Keynes has had a greater impact on British politics than any other intellectual this century. Today he is vilified by the Right. The Left has still to come to terms with him.

John Grahl

The Liberal Revolutionary

'The Labour Party contains three elements. There are the trade unionists, once the oppressed, now the tyrants, whose selfish and sectional pretensions need to be bravely opposed. There are the advocates of methods of violence and sudden change, by an abuse of language called communists, who are committed by their creed to produce evil that good might come and, since they dare not concoct disaster openly, are forced to play with plot and subterfuge. There are the socialists, who believe that the economic foundations of modern society are evil, yet might be good.'

This familiar type of assessment seems to make things clear: we are dealing with an enemy of the Left and of the labour movement. The words come from John Maynard Keynes, born one hundred years ago, writing on the eve of the General Strike in 1926. But the context of the passage makes some qualifications necessary — this is part of a speech arguing in favour of an alliance between the Labour Party and Keynes' own party, the Liberals. At the same time he politely invited the Liberal right wing to go: 'I think it would be for the health of the party if all those who believe, with Mr Winston Churchill and Sir Alfred Mond, that the coming political struggle is best described as capitalism versus socialism and, thinking in those terms, mean to die in the last ditch for capitalism, were to leave us.'

On the centenary of his birth, we are faced with the destruction of the postwar political consensus which Keynes helped to build. The Keynesian vision of social progress, Keynesian economic doctrines and the institutions of the welfare state are all under attack. In retrospect, Keynes might be seen simply as expressing the illusions of the 'long boom', an optimistic believer in reformed and enlightened capitalism, whose ideas have been refuted by events.

This article will argue for a less dismissive approach to Keynes, one that accepts, critically, much of his legacy. The relevance of Keynes can be argued most easily by referring to his economic theories — Keynes was concerned, above all, with the problem of mass unemployment, such as we face again today. Although Keynesian economic policies are no longer adequate, much of his economic analysis — the analysis of depression — remains important.

But the politics of Keynes — the social philosophy he linked to his economic analysis and the ways in which his ideas affected practical policy — is even more important. Keynes, more than any other figure, was the theorist of the British labour movement in power, of Labour as a governing party. His economic and social thought had a major role in bringing together the social forces which sustained Labour as a majority party and in determining its political agenda. As the movement today struggles to win back the power it has lost, this is a most important precedent.

Keynes 'Liberalism and Labour' Collected Writings Volume 9.
KEYNES AND LABOUR

Keynes was not a politician, but a politically engaged intellectual — an academic economist and a writer, during both world wars a government official. At the beginning of his career the Liberal Party, as a party of reform, was still overwhelmingly more popular than the Labour Party; by the end, Labour had eclipsed the Liberals and for the first time was in office as a majority government. In his origins and political formation Keynes was a Liberal, yet he had a decisive influence, greater than that of any other theorist, on the thinking of the Labour Party from 1945.

From the start, Keynes was an opponent of conservatism — of laissez-faire economics and the Victorian orthodoxies which continued to guide the British establishment in the interwar period. But this opposition, in its origins, was completely separate from the perspectives and politics of the rising labour movement. Keynes, coming from a Liberal intellectual family, was a member of the Bloomsbury group, an intellectual and artistic elite, with a common background in Cambridge University at the turn of the century.

The ethos of the group challenged the centrality of private capital accumulation in British society. (This background was one source of Keynes' negative assessment of the role of saving and thrift in economic life.) There was an assertion of artistic against commercial values, which influenced Keynes' involvement in the foundation of the Arts Council during the Second World War. The group opposed Victorian sexual puritanism and hypocrisy — Keynes was to make an advanced claim for the political importance of issues such as divorce and contraception. Politically, the group were opposed both to imperialism abroad and laissez-faire at home.

But the fundamental belief of the group in individual development and personal relations was highly ambivalent. It inspired their resistance to a commercialised society but at the same time led them to perceive the forms of collective action and consciousness developed by working people as a threat to individual civilisation — Keynes was often to express such fears. This kind of individualism challenged the economic individualism of the nineteenth century, but was still closely connected with its surrounding philosophical assumptions.

In 1916 Keynes, then serving as a Treasury official, registered as a conscientious objector to military conscription. This early act of rebellion was not inspired by pacifism so much as by a concern for civil rights and opposition to the war aims of the British government.

