

The Two Major Variants of Keynesism*

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SOME WRONG NOTIONS ABOUT KEYNESISM

DURING THE PAST decade there has been a vast amount of discussion of the doctrines of the late Sir John Maynard Keynes, the noted British economist, both in bourgeois circles and in the ranks of the Communists in the U.S.S.R., Great Britain, Canada, and the United States. Indeed, rarely does an economic discussion take place nowadays without the name and ideas of Keynes playing a key role in it. Nevertheless, there are still prevalent many misconceptions and under-estimations of the very A.B.C. of Keynes' doctrines, and of their significance as a whole. It is the purpose of this article to try to clarify a few of these wrong opinions, preliminary to analyzing the two main orientations within Keynesism, and to explain why Americans should especially concern themselves with the question of Keynesism.

First, there is the current notion that Keynes, although manifestly an outstanding thinker, was just another bourgeois economist, with nothing particularly new or important to say. But this is a big mistake. Keynes does have something of significance in his ideas and every Marx-

ist should acquaint himself with them. The fact is, Keynes is the most important bourgeois economist since Adam Smith and Ricardo. Keynes' main theoretical-practical accomplishment was to undermine, in bourgeois-economic thinking Say's so-called law of markets and its derivative "equilibrium" theories. Of course, Marx and Engels had long before settled accounts most effectively with that absurdity. Sismondi and certain other bourgeois economists of the early nineteenth century also denied the validity of Say's "law"; but it was not till Keynes that academic economics (pushed by the general crisis of capitalism and the great economic crisis of 1929-33) broke loose from Say's "law" of markets.

According to Say's "law," the capitalist economic system has automatic, self-adjusting powers or instrumentalities. Thus, supply creates a corresponding demand, prices balance costs, imports balance exports, capital investment automatically equals accumulation, etc. In effect, Say's "law" gives the obvious implications that there are no inherent contradictions in capitalism, and that the whole "self-regulating" capitalist economy automatically develops in an upward spiral of progress. But

* A speech delivered to a group of students in New York, June 24, 1948.

Keynes, in his major work, *The General Theory of Employment, Interest and Money*, written during the great world economic crisis and published in 1936, pulled the props out from under Say's comfortable theory.

Noting the vast increase in the productive power of modern capitalist industry in contrast to the lagging capitalist markets, together with the deepening cyclical crises and the spread of mass unemployment, Keynes arrived at the conclusion that there is a basic unbalance in the capitalist system and that this flaw gets worse and worse as capitalism matures. According to Keynes, this flaw originates in a growing tendency for the accumulation of capital (savings, he called it) to take place in such huge amounts that it can no longer find profitable investment, with the result that cyclical economic crises occur, producing increasing mass unemployment. And these economic breakdowns, Keynes pointed out, grow constantly more frequent, extensive, and severe. Far from the "self-regulating" harmonious development, as Say conceived them, the cyclical crises have become so devastating as to threaten the capitalist system. Keynes proposed to overcome this serious "flaw" of capitalism through state intervention in various forms, to stimulate capital investment. Such investment, he believed, would "fill the gap" between production and consumption, thereby keeping the industries in operation and seriously weakening, if not

completely overcoming, the growing danger of mass unemployment. Obviously, this theory, which has become widely accepted in capitalist circles, constituted a major development in bourgeois economics and made of Keynes anything but a routine economist.

A second widespread misconception of the nature of Keynes' ideas is the common belief that Keynes' objective was merely to alleviate the cyclical crisis to a greater or lesser degree. But Keynes set his sights upon a far more ambitious target. Although, of course, Keynes does not admit the Leninist concept of the general crisis of capitalism, his doctrines have the ambitious aim of overcoming this crisis and of stabilizing the capitalist system. That is, Keynes proposes to do away with the general crisis of capitalism by essentially eliminating the cyclical crises in the individual capitalist countries. With the cyclical crises abolished, according to Keynes, and with full employment achieved, there would be no basic economic urge for capitalist countries to wage ruthless international competitive campaigns against each other, to grab for themselves individually all possible markets, supplies of raw materials, and peoples to exploit. Hence, the logical conclusion, which Keynesians pretty generally subscribe to, is that imperialism (in the limits of their understanding of the term) would automatically die out, and so would war. Capitalism would thus become a

sound, viable, and progressive social system. Says Keynes on these larger aspects of his theory:

