

KEYNES AND KALECKI ON THE DILEMMAS OF MR. CORBYN

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The Polish economist Michał Kalecki (1899-1970) died some 45 years ago, unfortunately before he could reveal his thoughts on current developments in the Labour Party. He was famous for his refusal to join any political party, on the grounds that this might compromise the objectivity of his analysis. So it is unlikely that he would have taken up any option to join the Labour Party in order to be able to vote in the election of the leader of that Party. However, of the candidates presented in the leadership election, there is no doubt that Jeremy Corbyn's socialism would have been more attractive to him than the timid gradualism of the other candidates. But would this have been his last word on the matter? I don't think so, because the policy debate that has been opened up by Jeremy Corbyn's election raises too many questions that are at the heart of the political economy of Kalecki and John Maynard Keynes who, although a Liberal sympathiser, supported many socialists, including Kalecki while he was in England from 1936 until the end of the War.

Central to that political economy is the role of the state in capitalist society. One view of this had been enunciated by John Maynard Keynes when he declared the 'potency' of his ideas in the final sentences of his *General Theory*: '... the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood... ...the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas... ...soon or late, it is ideas, not vested interests, which are dangerous for good or evil.'

This idealism leads to an instrumental view of the state. To secure the happiness of its citizens it is merely necessary for the wise ruler to follow correct policies. If those citizens are miserable and oppressed the ruler can alleviate their misery by more enlightened state policies. The German social democrat Emil Lederer (1882-1939), whose work anticipates much of Kalecki's economic analysis, identified most clearly the spirit of Keynes's approach. For Lederer, Keynes was a *philosophe* from the eighteenth-century Enlightenment, who thought that it was merely necessary to explain to the enlightened political establishment the measures that accord with reason and natural law, and the implementation of those measures would make the ruler's subjects happy. What Keynes did not understand was that what is rational may involve the destruction of privilege and social position. The belief that reason prevails in a class society is utopian.

Kalecki did not make that mistake. His pre-War journalism, and his most important papers in political economy, the war-time 'Political Aspects of Full Employment' and his 'Observations on the "Crucial Reform"' (co-authored with Tadeusz Kowalik), show him fully aware of what he called capitalists' 'power in society' as well as their influence in the state. In principle it is easy enough for the state to secure full employment and rising prosperity through aggregate demand management. But whether capitalists would allow their privileged incomes and their political and social influence to be compromised in this way is another matter. They could always force the state to retreat from progressive measures by an 'investment strike', and would always be able to find economists ready to denounce a state of full employment and rising wages as 'manifestly unsound'. As he wrote 'the social function

of the doctrine of “sound finance” is to make the level of employment dependent on the state of confidence’ of the capitalists’, rather than the policies of the state.

Jeremy Corbyn was elected on a programme that is of course much more radical than anything that Keynes envisaged. For all his fiscal adventurousness, Keynes was remarkably timid about unemployment insurance, and considered nationalisation of the railways to be ‘irrelevant’. But Corbyn’s programme for his leadership election shares the utopianism of Keynes in its instrumental view of the state: believing that it is merely necessary to have a sufficiently radical programme, get elected and then implement that programme with sufficient determination. There is little doubt in that programme that the nominally state-owned Bank of England would provide the money for the expenditure envisaged under the programme, or that such expenditure could fail to revive the British economy and society.

What is missing is an analysis of the class structure of the British society that is supposed to embrace a new radical Labour Party, together with an analysis of the economic structure of Britain, to reveal the class power of the international Big Business, whose investment determines the dynamics of the private sector in Britain. There is then the power of finance that is so uniquely integrated with the dominant international corporations. The proponents of capitalism exalt the dynamism of small and medium-sized enterprises, which employ most of the private sector workforce. However, this sector is depressed by deflationary policies and the global financial diversions of Big Business. All this has been overlooked in the belief that it is only the ‘austerity’ of the state that prevents the return to generous welfare provision and public investment. The absence of that class and economic analysis is crucial. A political programme supported only by the enthusiasm of the enlightened minority and radicalised youth has two major obstacles to overcome: elections in which broader support must be solicited; and then the implementation of that programme, in which the state may well turn out to be incapable, because it does not just exist to implement policy but also to assure the distribution of power in society. A failure may be blamed on a lack of determination. But it should not be because of a lack of preparation for power.

The instrumental view of the state that has been embraced by the left in the Labour Party is the most obvious sign of the drift of that left towards ultra-leftist voluntarism: the belief that it is sufficient to agree the correct programme, for that programme then to be implemented by the state. It echoes the politics of the ultra-left in Greece, that ramped itself into the schizophrenic belief that European institutions represent a capitalist super-state, but the Greek national state can serve the workers. The question of the nature of the British state is not one on which the left will agree. But agreement on this is not essential. What is necessary is to understand the society and the economy that determine the nature of our state. This will then reveal the extent to which state power can transform society and where the obstacles to that transformation lie. Kalecki understood this.

Notwithstanding the alarms of the media, and the anxieties of the Parliamentary Labour Party, Corbyn’s election programme represents largely moderate socialist goals. But without an analysis of how the proposed changes are to be brought about, the Labour Party is reduced to the function of delivering a leader into Downing Street who will carry out that socialist programme. This is not a politically viable strategy but comes from Blair’s New Labour project, that substituted the transformation of the Labour Party for the transformation of society. A key part of that project was the delegation of policy implementation to the Leader. This legacy must be set aside and a discussion started on how the Party engages with society and how it can remodel our failing economy. The silence of the Party leadership since the

appointment of the Shadow Cabinet is not only because the leadership does not have the state to implement its policies, but also because its Leader's programme does not identify how that state is to be won and how the state may be an instrument to improve society and our economic performance. These are the difficult questions for Mr. Corbyn.

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