Economic critic

In 1919, Keynes published The Economic Consequences of the Peace, an eloquent critique of the Treaty of Versailles. (Keynes had been an advisor to Lloyd George at the treaty negotiations, before resigning in protest.) The book is widely regarded as Keynes' literary masterpiece — its devastating arguments against French and British exactions from defeated Germany and against the blockade of Soviet Russia immediately won a wide readership. (Readers included Lenin who was pleased to find his own position confirmed objectively by a bourgeois of the first water, a student of economics, who regards things from a purely bourgeois standpoint.) After a visit to Russia in 1925, Keynes repeated his case for trade and co-operation between Britain and the Soviet Union, while making clear his complete rejection of communism.

In the mid 20s, Keynes was increasingly critical of orthodox economic policy and its failure to cope with persistent unemployment. In particular, he wrote an unequivocal attack on the return to the gold standard by Winston Churchill as Chancellor of the Exchequer. The return to gold as a basis for the pound sterling involved a severe deflation, sacrificing British industry to the needs of the City. At the same time, the wide gap between Keynes and the labour movement which still existed is shown by his detached attitude to the coal strike and general strike of 1926, which were precipitated by the return to gold: 'Why should coal miners suffer a lower standard of life than other classes of labour? They may be lazy and good-for-nothing fellows who do not work so long or so hard as they should. But is there any evidence that they are more lazy or good-for-nothing than other people?'

Keynes advocated major job-creation measures even before the Great Depression struck Britain — via the Liberal Party, where one section, led by Lloyd George, was advocating highly interventionist employment policies. At the time, these were more radical than anything on the agenda of the Labour Party, which tended to make a very dogmatic distinction between what could be achieved by socialism and the impossibility of any advance under capitalism.

The General Theory

However, during the minority Labour government of 1929-31 Keynes for the first time had a direct impact on the thinking of the labour movement. The government fell when its leaders chose the 'Treasury view' and implemented cuts and deflation to protect the pound. But Keynes' arguments, on the Macmillan Committee on Finance and Industry, for monetary expansion and spending programmes to stimulate employment were not lost on the trade unions. In particular, Ernest Bevin, leader of the TGWU and a member of the committee, 'became one of the most eager pupils of Keynes and went on in his turn to educate the rest of the trade union movement on the workings of the City, the gold standard and the consequences of the policy of the 1920s; he was helped in this by Citrine and Milne-Bailey.' It is significant that on these issues unions could make common cause with employers against finance and the City.

In 1931, the Labour Party — without its leaders, who had formed a 'National Government' — was badly defeated in the general election. Nevertheless Keynes made a tentative exploration of the possibilities of Labour as a vehicle for his ideas on economic policy. There was little immediate response: in defeat the party tended to fall back on its fundamental principles. But, through the turbulent 30s, Keynes' thinking became more radical — increasingly, he used socialist terms to specify his political aims; with unregulated capitalism locked, worldwide, in depression, he increasingly favoured organised, as opposed to competitive, forms of economic life. He was more sympathetic to left wing movements, even going so far as to urge Bevin and the trade union movement to maintain contact with the communists within their ranks (a somewhat naive suggestion, one must admit).

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For most of the 30s, Keynes was elaborating the theoretical case for his


Keynes, 'The Economic Consequences of Mr Churchill' Collected Writings Volume 9.


employment policies; his *General Theory of Employment, Interest and Money*, 1936, was to become the most important work on economics of the twentieth century. It involved, for the first time, a decisive break in the tradition of liberal economic thought from which Keynes came. Other academic economists, back to Marshall, Keynes’ teacher at Cambridge, had been prepared to advocate considerable departures from orthodoxy in matters of practical policy. But few of the older generation would accept his *theoretical heresy* — the assertion that a free market system was incapable, in principle, of securing full employment.

A strange path
During the Second World War, Keynes made renewed contact with the forces of labour, as the Labour Party participated in coalition government and the trade unions gained strength in the wartime economy. Keynes was again a government adviser, dealing largely with war finance, but influencing the plans for a welfare state. The Beveridge Report, which established the agenda for postwar reforms of social welfare, was largely on Keynesian lines, written with the assistance of a group of young Keynesian economists.

After the war, Keynes remained in service under the Labour government as a negotiator on international monetary questions. His ideas for a managed international payments system — still of interest, given the present chaos — affected the structure of emerging institutions, such as the IMF, but had little effect on their political operation since the financial strength of the US allowed US negotiators to point the new structures in a far more conservative direction. The British government, which was looking for big US loans, acquiesced.

