

The Equilibrists and Mr. Keynes

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THAT bourgeois economics is breaking its back on the problem of the crisis and unemployment is clear to all except the practitioners themselves. The economists' babel in New Deal Washington, rightly a public scandal, is enough to convince most people. The confusing variety of opinions held in the name of science is nicely expressed in a remark attributed to Prime Minister Stanley Baldwin: that when he asked five economists for advice on a problem, he always got six different answers, "two from Mr. Keynes."

It is doubtless true that this confusion of the economists is not important for particular events, since the direct effect of economists on the policies of capitalists and capitalist governments is negligible. The position of bourgeois economists as advisers to capitalists on concrete affairs is about the same as that of fortune tellers; and the successful economist, like the successful fortune teller, is he who says what his patron wants to hear.

But in their role of teachers and publicists the bourgeois economists are extremely important. For a century the young have been entrusted to them for education in political and economic theory. Directly and indirectly they influence and are responsible for a mass of writing in newspapers, journals, and books. They are, and have been, the ideological leaders in fighting communism.

In this last capacity, it is worth noting, there are certain national differences in method. Unlike the German theorists, the English and American bourgeois economists have paid little direct attention to the writings of Marx. Most of them have never read Marx, almost none of them has seriously studied him. For them Marx was "refuted" before they read him. In this atmosphere the student of economics has little incentive to go to Marx; his courses do not facilitate it, and what he learns is a third- or fourth-hand summary opinion in a textbook. Occasionally, as a conspicuous act of liberalism, the *Communist Manifesto* is included in a reading list. As a class, the English and American economists have acted monopolistically and excluded Marxism.

The modern theory of the bourgeois economists is equilibrium theory. It is true that this means for most of them little more than a bit of patter about supply and demand. It is true too that there have been periodic revolts against the sterility of "orthodox" economics, and that "historical," "institutional," and "statistical" schools have been formed, but these latter have formulated little which can be called "theory." The major problem of equilibrium economics is to explain market prices and quantities produced by showing that a large number of subjective

and objective factors tend to result in one set of prices and quantities. This is the "equilibrium." Because all factors cannot be included, the equilibrium which is determined theoretically is not to be supposed ever to exist in the real world. It is defined as a description of tendencies, of what would happen to prices and quantities if the factors did not change and if no factor were excluded.

Unfortunately this type of theory cannot deal with unemployment since one of its basic assumptions is that there is always full employment. It is taken for granted that any unemployed workers who want work can always get it by offering to work for slightly less than the going wage, and that in fact competition will always force the wage down until all who want work are working. Faced with the unemployment of the real world, the more reactionary economists blame the trade unions. Those acute enough to note that unemployment occurs where there are no unions have been forced to invent special theories, usually monetary ones, to account for unemployment. The result is that the mind of the ordinary bourgeois economist is divided into two rooms—one holds his equilibrium theory, the other a special cycle or monetary theory.

The inadequacy of traditional equilibrium theory has recently been pointed out by the English bourgeois economist, J. M. Keynes, in his *General Theory of Employment, Interest and Money*.^{*} Keynes was the chief economic adviser to the British delegation at Versailles. He was one of the first economists to realize the fatuity of the reparations clauses of the treaty, and the publication of his *Economic Consequences of the Peace* won him an international reputation as the white hope of liberalism. In subsequent years his advocacy of a managed currency did much to make that doctrine respectable. Keynes sees himself in the role of Cassandra, warning an unheeding Europe against the burden of reparations, an unheeding Britain against the dangers of returning to the gold standard, and an only half-heeding United States of the need for a large-scale public-works program. But he prefers to overlook such lapses as his prediction in 1922 that the U.S.S.R. was on the verge of a catastrophic economic collapse, or his laudatory obituary notice of the Swedish capitalist Ivar Kreuger, who on Keynes's interpretation was a far-sighted benefactor of the human race forced into suicide by the folly of state economic policies, but who was later proved to be a common forger and swindler. It is no secret that Keynes is *persona grata* at the White House, and that he whole-heartedly approves of an

expansion of government investment both in this country and in the British Isles.

