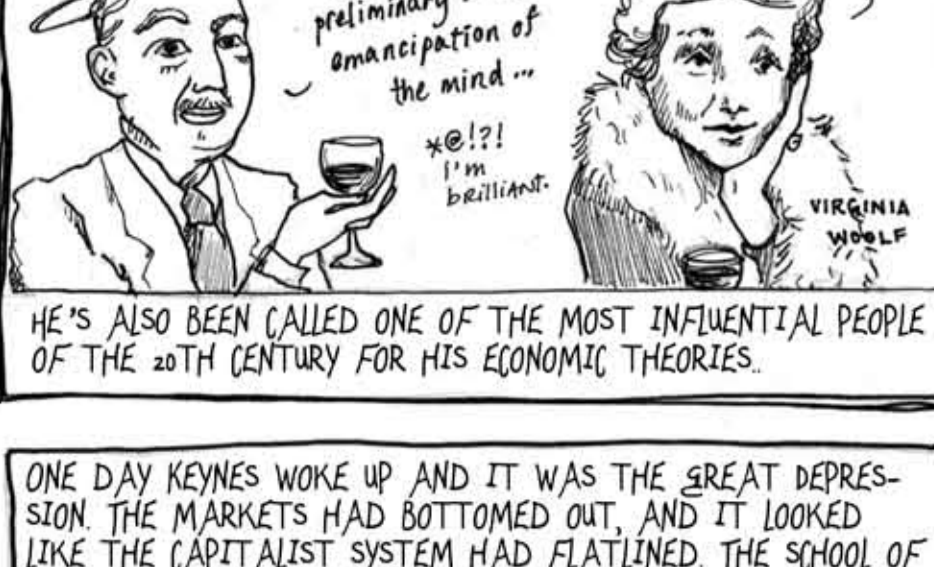


KEYNES ON THE BRAIN

JOHN MAYNARD KEYNES WAS A BIGOTED, POTTY-MOUTHED, CAMBRIDGE-EDUCATED DANDY WHO RAN WITH THE BLOOMSBURY GROUP OF INTELLECTUALS AND ARTISTS AROUND LONDON IN THE EARLY 1900S.



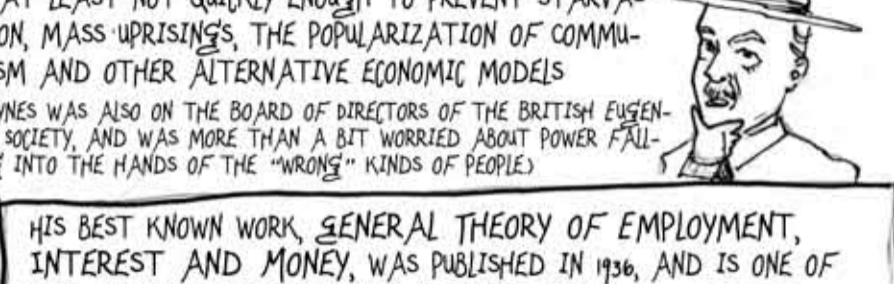
HE'S ALSO BEEN CALLED ONE OF THE MOST INFLUENTIAL PEOPLE OF THE 20TH CENTURY FOR HIS ECONOMIC THEORIES.

ONE DAY KEYNES WOKE UP AND IT WAS THE GREAT DEPRESSION. THE MARKETS HAD BOTTOMED OUT, AND IT LOOKED LIKE THE CAPITALIST SYSTEM HAD FLATLINED. THE SCHOOL OF CLASSICAL ECONOMISTS WERE TELLING PEOPLE TO WAIT IT OUT.



ACCORDING TO CLASSICAL "LAISSEZ-FAIRE" CAPITALISM, THE RULES OF SUPPLY AND DEMAND ARE SUPPOSED TO CORRECT ANY "PROBLEMS" THAT HAPPEN WITHIN THE SYSTEM - BASICALLY, WHEN PRICES GET TOO HIGH AND SPENDING DROPS OFF, THE MARKET IMPACTS WILL FORCE PRICES BACK DOWN, WHICH ENCOURAGES EVERYONE TO START SPENDING, AND THE CAPITALIST CLASS TO START INVESTING AGAIN. SOON ENOUGH EVERYTHING IS SUPPOSED TO GET RIGHT BACK ON TRACK (WHICH IS GREAT IF YOU'RE A CAPITALIST).

Lesson in capitalism # 4.09: the market will fix itself



KEYNES SAW THAT THIS WASN'T HAPPENING IN THE 1930S - AT LEAST NOT QUICKLY ENOUGH TO PREVENT STARVATION, MASS UPRISINGS, THE POPULARIZATION OF COMMUNISM AND OTHER ALTERNATIVE ECONOMIC MODELS

(KEYNES WAS ALSO ON THE BOARD OF DIRECTORS OF THE BRITISH EUGENICS SOCIETY, AND WAS MORE THAN A BIT WORRIED ABOUT POWER FALLING INTO THE HANDS OF THE "WRONG" KINDS OF PEOPLE)



HIS BEST KNOWN WORK, GENERAL THEORY OF EMPLOYMENT, INTEREST AND MONEY, WAS PUBLISHED IN 1936, AND IS ONE OF THE FOUNDATIONAL TEXTS FOR CONTEMPORARY MACROECONOMICS.