But if nations can learn to provide themselves with full employment by their domestic policy (and, we must add, if they can attain equilibrium in the trend of their population), there need be no important economic forces calculated to set the interest of one country against its neighbors . . . there would no longer be a pressing motive why one country need force its wares on another or repulse the offerings of its neighbors.*

Here is exposed the full meaning of Keynesism as an attempt to rescue the capitalist system from its deepening general crisis; for if capitalism could overcome its cyclical crises, imperialism and war, as Keynes supposes, obviously there would be no general capitalist crisis left. It is significant that the Keynesian panacea was born in the midst of the great international economic crisis of 1929-33, just when the world capitalists and their economists were so deeply alarmed as to the future of their cracking system. They wracked their brains to find a solution to their overwhelming problem. Keynes furnished the most plausible answer to their fears and prayers, and it is one that satisfies them. His is a scheme which allegedly can make capitalism well and strong. Keynes, therefore, is the major capitalist economic theoretician of the period of imperial-

ism, of the decline of capitalism. Marxists should not be surprised at this emergence of Keynesism as a new trend in bourgeois economics just at this time, for it is obvious that capitalism, although about to be overwhelmed by its inner contradictions, will nevertheless seek every possible way out of its predicament. Keynesism is capitalism's economic answer to its own general crisis.

A third prevalent error about Keynesism that Communists need be on guard against is the notion, more assumed than openly expressed, that Keynesism is pretty much a matter of abstract sectarian theorizing by bookish bourgeois economists. This is entirely incorrect. Far from being the intellectual plaything of a few professors, Keynesism is very real in the everyday world of bourgeois economics and politics. Keynes, himself a member of the Board of the Bank of England, was the outstanding leader of his time in British economic thinking and policy-making. Actually, his doctrines are widely accepted, in one form or another, by capitalists and bourgeois economists in many capitalist lands. They represent the major course of present-day capitalist economic theory and policy in the imperialist countries. The influence of Keynes has become so far-reaching in capitalist economics that Keynesian policies are now being followed by industrial and political leaders who either have never heard of Keynes or, who, if they have, may

* *The General Theory of Employment, Interest and Money*, p. 382.

be even formally opposed to him. Their position is much like those many modern historians who, even being radically opposed to Socialism, nevertheless are deeply influenced by Marxist historical methodology. Keynes' influence on bourgeois economics, by the same token, runs far beyond the specific acceptance of his direct proposals.

Alvin Hansen, the leading American Keynesian economist, points out that the major capitalist governments of today, including those of the United States, Great Britain, France, Canada, Australia, etc., are all basing their economic policies primarily upon Keynesian thinking.* The fascist governments of Germany, Japan, and Italy were also Keynesian in their economic outlook. Many warm admirers of Keynes, for example, Lawrence R. Klein**, claim that Keynes revolutionized bourgeois economics. But this is not true. Keynes, an enemy of Marxism and Socialism, defended capitalism in theory and practice. Keynes thus did not seek to overthrow the system of bourgeois economics, but to strengthen it. Although Keynes did not revolutionize bourgeois economic thinking, he nevertheless gave it a new orientation, as is to be seen by the widespread acceptance of his ideas, either directly or indirectly, by capitalist leaders. It is not too much to say that Keynesism, far from being

a sectarian "ism," constitutes the main-stream of modern capitalist economic thinking and policy-making. What were Keynesian economic novelties in bourgeois ranks a few years ago are now accepted as commonplace truths.

