the country's present "prosperity" reflects the soundness in general of the capitalist system. But they, themselves, do not take too seriously their own pollyanna propaganda. In fact they are seriously alarmed at the present uncertain economic situation, with at

least 3,500,000 workers fully unemployed and several millions more working on short time, and which the A. F. of L. experts and other conservative bourgeois economists forecasting an early increase of the unemployed to at least 4,000,000. While the Eisenhower Government would welcome a sizable reserve army of unemployed, its economic and political leaders fear that a major industrial crisis could have catastrophic effects upon the economic and political position of world capitalism. Hence, the policy of the Administration, aiming to stave off such a possible disaster, is to have increasing recourse to Keynesian measures of giving industry systematic financial shots-in-the-arm.

Alan Sweezy thus sizes up the thinking and practice of the Administration upon this general matter (*The Nation*, Jan. 29, 1955):

That serious depressions are a thing of the past has now become official Republican doctrine. In all his public statements Arthur F. Burns, Chairman of the Council of Economic Advisers, has emphasized that we need not and will not allow another major depression to develop. President Eisenhower, speaking to the National Security Industrial Association on October 25, referred to the fears which have preyed upon people in the last two decades and added, "Certainly we know that one such fear—the fear of paralyzing depressions—can be safely laid away."

Time and again Eisenhower has reiterated such opinions.

The general idea of the Government, of course, is to forestall such a shattering crisis with governmental preventive measures. These include subsidizing and otherwise ruthlessly conquering foreign trade, and the manipulation of tax, interest, and installment purchase rates to favor the well-to-do and to encourage mass buying. But the Administration, to maintain industrial activity, especially relies upon wholesale government spending. In fact, the main job of the Council of Economic Advisors is, with a hand on the economic pulse of the nation, to propose the "necessary" Keynesian stimulants. These expenditures under the Eisenhower regime consist primarily of monster outlays for armaments production up to \$45 billion a year, and when even these are obviously inadequate, the development of vast programs of road-building—the \$101 billion, 10-year plan—with other big public projects in prospect, if need be.

During the Roosevelt regime the Republicans took great pleasure in ridiculing the whole New Deal make-work program as just so much "boondoggling." But now that they are in office themselves they are applying related Keynesian schemes on a far greater scale than anything ever undertaken by Roosevelt. In one year they are spending as much as Roosevelt did in ten, for this general purpose. But no longer is it a case of leaf-raking under the W.P.A.,

or of small-time project contracts under the P.W.A. Now it is a matter of Big Business, of the Federal government systematically subsidizing industry (trickle-down fashion) on a gigantic scale, and with the whole program carefully geared to the needs and interests of finance-monopoly capital.

#### THE KEYNESIAN ELEMENT IN ARMS PRODUCTION

The perfect example of adapting government stimulants for industry to the needs and interests of Big Business, of merging Keynesism and imperialism, is to be found in the case of Federal armaments production. The main-line policy of American imperialism is the establishment of world domination for the Wall Street financial and economic moguls by military intimidation and eventually a third, atomic, world war. This is the only possible rational interpretation of the vast military establishment that the United States is building up in this country and in its 950 bases abroad; of systematic arrogance of Washington in dealing with the Soviet Union, People's China, and the People's Democracies of Europe and Asia; and of the frenzied attempts of the United States to re-arm West Germany and Japan and to create an all-inclusive world capitalist anti-Communist alliance.

To undertake this monstrous—and foredoomed—project of world conquest, the Washington sabre-

rattlers need endless numbers of armed men and measureless quantities of munitions of all sorts. These, however, are being assembled at such a rapid pace that the standard of living of the American people is being seriously reduced, the hospital and school systems of the whole country are going to the dogs and many other essential institutions are being starved for lack of funds. What is particularly of vital importance in this whole matter is that the building of the monstrous and dangerous military machine and this exhausting drain upon the resources of the American people are being facilitated and furthered by Keynesian pressures coming from various classes of the population. These pressures arise from the widespread conviction that such vast military expenditures are necessary for the maintenance of American prosperity.

This notion of the economic necessity of arms production is held very widely. Businessmen and bourgeois government officials accept it as a commonplace that arms production stimulates industry, and they widely hold the idea that if this production were seriously to be cut off this would almost immediately result in a deep industrial collapse. This general point of view is also dominant in labor and liberal ranks. Hyman Lumer states:

Today, even "liberal" Keynesians have for the most part become theoretical apologists for expansionist policies

and huge military budgets as the principal means of saving American capitalism. Indeed, enormous military outlays and the endless expansion of the national debt are widely defended as the very cornerstone of capitalist prosperity.\*

In fact, this is all in line with the doctrines of Keynes himself who defended war production as the most effective of all means for stimulating industry.\*\*

Most dangerous, the arms-for-jobs theory is firmly rooted in the labor movement, among the masses of workers. The leaders of organized labor do not usually demand outright the increases of war production appropriations as the means to keep workers employed, but it is an open secret that this, nonetheless, is their firm policy. This is why they not only do not oppose the gigantic military expenditures of the government, but they always clamor for more—under the usual hypocritical pretext of the need of more and more “national defense.” Let anyone propose to cut the war appropriations by ever so little and he will at once have the A. F. of L. and C.I.O. bureaucrats on his neck. This was Eisenhower’s experience last year in his moderate cut of the air-force appropriation.