IN IT HE POINTED OUT THAT THE FREE MARKET HAD BEEN PUSHED PAST ITS LIMITS AND WASN'T SELF-CORRECTING LIKE IT WAS SUPPOSED TO; THE MAJORITY OF PEOPLE WERE BARELY SURVIVING, LET ALONE SPENDING AND INVESTING (HIS IDEA OF AGGREGATE SUPPLY AND DEMAND COMES OUT OF THIS INSIGHT)



FOR THINGS TO GET BACK TO STATUS QUO, SOMEONE HAD TO START SPENDING MONEY AGAIN - AND LOTS OF IT.

KEYNES PROPOSED THAT THE GOVERNMENT SHOULD STEP IN BY DOING A WHOLE LOT OF PUBLIC SPENDING ON INFRASTRUCTURE DURING A RECESSION, THEY COULD BOOST EMPLOYMENT, WHICH WOULD GET CASH MOVING AGAIN AND START THINGS OFF TOWARDS A "RECOVERY." PRESUMABLY IN MORE PROSPEROUS TIMES, A GOVERNMENT COULD RAISE TAXES AND SAVE MONEY TO PAY OFF THEIR DEBTS.

ROOSEVELT THOUGHT IT WAS A GREAT IDEA, AND BASED THE NEW DEAL ON A DILUTED VERSION OF KEYNES'S THEORY.



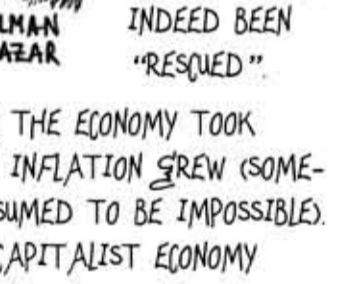
BUT BEFORE ANYONE COULD SEE IF IT WOULD WORK, WWII CAME ALONG AND DRAGGED CAPITALISM BACK TO ITS FEET BY FORCING REINVESTMENT IN CAPITALIST COUNTRIES' INDUSTRIES THROUGH MASSIVE MILITARY SPENDING



WHEN THE DUST CLEARED, CURRENCY WAS FLOWING AGAIN (AT THE EXPENSE OF AROUND 25 MILLION SOLDIERS AND AT LEAST TWICE AS MANY CIVILIANS) CAPITALIST COUNTRIES WERE EASIER TO ADOPT A NEW APPROACH THAT WOULD HELP THEM MAINTAIN THEIR RESURRECTED ECONOMIES, AND KEYNES LOOKED LIKE HE MIGHT HAVE THE ANSWERS.

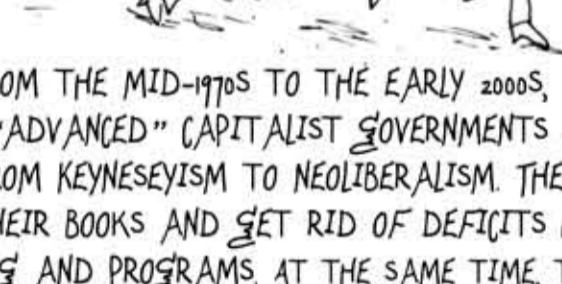
VARIATIONS ON KEYNESEIST POLICIES QUICKLY BECAME THE NORM FOR SOCIO-DEMOCRATIC CAPITALIST COUNTRIES POST-WWII, AND DEVELOPED INTO A TREND ALSO SOMETIMES CALLED "EMBEDDED LIBERALISM".

KEYNES DIED IN 1946, JUST AS IT WAS REALLY STARTING TO TAKE OFF.



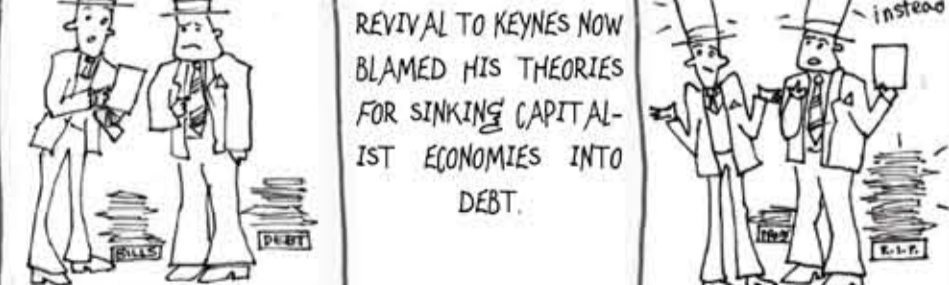
HEY DEVELOPING COUNTRIES! we'll give you a great deal on boosting commodity exports and give up a gigantic DEBT!