THE TWO VARIANTS OF KEYNESISM

Another widespread error about Keynesism, akin to those in the foregoing paragraphs, assumes that Keynesians are exclusively liberals. This is by no means the case. Keynes, himself, a prominent British financial leader, was a reactionary. The fact is that, to a greater or lesser extent, and in varying ways, almost all the groups and classes who support capitalism, regardless of what may be their outlook otherwise, are supporters of the basic Keynesian principles. Thus, there are liberal Keynesians of the well-known Roosevelt-Wallace type; there are the Right Social-Democrats—examples, Dubinsky, Reuther, *et al*, who have made Keynesian ideas the basis of their economic program; there are also the conservative trade unionists of the type of Green and Murray, who fundamentally have a Keynesian economic program; there are the reactionaries of the National Association of Manufacturers stamp, who despite their incessant blather about "free enterprise," are also deeply affected by Keynesian conceptions, and fascists, too, are notoriously Keynes-

* *Economic Policy and Full Employment*, (Chapter V, page 57, etc.)

** *The Keynesian Revolution*, page vii.

ians—the writings of Keynes were very popular among the Nazi economists and financial leaders, Schacht being an especially ardent admirer of the noted British economist. The common thread that makes Keynesians of all these elements, of such widely differing class background, is that, as supporters of capitalism, they all accept, each group with its own special application, the main Keynesian thesis that the cultivation of capital investment by the state is indispensable in order to “bridge the gap” between the producing and buying power of the people under capitalism and thus to keep the industries operating.

Although, strictly speaking, there are many sub-varieties of Keynesism, as indicated above, due to the varying applications of Keynes’ theories and the different class composition of his devotees, nevertheless, Keynesians may roughly be grouped under two general heads, or variants. These may be designated the “reformist” or “petty-bourgeois” variant, and the “reactionary” or “big capitalist” variant. These two variants differ from each other, in addition to the different class content of their supporters, by the specific means by which they aim to “close the gap” between production and distribution.

The reformist, or petty-bourgeois, ideological variant of Keynesism, better known in the United States as the Roosevelt New Deal economic program, proposes to achieve full employment and maximum industrial

operation by the help of government stimulation of capital investment through the initiation of public works—flood control, road building, soil conservation, reforestation, and other work-making devices. At the same time, it aims at strengthening the purchasing power of the masses through lower prices and higher wages, a more democratic distribution of the tax burden, lower interest rates on the national debt, social security systems, national health plans, and certain curbs on monopoly capital. Toward the end of the Roosevelt period there was added the concept of government-regulated large-scale investment abroad, as exemplified in the Bretton Woods agreement. The main support for this reformist variant of Keynesism comes from large sections of the middle class, from almost the entire trade union bureaucracy, and from Right-wing Social-Democracy. Also, great masses of workers are affected by this variety of Keynesism. Few capitalists, however, support it. Generally, reformist Keynesism has as its expressed goal the development of a “progressive capitalism,” as contrasted to “reactionary capitalism.”

The reactionary variant of American Keynesism has the backing of the decisive big capitalists, ranging from conservatives to outright fascists. These capitalists, although seldom endorsing Keynesism openly (many of them even condemn Keynes), nevertheless pretty generally accept in practice Keynes’ basic

thesis as the foundation of their economic policies. They realize quite well that, with the tremendous productive power of modern capitalist industry, there is a constant and imminent danger of a paralyzing cyclical crisis of over-production. Hence, definitely with Keynesian concepts in mind, they seek to accomplish the investment of the dangerous surplus of capital by redoubling their imperialist drive to conquer the world's markets, and by pressing the government into making huge investments for a war economy program. The end goal of their policy is a huge fascist-like military regime at home and war abroad for the conquest of the world.