The persistence and thoroughness of Keynes’ critique of the capitalist economy had brought him through a strange path: a liberal economist, in many ways hostile to labour, had become a guiding theorist of the labour movement, the only social force with sufficient dynamism and popular support to carry through the changes he sought. The influence was won through long and courageous political and intellectual struggles but we should note one limiting characteristic. Keynes’ influence was always brought to bear at the top, on labour’s political and trade union leaderships. It was these leaderships that he welcomed into government as agents of economic and social change, despite his original antipathy towards them. Labour as a mass, popular movement was always regarded by him as a potential threat to ‘liberal’ civilisation, to the continuity of social relations. He could accommodate himself to socialism as a social and economic programme, but not to socialism as democratic action. The accommodation was always on corporatist lines, with the leaders standing as guarantors for ‘he good behaviour of the led.

**THE KEYNESIAN ERA**

Keynes died in 1946, while the postwar Labour government was just beginning its work: the programme of reforms which were to provide an agreed framework for government for the next 25 years and which can be seen as inaugurating the ‘Keynesian era’. The successes of that government — in institutional change, in what seemed decisive and irreversible social advance, in economic management, became a model for socialist practice. Increasingly, inspired by Keynesian thought, the postwar pattern of reforms gave Keynes ‘more influence on British socialists that any other theorist of our time. It is also arguable that, almost single-handed, he buried Marxism for a generation of the mainstream British Left.’

What gave Keynesian ideas this potency? The first and most obvious answer is their practical applicability — the power of Keynesian methods of economic intervention in the postwar period. In contrast to the often Utopian and abstract positions adopted by Marxists, Keynes’ works were designed to have immediate, operational relevance to policy. It was this that helped make Keynesianism the orthodoxy of virtually the entire governing stratum in Britain — administrators and political leaderships of all parties — for two decades. This was much more than the new tools of demand management that were then developed — every sphere of policy was influenced.

But there are other important factors — political and ideological — behind the dominance of Keynesian ideas in the British labour movement. Although our idiosyncratic electoral system obscures the fact, any effective Labour government — such as that of the 40s — is bound to rest on a very broad alliance of forces. The economics and more general social thought of Keynes spoke directly to the actual compromise that was then being formed between the labour movement and the more active and modernising elements in British government and industrial management.

The social philosophy of Keynes could appeal to all sections of the emerging alliance. Keynes was a member of the establishment, in his own words, of ‘the educated bourgeoisie’. He offered a continuing role in government to the administrative and industrial elites, whose leadership he rated highly, although their contribution would now take place in a more ordered and organised economic framework. But he could also appeal to the rising forces of labour, both on the key issues of social equality and in embracing the socialist theme of state economic action and control.

The decline of rentiers
This widespread appeal was made possible by Keynes' rejection of capitalism as purely propertorial. His endorsement of established industrial leadership did not extend to the capitalists as 'rentiers', straightforward property owners, whom he regarded as the parasitic part of his class and whose gradual elimination he anticipated, 'the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity value of capital.' The road to this goal was high levels of investment, within a 'socialised' framework determined by the state but leaving room for 'all manner of compromises and devices by which public authority will co-operate with private initiative'.

Over a long period, sustained investment would create abundance, eliminate that part of the profits which was simply a return on monetary wealth, and lead to substantially greater social and economic equality. And since the strategy of investment made immediately for high levels of employment and was compatible with major redistributive and welfare reforms, it was the perfect basis for the emerging compromise.

For historical reasons, Keynesian ideas were also very appropriate to the British labour movement. Labour had supplanted the Liberals but it also emerged as a parliamentary party from them: the early 'Lib-Lab' MPs had been seen originally...
as a new element within nineteenth century Liberalism, which had come to be almost a natural vehicle for progressive and reforming movements. These origins continued to affect the culture and ideology of Labour even after it was established as an independent party.

Keynes' own political formation led him to fear Labour as a threat to traditional liberal values; he accepted socialist measures only as an addition to and corrective for the liberal order, not as a replacement for it. More than he suspected, Labour also subscribed to these values. Partly this was simply a commitment to parliamentary gradualism—Labour's constituency wanted to believe Keynes when he wrote that 'the necessary measures of socialism can be introduced gradually and without a break in the general traditions of society.' But the movement also tended to place a high value on the central liberal ideas of civil liberties and individual freedom, which seemed to be guaranteed by the Keynesian compromise.