It is not surprising, therefore, to learn that *The General Theory of Employment, Interest and Money* has proved a best seller in Washington, where the pundits of the government are working overtime at mastering Keynes's proposals for making the capitalist system work. For Keynes believes that he has succeeded in finding the causes of unemployment and the reforms necessary to save capitalism. It is impossible to summarize adequately his long and difficult analysis, but it can perhaps be said that he finds the source of trouble in the desire of the rich to save large parts of their incomes, in the possibility of their holding their savings in liquid, money form (when the alternative is lending at a low rate of interest), and in the reluctance of corporations to push investment in concrete capital so far that the expected yield is less than the rate of interest. He concludes that something must be done to push down interest rates and maintain investment so that employment can be maintained.

This argument can scarcely be criticized except in detail which would be tedious here, but there are signs in Keynes's book of the growing demoralization of bourgeois economics which are worth general attention. The demoralization is evident despite the fact that Keynes assumes the air of a clear-sighted savior bringing the cure to a long-suffering and expectant world.

Wearing their blinkers, the bourgeois economists, along with the capitalist class, have gone through previous crises comparatively unshaken. That this crisis has shaken them the following quotations from the *General Theory of Employment, Interest and Money* will indicate. We now have, for instance, one of the foremost pupils of Alfred Marshall, that pre-*laissez-faire* economist, characterizing his colleagues as "Candidates, who, having left this world for the cultivation of their own gardens, teach that all is for the best in the best of all possible worlds provided we will let well enough alone [p. 33]." And, in contrast, there is this assertion about the present system: "It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated—and, in my opinion, inevitably associated—with present-day capitalistic individualism [p. 381]." Only yesterday this same man thought that a few relatively simple monetary measures were all that was needed to make the system workable. Today this faith is largely gone, and though we are given another cure, it is not a pill but a surgical operation. "In conditions of *laissez-faire* the avoidance of wide fluctuations in employment

^{*} The Macmillan Co., pp. 430 and xii.

may, therefore, prove impossible without a far-reaching change in the psychology of investment markets such as there is no reason to expect. I conclude that the duty of ordering the current volume of investment cannot safely be left in private hands [p. 320].” As an example, again, of this pessimism we have: “It follows that of two equal communities, having the same technique but different stocks of capital, the community with the smaller stock of capital may be able for the time being to enjoy a higher standard of life than the community with the larger stock; though when the poorer community has caught up with the rich—as, presumably, it eventually will—then both alike will suffer the fate of Midas. This disturbing conclusion depends, of course, on the assumption that the propensity to consume and the rate of investment are not deliberately controlled in the social interest but are mainly left to the influences of *laissez-faire* [p. 219].” Another unflattering view of modern capitalism: “If the Treasury were to fill old bottles with bank-notes, bury them at suitable depths in disused coal-mines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tried principles of *laissez-faire* to dig the notes up again (the right to do so being obtained, of course, by tendering for leases of the note-bearing territory), there need be no more unemployment and, with the help of the repercussions, the real income of the community, and its capital wealth also, would probably become a good deal greater than it actually is. It would indeed be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing [p. 129].”

The above passages and arguments which go with them are significant not simply because they represent bourgeois economics as accepting unemployment as inevitable, but also because responsibility for unemployment is placed on essential elements of the system. Keynes, perhaps the foremost monetary “reformer” of his time, has lost faith in the efficacy of monetary reforms for eliminating unemployment. Nothing less than state control of investment is necessary—of investment, that sacred prerogative of the capitalist. The bourgeois economists began by denying unemployment, then they called it frictional; of recent years they have had to go for its source nearer and nearer the center of their system, and now Keynes finds it in interest, one part of profits.

To a Marxist, there is one technical point associated with this change in outlook which is especially interesting. Take the following passage: “It is much preferable to speak of capital as having a yield over the course of its life in excess of its original cost, than as being *productive*. For the only reason why an asset offers a prospect of yielding during its life services having an aggregate value greater than its initial supply price is because it is *scarce*; and it is kept scarce because of

the competition of the rate of interest on money. If capital becomes less scarce, the excessive yield will diminish, without its having become less productive—at least in the physical sense.”

I sympathise, therefore, with pre-classical doctrine that everything is *produced by labor*, aided by what used to be called art and is now called technique, by natural resources which are free or cost a rent according to their scarcity or abundance, and by the results of past labor, embodied in assets, which also command a price according to their scarcity or abundance. It is preferable to regard labor, including, of course, the personal services of the entrepreneur and his assistants, as the sole factor of production, operating in a given environment of technique, natural resources, capital equipment and effective demand. This partly explains why we have been able to take the unit of labor as the sole physical unit which we require in our economic system, apart from units of money and of time [pp. 213-214, Keynes's italics].