The Eisenhower government is now spending double as much for war preparations as was squandered by the Truman government (also a regime of Big Business) before

the outbreak of the Korean war. This enormous increase in military expenditures has, in no small measure, been facilitated by Keynesian considerations among the people that it makes for national prosperity. Significant of the adaptability and availability of Keynesian ideas to the program of the warmongers is the fact that in promoting his new \$101 billion road program, President Eisenhower’s chief argument is that it is necessary for national defense.

Without doubt, in general, the Keynesian conception that arms production is an indispensable stimulus for industry constitutes a tremendous and continuing support to the war program of American imperialism. Without it, the warmongers would have vastly greater difficulties, if they did not find it impossible, to wrest from the American people the present colossal military appropriations and to induce them to submit to the poisonous burden and danger of the mushrooming militarism. American monopoly capital backs the war munitions program in a double sense; first, and mainly, because it is indispensable to its campaign of imperialist aggression, and second, because “it is good for business.” Keynesism is thus a faithful handmaiden for American imperialism.

#### EISENHOWER’S KEYNESISM AND MAXIMUM PROFITS

Eisenhower’s Keynesian policies also fit into the interests of mo-

\* H. Lumer, *War Economy and Crisis*, p. 29.  
\*\* *The New Republic*, July 29, 1940.

nopoly capital in additional vital respects, as well as into its war program. Among other effects, his insolent give-away programs and one-sided tax policies, designed to enrich the big corporations, are quite in line with the Hoover-Eisenhower trickle-down Keynesian conception. These conceptions and policies also further the concentration of capital and the growth and political entrenchment of monopoly capital. Thus, the war appropriations, with their strong Keynesian element, are dished out by the government primarily to a handful of monopolies. "Of some \$175 billion in prime contracts awarded to 18,539 corporations between June 1940 and September 1944, no less than two-thirds went to the top 100 corporations and fully 30 per cent went to the top ten."\* Besides thus building up the monopolies, the very nature of this business of grabbing government contracts facilitates what Stalin called the "subjugation of the state" by the monopoly capitalists.

In the same pro-monopoly spirit the Federal war appropriations, in which, as we have seen, there is such a large Keynesian element of motivation, especially conform to the law of maximum profits, as outlined by Stalin. That is, with lush war contracts at their disposal, the big monopolies, during World War II and in the post-war period, have been reaping profits upon an unparalleled scale. From 1936 to 1953 average yearly profits after taxes, leaped

from \$4.1 billion to \$19.4 billion. This is maximum profits on a basis undreamed of in any other capitalist country. The big monopolies got a disproportionate share of this unprecedented harvest of blood profits.

The Eisenhower Administration, we may be sure, will also organize all of its Keynesian program, so far as it can, upon a similar maximum profits basis. In this respect, it is well for us to take another look back at the Republican-big businessmen's attitude towards the Roosevelt-Keynesian make-work program. It will be remembered that while they scorned in general Roosevelt and all his works, they nevertheless had a somewhat different estimate of the Works Progress Administration (W.P.A.) than they had of the Public Works Administration (P.W.A.). That is, while they hated the W.P.A. and heaped all kinds of venom and condemnation upon it, they displayed much less viciousness toward the P.W.A. The reason for this marked differentiation in capitalist attitude was because in the W.P.A., which was almost exclusively a relief organization, the government generally hired the workers directly, with the effect that capitalist profit-making was reduced to a bare minimum and in most instances eliminated. But in the case of the P.W.A. the situation was very different. In the P.W.A., which based itself mainly upon make-work contracts let out to private enterprise, the profit-mak-

\* H. Lumer, *War Economy and Crisis*, p. 209.

ing element consequently was distinctly conserved. Therefore, while the capitalists could not find words bitter enough to condemn the W.P.A., they could speak of the P.W.A. with almost a degree of tolerance, if not of actual support.

Therefore, when Eisenhower proposes a \$101 billion road program and talks of various other huge public works projects to be applied, if necessary, in order to "stabilize" the national economy in the face of the severe crisis threat, we can be sure that he has very much in mind to apply the basic law of monopoly capitalism—the ruthless quest for maximum profits. This would merely be carrying to its logical conclusion the earlier inclination of the capitalists towards the profit-making P.W.A. projects of the Roosevelt period and towards the Hoover "trickle-down" schemes of the earlier crisis years. The whole effort of the Administration in its giant road-making and other "boon-doggling" programs will be to give out the work to private contractors upon a maximum profits basis.