**THE COLLAPSE OF THE COMPROMISE**

The way in which the Keynesian compromise broke down points to some of the most important limitations to Keynes' economic and social analysis. We can see the alliance in Britain of the 'productive classes', labour and modernising forces in management and government, as threatened from inside and outside.

The external threats to Keynesianism arise from the fact that the 'rentiers', more accurately the financial interests and institutions of capitalism, are not so easily put to sleep as Keynes believed.

Sidney Pollard has argued that, even while attacking the return to gold in 1925, Keynes had underestimated the strength of financial forces. He regarded the move simply as a policy mistake, based on intellectual error, while in reality 'the bankers and City merchants (had) interests and priorities ... totally different from those of Keynes, and for that matter, from those of the large majority of the British population.'

As Pollard described in a recent book, the postwar period was again marked by conflicts of interest between British industrial employers and financial interests within worldwide connections. And this conflict always threatened any agreement within industry to maximise output and investment, since the close links between the City and policy formation in the Treasury and Bank of England tended repeatedly to sacrifice production to financial stability.

More generally, uncontrolled financial forces on an international scale have been a decisive factor in bringing the Keynesian era to a close. The increasing links between national money markets, the growth of multinational companies and the escape of both from domestic control have tended to undermine the conditions in which Keynesian policies could be pursued. In his work on international monetary relations Keynes had argued for tight controls over private international money flows. But the institutions which actually arose, under US hegemony, worked for a comprehensive liberalisation of international lending and borrowing.

In the context of the rapid growth in the importance of international trade and investment, this liberalisation made for an international restoration of the uncontrolled market forces which Keynes had tried to subdue at the national level. In open economies, highly committed to foreign trade, exchange rate problems and balance of payments constraints came into increasing conflict with Keynesian full employment strategies.

There are also, of course, internal pressures and conflicts making for the breakdown of agreements between the...

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groups in the Keynesian alliance. The initial success of the Keynesian era in securing full utilisation of productive capacity already begins to change the premises of Keynesian economics. A recent paper by Bob Rowthorn shows how different the implications of Keynesian theory are, according to whether or not there is substantial unused capacity.¹⁴ The depression of the 30s and the fear of its return were the ideal basis for a compromise between labour and employers, since both could gain from a general expansion of demand. When production is limited by capacity, increases in demand can still stimulate profits and investments but only by raising prices and cutting into the real wage rate, and this in circumstances where workers are well placed to respond.

In the 30s, the Polish Marxist Kalecki had independently arrived at many of the same results as the Keynesian school. But his view of class conflict led him to question the long run stability of a Keynesian compromise. Full employment would gradually strengthen the working class and lead it to make ever more advanced demands. Eventually, Kalecki anticipated, employers would be tempted to abandon high levels of demand in order to restore 'discipline' and protect their own dominance.¹⁵

The Swedish experience

This potential conflict does not make the breakdown of the compromise inevitable. But it does suggest that it can survive in the long run only if it is able to meet and resolve unavoidable economic stresses by political means. And the resulting political dynamic will then tend to bring about fundamental changes in the nature of the compromise itself. A study by Andrew Martin, drawing on the Swedish experience, suggests three stages in the development of a 'Keynesian political economy', although he is careful to point out that the transition from one stage to the next is not automatic: it depends on political conditions which make it possible and necessary to resolve economic conflicts while preserving full employment.¹⁶

The first stage is the easiest: against the background of depression, workers and capitalists are able to agree on a programme of expansion. Full utilisation of capacity and inflationary pressures tended to undermine this agreement but the Swedish labour movement in the 60s was able to respond by transferring its major demands to the political level. Aggregate demand was reduced to mitigate inflationary pressure while more active types of government intervention and a rapid growth in public services preserved full employment. At the same time, a 'solidaristic' wage policy, operating through highly centralised bargaining, tended to iron out wage differentials between industries and types of work. This was deliberately intended to eliminate low-wage enterprises, while leaving wide profit margins for the more efficient ones. The compromise was transformed, with the labour movement now occupying a more dominant position, since it was actively exercising great influence on the environment in which the public sector operated. Stresses again appeared in the 70s as private investment declined in the new regime while international crisis made it urgent to support and restructure Swedish industry. The third stage has not been realised, but would depend on the movement taking increased responsibility for industrial performance and reconstruction while beginning to democratise ownership and profits.

In his origins and political formation Keynes was a Liberal, yet he had a decisive influence on the thinking of the Labour Party from 1945.