Building a war economy in the United States has many economic and political advantages for the reactionary capitalist Keynesians, as against the measures proposed by the reformist petty-bourgeois Keynesians. Armament expenditures by the government are incomparably more favorable from a profit standpoint to the capitalists (especially as they lead to the final grand profit orgy of war) in contrast to the less profitable reformist program of public works and the strengthening of the workers' buying power and social security systems. Moreover, gigantic munitions orders can easily be secured under the cover of hysterical war scares, and besides this, the resultant militarization greatly facilitates big capital's drive toward fascism. Hence, the whole trend of

the capitalists is to buttress their normally anemic industries by flooding them with munitions orders. Many economists, more conscious theoretically than the average business men, frankly evaluate the present war economy in the United States as a Keynesian stimulus to industry. At the same time that the big capitalists readily agree to have the government spend many billions yearly for the war economy, they also fill the air with strident cries for government "economy." It will be seen, however, that their ideas of economy in government sum up pretty much to reducing the outlay for all sorts of social services and to the securing of lower taxes for themselves.

The reformist and reactionary variants of Keynesism, despite the essentially different class content and policies of their supporters, are by no means separated from each other in airtight compartments. There is much overlapping between them. Thus, in the United States at the present time, many persons (Berle, Bowles, Henderson, *et al*) and various groups (A. F. of L., C.I.O., A.D.A., etc.) who basically are supporters of the reformist variant of Keynesism, nevertheless are now giving their support to the war economy and militant imperialist program of Big Business. Indeed, at the present time, the great bulk of the reformist Keynesians are in this dangerous position. This signifies that these reformist elements, caught in the logic

of their support of capitalism generally, have been sucked into the powerful vortex of big capital's aggressive offensive to secure world control. The reactionary variant is the dominant aspect of Keynesism in the United States.

Neither the reformist nor the reactionary variant of Keynesism can solve the cyclical economic crisis, and, of course, not the general crisis of capitalism. This is because they do not abolish the basic weakness of capitalism, the fundamental contradiction between the social character of production and the private character of appropriation. Keynesism, in both of its variants, deals only with superficial aspects of capitalism, especially in the field of consumption. It has to do with effects, not with causes. While both variants of Keynesism, by artificially stimulating production and mass purchasing power, through government investment of capital, may temporarily delay the outbreak of a cyclical crisis, nevertheless, in the long run, they both lead to an intensification of the general crisis of the capitalist system.

This fact is quite clear regarding the reactionary variant of Keynesism. The huge armaments program (coupled with its intensive drive to capture world trade), by considerably expanding the market for commodities of all kinds, undoubtedly tends to delay somewhat the outbreak of the cyclical crisis. It is primarily because of a failure properly to evalu-

ate the economic effect of these armaments appropriations (in a Keynesian sense) that the tempo of the coming American economic crisis has been greatly exaggerated. But the armaments program can only postpone the economic crisis in the way in which it is being done in the United States now, accompanied by increasing inflation and signs of economic slackening in various branches of industry. Eventually this imperialist war-economy policy, unless checked by broad mass peace pressure, must inevitably lead to war itself. And far from stabilizing capitalism, modern war will more certainly have a devastating effect generally upon capitalism. War deepens the capitalist crisis in every respect. World War I ushered in the general crisis of capitalism and World War II, expressing the deepening of the general capitalist crisis, greatly intensified it. The two world wars resulted in the elimination of capitalism in many countries, undermined it gravely in many others, and were basically responsible for a large part of the world turning to the path of Socialism. And a World War III would very probably shatter the capitalist system altogether.

The reformist variant of Keynesism, with its program of government-made jobs, social security, higher wages, health programs, etc., also may temporarily delay the outbreak of the cyclical economic crisis and ease somewhat its effects on the workers when it breaks out. But

such policies cannot abolish the cyclical crisis itself, nor do away with mass unemployment, because they, as previously indicated, leave untouched all the basic contradictions arising from the private ownership of the industries and the social character of production.

The futility of the reformist Keynesian recipe for the economic crisis was demonstrated during the Roosevelt regime. The New Deal policies were, in the main, an application of the reformist variant of Keynesism. Roosevelt, during seven years, sought systematically, by big government expenditures, totaling about 35 billion dollars, to revive lagging industry and to restore so-called prosperity. He also facilitated the growth of the trade unions and the establishment of the beginnings of social insurance of various sorts. The workers, during the Roosevelt regime, fought militantly for these measures, which put them in a much better position to defend their standards of living. That the workers deeply appreciate these gains was dramatically illustrated by their strong endorsement of the New Deal program during the recent Presidential elections, even in the sheerly demagogic form in which it was put forward by President Truman.