This is Keynesism a-la-mode, with it dovetailed completely into the basic interests of the monopolists—trickle-down theory, maximum profits grab, aggressive war program, and all. They are fundamentally mistaken who think that Keynesism is a program only of the "liberal" bourgeoisie and of various petty bourgeois and skilled labor strata, and that it

therefore cannot be applied by the monopolists. Keynesism is above all the program of monopoly capital. They, too, are mistaken who believe that the monopolists think in Keynesian terms only with regard to the production of war materials. Big Business, when it considers the economic-crisis danger grave enough, will not hesitate to grasp at various other large-scale make-work projects on the Keynesian pattern, of which the Eisenhower \$101 billion road program is an indicator. They will seek to organize all such projects upon a maximum-profits "trickle-down" basis, even as they are now doing with the production of the munitions of war.

#### THE FIGHT AGAINST THE EISENHOWER PROGRAM

The program of the Eisenhower Administration, with its large admixture, as we have seen, of Keynesian economics, bodes ill for the American people. It cultivates all the dangerous economic, political, and military forces now menacing this country and the world. It definitely tends to exhaust the country economically and in the long run to develop contradictions which can only sharpen and deepen the economic crisis. The maximum profits element in Eisenhower's program, including so-called make-work projects, also can only result in sucking up the economic resources of the people into the maw

of the monopolists and thus to help lay the basis for an eventual sweeping economic crisis. The same is true of the "trickle-down" theory of "prosperity." This, too, is a project for enriching the monopolies at the expense of the people, and it is a fundamental builder of economic crisis.

One of the worst features of the arms production program as a panacea against economic crisis is that it also tends to tie the whole conservative top leadership of the trade unions into a bastard united front with the monopoly capitalists which hamstring the workers' capacity to struggle effectively against the war danger, against McCarthyism, against economic disaster, and against all other reactionary currents. Arms production also sows the worst sort of prosperity illusions among the masses and confuses them as to where their best interests lie.

The *Program* of the Communist Party presents a general and detailed program for fighting all aspects of the reactionary policies of the Eisenhower regime. Therefore, it is unnecessary to restate all this in the present article. Timely are only a few remarks upon the general points here raised, specifically with regard to the Keynesian content of the Eisenhower program.

Organized labor, especially in view of its new strength from the developing A. F. of L.-C.I.O. merger, and with regard to the continuing danger of an economic crisis, has a greater

need than ever to develop an effective economic program. Firstly, this program must attack the Big Business-labor bureaucracy conception that arms production is a legitimate and effective means to alleviate the crisis danger in the economic situation. It must instead, most of all, fight to strengthen the workers' purchasing power through improved wages, shorter hours, lowered taxes, reduced prices, broader social insurance, etc., that will more than substitute for the ultra-dangerous arms munitions program, and it must bring forward a whole series of measures of public works of all kinds—roads, flood control, education, health, etc.

Secondly, labor's program must also make a head-on attack against the maximum profits robbery by the monopolists, whether this manifests itself in industry, in arms production, in road-building, or in what not. The whole danger of an economic crisis and generally of low working-class living standards originates in the capitalist profit motive. The bigger the capitalist profits the greater the harm wrought to the economic position of the toiling masses. To make the greatest possible slash into capitalist profits, especially those of the big monopolies, therefore, must be a central objective of labor's economic and political program.

Thirdly, the "trickle-down" theory, which ex-President Hoover first expressed in the Keynesian subsidi-

zation of the big corporations during the 1929-33 economic crisis, is another policy and practice that must meet with the most vigorous opposition from the workers. This concept, raised to justify the worst exploitation of the workers, was expressed by C. E. Wilson in his notorious statement that what is good for General Motors is good for the United States. The militant way he was assailed for stating this characteristic big-monopoly position speaks well for the spirit and alertness of the working class. Against the barbarous trickle-down program of monopoly capital we must counterpose the cultivation of the economic interests of the workers, doubly so when it is also a case of fortifying the people against the onset of a cyclical economic crisis.

As the Communist Party has pointed out not only in its present *Program*, but also on many other

occasions, it is possible to alleviate somewhat the effects of the cyclical economic crisis upon the workers by the initiation of public works and by strengthening systematically the purchasing power of the working masses through improved wages, etc. But the arms production, maximum profits gouging and "trickle-down" practices of Big Business can only aggravate the situation in the long run and expose the toilers to an inevitable economic holocaust. In all the relief measures we may advocate against the onset of the cyclical economic crisis, we must never forget that these can be no more than palliatives. Only Socialism, by completely abolishing worker exploitation, which is the basic cause of all capitalist overproduction and economic stagnation, can finally put an end to the horrors and miseries of the capitalist cyclical economic crisis.