Clearly Sweden is a very special case. Apart from very advantageous economic circumstances, the movement was able to co-ordinate very strong and disciplined trade unions and a political party which was continuously in office. In other countries the pressures on the alliance — both external financial pressures and internal stresses — prevented this kind of development, producing a stalemate and eventual abandonment of full employment.

In Britain, the evolution of the Keynesian alliance was predominantly in a conservative direction. The labour movement was in, or close to, government but only in a corporatist way, as represented by leaderships often distant from thought and feeling at the base. In this context, industrial conflicts grew more intense, while policy formation was insulated from new democratic pressures. Interpretation of Keynes, by academics and administrators, increasingly minimised the radical implications of the original doctrine: a wide gap opened up between Keynes and the 'Keynesians' who assimilated Keynesian economics to more orthodox theories and reduced it to an assembly of techniques for technocratic economic control.

Nevertheless, the high levels of employment secured by the Keynesian settlement always favoured the struggles of working people and increased the political weight of the labour movement. Martin's argument correctly indicates the wide scope for political development and transformation of the Keynesian compromise, in the context of an active democracy. When the right wing, in Britain, the US and other countries, began its onslaught on Keynesian ideology, their key aim was to discredit exactly this combination of economic intervention and democracy.

THE RIGHT AGAINST KEYNES

For popular consumption, monetarist and 'neo-liberal' attacks on Keynesian intervention are often couched in purely economic terms. It is pointed out, correctly, that standard Keynesian policies no longer work: simple increases in aggregate demand produce inflation and very little else. To this kind of criticism, monetarists add the assertion that the free play of market forces provide the best solution — a claim that can only be sustained by arguing that it is the only feasible solution.

Behind these economic simplicities, however, lies a deep concern with politics; the danger with Keynesianism is not so much that Keynesian instruments don't work as that they will fall into the wrong hands. For the Right, democracy itself is the danger and it should not be trusted with supervision of the economy. This was the theme of Hayek, the most important critic of Keynes during the latter's lifetime, in the Road to Serfdom, which portrayed postwar Keynesian intervention as the first step down the slippery slope to totalitarian socialism.

Such warnings from right wing ideologues fell on deaf ears while the Keynesian compromise remained stable. Ruling groups felt that they could control the alliance and stay in the saddle, while the conspicuous contrast between depression in the 30s and prosperity in the 50s and 60s robbed the free-market case of any mass appeal.

Today, on the other hand, the same ideas are endorsed by powerful groups of businessmen and politicians. Hayek him-

self has survived to participate in the new attack. In the US, James Buchanan’s book, *Democracy in Deficit*, makes the same kind of argument: Keynesianism means entrusting the resources of the country to a corrupt and inefficient political process. Buchanan is echoed by the most influential British neo-liberal, Samuel Brittan: “To escape from our predicament we need not another revolution in economic theory, but a revolution in constitutional and political ideas which will save us from the snare of unlimited democracy, before we find ourselves with no democracy — and very little freedom — left.”

Restricting democracy

This notion of limits to democracy is a recurrent theme of the new Right who call not simply for a different type of economic policy but for new constitutional and institutional restrictions on the ability of democratic governments to determine economic policy. The Right have a lot of such projects, imposing balanced budgets, fixing rules for monetary policy, curtailing governments’ power to raise taxes. The limits, of course, are to strengthen the free market mechanism, not to protect individual freedoms against the state: in fact the Keynesian era saw an enhancement of the political rights and civic liberties of most individuals in the western democracies. Nonetheless, particularly in populist forms, such as taxpayers’ revolts, the theme of limits to economic policy has had a big impact on mass politics in both Western Europe and the US.

This populism of the Right exploited the shallowness of the corporalist democracy on which Keynesianism usually rested - the relative exclusion of millions of people from any active influence over the strategies adopted by governing elites, the inadequate representation of the base of the labour movement by the leaderships which participated in the Keynesian alliance. The Keynesian era, when labour became effective at the level of government, also saw a decline in labour as a popular democratic movement, a weakening of the ties between the institutions of the movement and their mass support.

Keynes, himself unsympathetic to active forms of democracy, had a lot in common with his original right wing critics. He acknowledged to Hayek the danger of a radical shift in the nature of the alliance, but he felt that ‘moral’ factors, established ideologies, would restrain democratic forces from a major threat to existing social relations. He probably expected that the formulation of economic policy would be the work of an administrative elite, insulated from direct political pressures. In the British case his expectations were, for a long time, fully justified. Only in the process of disintegration of the postwar political and economic settlement did more radical types of economic intervention begin to win growing support, for example in the left economic strategies developed by Labour in the 70s.