However, while the workers, during the New Deal period, were saved from actual starvation by government "pump-priming," and while industry partially recovered in the middle 1930's, the basic economic

fact remains that Roosevelt could not overcome the Great Depression. Production stayed far below normal and there remained constantly a minimum of not less than 10,000,000 unemployed. Pump-priming, or "the multiplier" as the Keynesians call it, could not restore the pre-crisis levels. It was only with the outbreak of World War II and the consequent development of a vast flood of munitions orders, that it was possible for the industries again to go into boom production and to provide approximately full employment. Moreover, during the New Deal period the basic contradictions of capitalism, far from being weakened by Roosevelt's Keynesian reforms, were actually intensified, as an examination of the economic facts would evidence (the rapid growth of monopolization and the heightened exploitation of the workers).

Fundamentally, while the Roosevelt New Deal policies, generally speaking, were progressive, in terms of facilitating the struggle of the working class in behalf of its immediate interests, those policies could not change the nature of capitalism as a system based on exploitation of wage labor by capital, and hence could not rid the system of its basic contradictions. As Stalin so cogently put it:

If capitalism could adapt production, not to the acquisition of the maximum of profits, but to the systematic improvement of the material conditions of the mass of the people, if it could

employ its profits, not in satisfying the whims of the parasitic classes, not in perfecting methods of exploitation, not in exporting capital, but in the systematic improvement of the material conditions of the workers and peasants, then there would be no crisis. But then, also, capitalism would not be capitalism. In order to abolish crises, capitalism must be abolished."*

Besides being unable to overcome the cyclical crises of capitalism, there is the dangerous fact that reformist Keynesian illusions regarding a "progressive," crisis-less capitalism, can lead the masses to a defeat by, or a surrender to, the fascists and warmongers of American imperialism. Indeed, as has been indicated above, already many reformist Keynesians are now in the trap of reactionary Big Business through their support of its war economy and imperialist expansionist program.

Any real effort to eliminate the cyclical crisis and its attendant evils must involve an attack against the capitalist system as such. Any mass organization, whether a trade union or broad political party, if it is not to be overwhelmed physically and ideologically by Big Business, must inevitably, by determination of the logic of its general fight against economic chaos, fascism and war, come to the development of a strong fighting program providing for the nationalization of the banks and key industries with democratic controls, the break-up of semi-feudal planta-

tion holdings in the South and the elimination of large-scale corporation farming, the introduction of economic planning, the condition for which is the setting up of a People's Government in transition to Socialism, with the working class in the leadership.

The masses must be made aware that there can no longer be any such thing as a "progressive capitalism," that capitalism in its final stage of imperialism can only bring new hardships and disasters to the people, and that there can be no return to an expanding pre-monopoly capitalism. But this does not mean that all who have illusions that the people can advance by working for a "progressive capitalism," are in their practical activity following a reactionary course. If they identify themselves with reforms involving the curbing of the power of the monopolies, and support a program of united struggle of the people, led by the working class, to realize these immediate objectives then they are objectively acting to promote progress despite their subjective outlook and illusions.

So long as they support a struggle directed against the monopolies along these lines, the ideological differences, which must always be made clear by the Communists, should not make impossible the joint struggle for peace, democracy, and greater economic security. The masses, of course, will inevitably learn from these struggles the necessity for a

* Joseph Stalin, *Leninism*, Vol. II, p. 253.

fundamental change. And it is our task to facilitate this development among the masses. What one or another bourgeois-liberal leader will do as the masses go over by necessity to the next and higher stage of the struggle will be determined by many factors which cannot be decided with precision in advance. But the basis for joint action lies in the people's coalition program of action of today and should not be jeopardized on the basis of differences that may arise in the future, provided that the fundamental ideological distinctions between Marxism and bourgeois liberalism are kept clear.