This passage comes from a bourgeois camp which for seventy-five years has been crying that Marx's labor theory of value has been refuted and is “antiquated.” As is well known, after the English bourgeoisie had successfully used the labor theory of value in the early nineteenth-century struggles against the land-owners, and when the proletariat was beginning to turn the theory against the bourgeoisie, the bourgeois economists began to find it unsatisfactory and developed the marginal-utility theory and the present equilibrium theories. But now Keynes, in order to deal with unemployment, is forced to retrace their steps. His labor theory is not a conscious theory of value, but nevertheless in his book increase of output means increase of labor and vice versa. As he shows, on the supply-and-demand theory, increase of output—where diverse things, such as cloth and furniture, are comprised—can be given no definite meaning.



It would be stupid to think that Keynes is becoming a Marxist; he remains an uninformed anti-Marxist and, in fact, states that Gesell, a German who is known as the advocate of stamped money as a substitute for socialism, has more to teach the future than Marx. Keynes believes that capitalism can survive with state control of investment and a policy of reducing the rate of interest to zero. This scheme is fundamentally of the same ideological importance as Douglas's Social Credit and the nonsensical economic theories which the capitalists behind Hitler knew how to utilize in his climb to power. They are the ideas which are used to combat the spread of Communism. It is important to remember that the half-critiques of capitalism always furnish the capitalists with a pool of ideas to use against the masses, if need be. Nevertheless it is important also to recognize that, in the worst crisis of capitalism, the rottenness and inefficiency of the system have made ridiculous the central theories of capitalist economics even in the eyes of their exponents. Of course the reformist ideas of “rationalization,” “social control,” and “planning” (with capitalism) had appeared before, but despite them the influence of the imposing orthodox theories had remained high, especially in England.

In order to evaluate the changes in bourgeois economics, it is necessary always to keep in mind that their best theorists have so wrapped themselves up in the abstractions of equilibrium theory that in their professional capacity they cannot see the world at all. Consequently the discovery by a bourgeois economist of the most elementary facts about modern economic life becomes almost a mark of genius. An example is the furor caused by the recent discovery by several theorists that monopolies and competing monopolists have supplanted competition (by numerous sellers) and that therefore equilibrium theory must be modified. Another example is the present book by Mr. Keynes. Through his wide financial experiences he has learned that Wall Street speculators are not engaged in acquiring a firm basis of knowledge about the future earnings of business corporations but in guessing what the market quotations will be a short time hence. If anyone but an equilibrium economist were to inform us of this, we would say that he had discovered his nose; but put in the appropriate jargon and called to the attention of the equilibrium blindness, it must be called “breaking ground.”

In short, it soon must become clear that equilibrium theory has become more and more precise about less and less; that with its “*n*” commodities, and “*l*” firms, and “*m*” factors of production, and “*o*” consumers, and its 70,000 equations for describing the economic behavior of Sparrow Nest, New Mexico, it can really handle no major economic problem. And as far as Keynes's technical improvements are concerned, it can be predicted that they will be torn to pieces by the equilibrists themselves.

(To be concluded)

Lost Prairie

NATHAN ASCH

I WALKED along the street in Texarkana, Texas, where Louisiana, Arkansas, and Texas almost make a corner and I wondered how I could get to live a week with a sharecropper family. I had crossed Arkansas and come here because I wanted to see the most isolated, the deepest cotton country, untouched by the world and not knowing the outside world. Probably I should have gone to Alabama, but I heard that of late years cotton had been grown each year further westward, until now Texas was the great cotton state. I wanted to see what the South was doing when left alone completely to work out its own problem. I wanted simply to enter a sharecropper's shack and ask if I could stay there for a while.

But where was I to go? How does one look for a sharecropper's shack? Where does one find the impudence to step off the road, and enter a home and demand shelter there? There are highways that leave Texarkana and go off in every direction; which highway to take and where does one stop?

I stood and I watched a young man with blond hair and red face look at his car—it had Minnesota plates—and sadly shake his head. I asked what was wrong.

He said: "The axle's broken."

I offered to help him push it to a garage. He said:

"What's the use? I can't buy another axle."

I said: "You're a long way from home."

He said: "I've just got enough money to buy gasoline home. I better get a bus ticket instead."

"I said: 'Let's go and have a glass of beer.'"