The politics of the new Right attempts to reverse this trend. However, the Right’s attack on Keynesian ideology does not really signify abandonment of state economic intervention; today continuous and large scale interventions are required even to sustain a ‘free market’ approach to the economic crisis. But the politics of the Right does aim to undermine the bloc of forces on which Keynesianism rested and to exclude the possibility of a democratic transformation of Keynesian intervention.

**KEYNESIANISM TODAY**

Economic crisis and the resurgence of the Right have not destroyed Keynesianism, but have led to its *fragmentation*. Twenty
years ago there was a unified Keynesian view of the world which dominated economic thinking. In Britain, the validity of certain types of Keynesian analysis was almost taken for granted. Today we have to assess a wide variety of Keynesian positions which tend to contradict each other on central issues.

On the Right, some Keynesians have accepted the essence of the monetarist critique. They confine themselves to limited qualifications and amendments to monetarist theory, arguing in effect, for a somewhat more sophisticated monetarism.

In Britain, there is a clear search for a renewal of the Keynesian compromise in its original form, with the forces of labour reincorporated in a definitely subordinate position. Economists close to the SDP, such as James Meade, want to make it possible again to use the traditional instrument of aggregate demand by putting legal constraints on union activity. As the failures of thorough-going monetarism become more clear, the notion of stabilising social conflicts along these lines could well become very popular. However, at present much of the thinking of centrist Keynesians is rather backward-looking — they are trying to find a way to restore the old postwar settlement.

Further to the left, there is a wealth of analysis in the Keynesian tradition, often now drawing on a wide variety of other sources and open in a new way to discussion with Marxists. The work of the 'post-Keynesian' school in the US and of a large number of British economists (particularly at Cambridge, the traditional centre of Keynesian thought) is new and interesting; there is a continuing influence on the British labour movement's formulation of economic policy. However, to date, there is no clear focus to this discussion — no agreement either on theory or the priorities for policy. Here, the search is for 'a mixed economy of a new type', new and more effective types of economic intervention and control. But there is as yet no clear view of what types of reform are likely to succeed, or of what combination of political forces could put them into effect.

**CONCLUSION**

The passing of the 'Keynesian era' has not ended the influence of Keynes' ideas. In fact, there is more fascination than ever with Keynes, although there is no agreement about the nature of his achievement, or about its bearing on contemporary problems. To conclude, I will point to those aspects of the Keynesian legacy which seem to me most important for the Marxist Left.

To begin with Keynesian economics, the Keynesian policy prescriptions are clearly no longer central. Every left wing or reformist government will expand aggregate demand when lack of demand is the only obstacle to higher employment. Today, however, there are many other obstacles — in economic structure, international relations, technological changes, financial constraints, social conflicts — and it is those problems which are the real problems for policy.

However, aspects of Keynes' economic theory are still of great interest, particularly his monetary analysis which helps to explain the *paralysis* of market economies in times of crisis.

The political significance of Keynes is harder to assess, but more important. He influenced, more than any other theorist, the emergence of a political and social alliance in which, for the first time, the British labour movement played an effective role in government. The era in which that alliance could function has gone, and it is not desirable or possible to bring it back. But in both negative and positive ways, the experience is a most important precedent.

Firstly, Keynes pointed to an agreement on a *specific* framework for policy, specific types of effective intervention in the economy. In the long run, however, Keynesian strategies failed to give effective control over economic forces, and today's problem is to find new and more powerful instruments of economic control.

Secondly, the alliance — which embraced the most creative and productive sections of British society — necessarily involved a *compromise*: on economic questions and on the distribution of political influence among different social forces inside and outside the labour movement. Keynes widened the dimensions of the alliance, since he provided common ground on which socialist thought could meet with a renewed liberal tradition. Then and now, socialist forces can only advance if they are capable of accommodation with groups and institutions which still draw inspiration from the broad liberal tradition.

The alliance was not static — it created room for struggles which could transform the original compromise — but in the end it stagnated and collapsed. The key weakness, with which we can again associate the name of Keynes, was the absence of a dynamic of *democratic* advance; it proved impossible to overcome technocratic and elitist interpretations of the Keynesian order. Today we need to build a new broad coalition of social forces to deal with the unemployment crisis, and to secure on that basis a continuing growth of democratic participation and control.