GOVERNMENTS SPENT LIKE CRAZY AND RACKED UP HUGE DEBTS. THERE WAS ALSO A MOVE TOWARDS REGULATION OF THE ECONOMY, INCLUDING ADJUSTING INTEREST RATES TO ENCOURAGE OR CURB SPENDING OR SAVING THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND WERE ALSO BORN OUT OF THESE "INNOVATIONS"

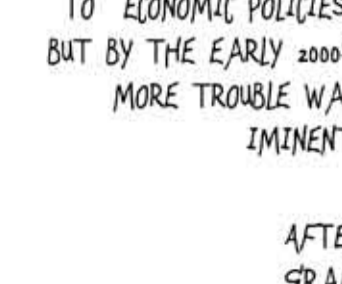


NONE OF IT ACTUALLY LOOKED QUITE LIKE WHAT KEYNES HAD ENVISIONED, BUT FOR A WHILE IT SEEMED LIKE CAPITALISM HAD INDEED BEEN "RESCUED"

YET DESPITE ALL OF THE PUBLIC SPENDING, THE ECONOMY TOOK ANOTHER DIVE GROWTH STAGNATED, BUT INFLATION GREW (SOMETHING KEYNESIANISTS HAD PREVIOUSLY ASSUMED TO BE IMPOSSIBLE). THEN THE 1973 OIL CRISIS HIT. THE WORLD CAPITALIST ECONOMY FOUND ITSELF IN ANOTHER SERIOUS RECESSION.



FROM THE MID-1970S TO THE EARLY 2000S, "ADVANCED" CAPITALIST GOVERNMENTS SWUNG FROM KEYNESEYISM TO NEOLIBERALISM. THEY SCRAMBLED TO BALANCE THEIR BOOKS AND GET RID OF DEFICITS BY CUTTING PUBLIC SPENDING AND PROGRAMS. AT THE SAME TIME, THEY TRIED TO ENCOURAGE PRIVATE INDUSTRY TO FILL THE SPENDING GAP BY SCRAPPING POLICIES THAT MIGHT BE "UNFAVOURABLE" TO THE EXPANSION OF CAPITAL AND TRADE



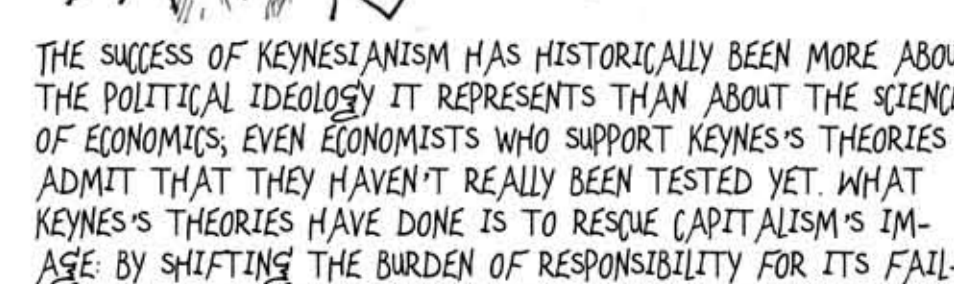
THE SAME PEOPLE WHO HAD FALSELY ATTRIBUTED CAPITALISM'S REVIVAL TO KEYNES NOW BLAMED HIS THEORIES FOR SINKING CAPITALIST ECONOMIES INTO DEBT.



THE CAPITALIST WORLD ECONOMY RECOVERED AGAIN, MORE THANKS TO THE THE END OF THE COLD WAR THAN TO ECONOMIC POLICIES... BUT BY THE EARLY 2000S, MORE TROUBLE WAS IMMINENT.



AFTER THIRTY-ODD YEARS OF SOUSING PUBLIC PROGRAMS TO PAY OFF GOVERNMENT DEBTS, ADVANCED CAPITALIST COUNTRIES THOUGHT KEYNES'S THEORIES WERE LOOKING PRETTY GOOD AGAIN. SO THAT'S WHERE POLITICIANS ARE PUTTING THEIR MONEY. LOTS OF IT.



THE SUCCESS OF KEYNESIANISM HAS HISTORICALLY BEEN MORE ABOUT THE POLITICAL IDEOLOGY IT REPRESENTS THAN ABOUT THE SCIENCE OF ECONOMICS; EVEN ECONOMISTS WHO SUPPORT KEYNES'S THEORIES ADMIT THAT THEY HAVEN'T REALLY BEEN TESTED YET. WHAT KEYNES'S THEORIES HAVE DONE IS TO RESCUE CAPITALISM'S IMAGE: BY SHIFTING THE BURDEN OF RESPONSIBILITY FOR ITS FAILURES AWAY FROM EMPLOYABLE WORKERS, AND BY PERPETUATING THE MYTH THAT IT'S POSSIBLE FOR CAPITALIST SOCIETIES, WITH SMART ENOUGH LEADERSHIP, TO FUNCTION IN A WAY THAT IS FAIR FOR EVERYONE