WHY AMERICAN COMMUNISTS SHOULD UNDERSTAND KEYNESISM

Communists in every country should pay far more attention to Keynesism than is yet the case. For, obviously, when a theory is enjoying such wide acceptance in capitalist circles under the pretext that it can cure the general crisis of capitalism, and when it has so profoundly affected all sections of capitalist economic and political thinking, then it certainly merits major analysis by Marxists-Leninists. Therefore, the studies of Keynesism that our Party has been making for the past 18 months have a definite international value. But our Party, too, needs to dig into Keynesism more deeply than it has so far done. Below are several very important reasons why American Communists should especially

concern themselves with this subject and thoroughly understand it, both in its reactionary and reformist variants and in all their implications.

(a) The United States may well be called the birthplace of Keynesism. Although it was Keynes, a British economist, who theorized this new trend in bourgeois economics, nevertheless the practice of it, which preceded the theory, actually had its strongest and earliest impulse here in the United States. Already in the middle 1920's, during the Republican "boom" period, numerous American economists and industrialists, including Tugwell, Carver, Foster & Catchings, Henry Ford, and (believe it or not) Herbert Hoover, began to express alarm at the rapid expansion of production and the failure of the markets correspondingly to grow. They already sensed, and in some cases actually realized the need of strengthening the purchasing power of the masses and of the stimulation of industry by organized capital investment by the government. Many of the economists of this period looked to Hoover, then Secretary of Commerce, as a leading champion of bolstering industry by government expenditures. When the great crisis came in 1929, Hoover made a first essay in practical Keynesism with his notorious "trickle down" plan. That is, he allocated billions in subsidies to the capitalists through the newly-organized Reconstruction Finance Corporation, on the assumption that the benefits

therefrom would eventually trickle down to the workers in the shape of additional employment. This plan failed dismally to relieve the crisis. It was not until the advent of Roosevelt in March, 1933, that public works and other characteristics of American Keynesian policies were applied on a large scale. The Keynesian experiments of the British government during the crisis years, even under the Tory government, were also extensive. Roosevelt's New Deal was a specifically American brand of government stimulation of capital investment. Keynes, who visited Roosevelt in the White House, agreed with the general idea behind the New Deal's cultivation of industry, but many of its specific features he disagreed with. Keynes' role was not that he "invented" this new bourgeois orientation in economics, but that he theorized the already extensive practice and gave it more conscious direction.

(b) Another reason why Americans should study Keynesism is that, far more than any other country, the United States offers a fertile field for Keynesian policy. This is because in this country the gap between the expanding producing power of the industries and the lagging consuming power of the markets is much greater than anywhere else in the world. Here, the piling up of surplus capital (called "savings" by the Keynesians) is altogether unprecedented, now reaching the fabulous figure of at least 25 billions per year.

Consequently, the American economy, more than that of any other land, is subject to devastating economic crises. This provides an imperative challenge to the Keynesian economists, both of the reactionary and reformist varieties, to apply their supposed panaceas for the prevention and cure of these economic earthquakes. At the present time, with most of the capitalist countries starved for capital and with the United States saturated with surplus capital, this country provides the world's testing ground for Keynesism.

(c) American Communists must also very carefully study the reactionary variant of Keynesism because this trend is dominant now in American bourgeois economics. The strong Keynesian content in United States government bi-partisan policies is obvious. The bourgeois economists and politicians writing these policies understand very well that while the Marshall Plan billions constitute a subsidy to European industry, they are likewise a stimulant to the industries of this country. The economists, therefore, also definitely consider the present huge armaments outlays in the national budget as a real shot-in-the-arm for American industry. It is now a commonplace to find statements by prominent economists, pointing out that these huge foreign and domestic expenditures by the government are indispensable if an economic crisis in this country is to be either averted or

delayed. President Truman's economic soothsayers are saturated with Keynesism. Thus, T. H. Keyserling, vice-chairman of President Truman's Council of Economic Advisers, in explaining what his committee advocates in order to "prevent" the threatened economic crisis, makes the following typical Keynesian statement:

If full employment is maintained and productively improved, a large increase in consumer incomes will be needed in addition to high business investment to avert a sharp recession and depression in the fifties unless still larger foreign and defense measures are undertaken. . . . The business outlook might be dampened by a decline in government-created demand for foreign aid and preparedness.*

Dr. E. G. Nourse, another of the President's economic advisors, as reported by the Associated Press, stated on November 29, 1948:

The economy is at a "critical point." Except for enlarged defense program and foreign outlays, "deflationary influences would be clearly evident by this time."

A Dewey administration would have had much the same Keynesian consciousness as Truman's government in developing policies of foreign "aid" and a huge armaments program at home. All the more so because, according to Joseph Alsop, Dewey consciously supports Keynesian ideas, although such con-

sciousness is unusual among Keynesian-minded reactionaries. Says Alsop in the *Saturday Evening Post*, October 16, 1948:

The evidence even strongly suggests that the Dewey collective accepts Keynesian economics, and will dictate new spending to prime the pump if the present inflationary boom turns into a bust.

Economic Notes, November, 1948, published by the Labor Research Association, contains a whole series of statements by prominent businessmen and economic publications, all to the effect that the present huge armaments expenditures by the government are having a pronounced delaying effect upon the developing economic crisis. This Keynesian idea is now general in Big Business circles. *Barron's*, October 4 (quoted by *Economic Notes*), gives the keynote to this type of thinking, in the following statement, "All fear of a business setback should now be removed by the revelation that a plan for military aid patterned on the E.C.A. program will be one of the first problems submitted to Congress next January."

(d) For Americans, in studying Keynesism, a further very special important consideration is to analyze the direct and powerful relationship that Keynesian thinking has upon the policies of American imperialism. Keynesism has given reactionaries a new and potent impulse to seek, by extreme imperialist policies, to secure all possible fields for capitalist invest-

* *New York Times*, June 13, 1948.

ment. While under imperialism generally the chief form of export is that of capital, with commodity export of secondary importance, today the pressures have increased for the largest scale export of commodities as well. In earlier periods, foreign investments were sought chiefly because of the rich profits which they provided; but now, to this powerful impulse is added the further pressure that the imperialistic investors realize that they must make the largest possible capital and commodity exports or else, they are sure, their home economy will collapse for want of markets. By the same token, the American Keynesian imperialists have all the stronger reasons for building up the huge armaments program with which to back up their intensified drive for foreign investments and markets.

Certain of the Keynesian economists claim that their program modifies or even liquidates imperialism; but the reverse is the case. Imperialist reactionaries who have a practical grasp of Keynes' theory that the piled-up surplus of capital must be invested on pain of disaster to the capitalist system, are by this very fact made all the more determined and malignant in their imperialist policies. Keynesism does not invalidate Lenin's analysis of imperialism, but involuntarily emphasizes its fundamental correctness. Keynesian conceptions in the minds of the capitalists, while they, of course, do not create imperialism, greatly strengthen

it and make its supporters more conscious. These considerations are especially vital regarding the United States, the greatest of all imperialist powers. The relation of Keynesian thinking to imperialism deserves a thoroughgoing analysis on our part.

(c) American Communists should also study carefully the reformist, as well as the reactionary variant of Keynesism. This is necessary, on the one hand, in order to understand the position of those Keynesians—liberals, trade union leaders, farmer leaders, etc.—who, while in words supporting the Roosevelt line of raising the purchasing power of the masses, nevertheless have allowed themselves to be sucked into the huge armaments and militant imperialist program of Wall Street Big Business. And even more important, it is also necessary to understand that wing of the reformist Keynesians, the Wallaceites, who are so actively fighting against the war policies of the bipartisan reactionaries. Only a Marxist evaluation of Keynesian ideas in general will enable us to realize how to cooperate with the growing people's coalition and also how to combat illusions regarding a so-called progressive capitalism.