His name was Peder, and he and his brother had a small farm in Northern Minnesota. They couldn't get back what they put into wheat, and it didn't pay them to raise hogs. They had a few cows and a lot of hens; and there was just enough work for one, so they took turns, one staying at home and the other traveling all about the country.

Peder said: "I've been just about everywhere, and I guess I've stopped now."

I asked him how much would a new axle cost, and he told me. I said:

"Have you seen how the sharecroppers live?"

He said: "They live terrible."

"Let's really find out how they live," I said, "what they eat and how they sleep, and what they talk about."

He said: "All right. We're bad enough up in Minnesota, but I'm ashamed to look these people in the face."

We put in a new axle and we got a map, but all we could see were names of towns and of roads. We asked a man at a filling station. He looked at us strangely, but he said:

"It's all cotton around here. You go down by the Red River and you'll see nothing but farms."

We drove east out of town on a United States highway, and then it became just a country road. It was too early for plowing, and in the fields there was nothing but stubble. Along the side of the road there were tumbledown shacks.

Peder asked if I wanted to stop. I said no. Let's go on for a while. Down below us was Red River, but first we came to Garland, Arkansas. It was the meanest town that I have ever seen. No city slum, no suburb, no condemned row of tenements ever had a more wretched appearance. With one exception there wasn't a house that was painted, a house that was whole, that had a whole roof, that was not on the verge of collapse. With but that one exception there was not a house that could be called a house. There was no glass in the windows, no doors that had hinges, no wall without a yawning crack. The exception was the church, which was new, and the minister's house. There must have been a thousand people who lived in Garland, Arkansas, but these white and black creatures wore clothes that could not be said ever to have had color, to have been unpatched, been new, been bought. And this was not in the bleak, hopeless Ozarks; it was in rich cotton country; and about a half mile beyond, down by the toll bridge, there was a newly built filling station, and the attendant and a man in breeches and boots were admiring a new automobile. I asked Peder to stop.

We got out of our car and we strolled toward the two men and we stood admiring the beautiful car. I asked the man in boots if the car was his. He smiled yes.

I asked: "You farm around here?"

He said, yes, he had about four hundred acres.

I asked: "How many tenants have you got?"

He said he didn't know yet. Last year he'd had thirty families; but he said he was considering not having any tenants this year. He was playing around with the idea of having nothing but day labor.

I asked: "Where are the families from last year?"

He said: "Oh, I let them stay on through the winter."

I asked how did he think they had lived on through winter; it didn't seem to me that

the heat would stay in with all the holes in the walls.

He said: "Those sons of bitches can live through anything. They've got hides like hogs."

I asked if he didn't think it would increase the value of the land if the improvements on it were weather tight, were in habitable condition?

"No," he said. "Anybody who'd do that would be crazy. He'd be laughed at. Two years ago I had one of those brain storms. I built a new outhouse for each tenant shack. Do you know what those bastards did? The first cold spell, and they knocked down the outhouses and they burnt them for fuel."

"Where can they get fuel?"

"They can buy it. I sell it."

We got back in the car and Peder asked, where now? I suggested we get on a side road. We drove almost down to Red River, and then turned off on a dirt road.

I said: "What do you think of this for an idea: 'The worse you exploit somebody, the worse you hate him.' You have to. Your conscience wouldn't let you alone."

Peder said: "If I was his tenant I'd shoot him."

We saw a sign; "LOST PRAIRIE—1 MILE." We saw a man walking down the road and we gave him a ride. He wore overalls and half of his face was covered by a birthmark. We asked him if he lived in the neighborhood. He said he was a renter. Where did he rent? Well, he didn't rent nowhere right now. The doctor in Texarkana, who owned the land he lived on, had hired day labor. Sometimes he got day work in the fields.

"How much do you get?"

"Anywheres from fifty to sixty cents a day."

"How many hours do you work?"

"From dark to dark."

I'm not writing this in Arkansas dialect, nor in the way they're supposed to speak in Louisiana and in east Texas. This man spoke English and I understood him. He was white, but the Negroes spoke just as he did. And so did the planter with the new automobile. I was not interested in regional dialect; what I wanted to hear was how people lived.

We drove along, then the man said he was home. We asked if we could meet his wife, and he took us inside. The shack had four walls, with newspapers stuck in the cracks, and two beds and a stove and a packing box at which the wife was standing and ironing. Two children were in school; and the eldest boy was out rabbit