(f) A further consideration stressing the special importance of Keynesism to American Communists is the fact that the labor movement in this country is largely following a Keynesian line in its economic policies. The A. F. of L., the C.I.O., the coal miners, the Railroad Brother-

hoods and various independent unions, all subscribe in varying degree to the Keynesian theory that the industries can be kept in full operation and furnish full employment if the capitalist government will stimulate capital investment and systematically strengthen the purchasing power of the workers. If the trade unions in general can be said to have any definite social perspective at all it is the Keynesian objective which is described by Henry Wallace as "progressive capitalism." In the C.I.O. the Keynesian trends are clearer and more pronounced than in the older A. F. of L. and independent unions. All these trends should be carefully studied and analyzed by us.

The rank and file of labor, the great mass of the workers, are also deeply saturated with the Keynesian (Rooseveltian) convictions that government works programs and extended systems of social security suffice to solve all their social problems and are a final guarantee against enforced idleness. Ours is not yet a class-conscious, socialist-minded working class, as is by and large the case in Europe. The workers here are still deeply affected with capitalistic illusions, and these are mostly of the peculiar Keynesian brand, which they absorbed chiefly during the Roosevelt regime. Our workers, nevertheless, are definitely on the advance ideologically. The fact, however, that they now realize that only by political action, by di-

rect government stimulation of industry, can they have a reasonable assurance of jobs, represents objectively a step forward from their former reliance simply upon the automatic operation of the capitalist system to furnish them work. All this, however confusedly, indicates the beginnings of the politicalization of the workers, a first important stride along the route of political struggle, the final end of which is Socialism. Whoever wants to understand the ideology of the American working class, therefore, must understand Keynesism. Left and progressive trade-union leaders should especially acquaint themselves with this whole subject. We need articles, too, on this entire aspect of Keynesism.

(g) We American Communists must, above all, understand Keynesism because it constitutes a head-on challenge to Marxism-Leninism. Whether in its reactionary variant, which leads directly toward fascism and war, or in its reformist variant, which cultivates dangerous illusions about the possibility of transforming the present social system into one of "progressive capitalism," and which largely tends to surrender to the warmakers, Keynesism is a direct attack upon Marxism-Leninism and its goal of Socialism. Nor can it be denied that the Keynesians, particularly during the Roosevelt regime, have scored substantial ideological successes. The Social-Democrats, lost in visions of "progressive capitalism"

(type, Dubinsky, Reuther), never even mention Socialism any more. The liberals have lost their old-time "laissez faire" attitudes and are now ardent supporters of Keynesian policies for government make-work schemes. The Negro masses have also been penetrated to some extent by various Keynesian illusions. And we have seen to our cost that Earl Browder became a Roosevelt Keynesian and actually wanted us to sell our Marxist-Leninist birthright for a mess of "progressive capitalism" pottage. And some try to prove that Keynesism constitutes an addition, and an improvement, to a "somewhat outmoded Marxism."

If we have to acknowledge the fact that there is now far less ad-

vocacy of Socialism being carried on in the trade unions of this country than there was a generation ago, this is very largely to be ascribed to the tremendous growth of Keynesian illusions in the labor movement during the Roosevelt regime. Emboldened by these successes, the conscious followers of Keynes declare that their masters' ideas have rendered Marxism and Socialism obsolete. The Keynesians are would-be saviors of the capitalist system, and we Communists must resolutely take up the challenge thrown by them to us. But we can do this effectively only if we understand Keynesism thoroughly, in all its ramifications and implications.

"Marxism is the scientific expression of the fundamental interests of the working class. If Marxism is to be destroyed, the working class must be destroyed. And it is impossible to destroy the working class. More than eighty years ago have passed since Marxism came into the arena. During this time scores and hundreds of bourgeois governments have tried to destroy Marxism. But what has been the upshot? Bourgeois governments have come and gone, but Marxism still goes on."

Joseph Stalin, *Leninism: Selected Writings*, p. 359.