The Rise and Fall of Keynesian Economics

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**An investigation of
its contribution to
capitalist development**

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Macmillan Education

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Contents

<i>Illustrations</i>	vii
<i>Tables</i>	viii
<i>Preface</i>	ix
<i>Abbreviations</i>	xi
1 The Keynesian Revolution	1
The neoclassical mind	3
The general theory	7
A theoretical revolution?	17
The reappraisal of Keynes	23
The policy implications	31
Neoclassical economics and the Great Depression	32
Conclusions	38
2 Escaping from the Great Depression	40
The United States	41
Sweden	52
France	56
Germany	65
Conclusion	73
3 The Impact of the War	81
4 The Post-War Boom	92
The sources of demand	96
The sources of dynamism	105
Fiscal policy	117

vi *Contents*

The record of economic stabilisation	123
Conclusions	127
5 The Theoretical Reaction Against Keynesianism	131
Monetarism	132
The New Classical Macroeconomics	142
Conclusion	153
6 The Current Recession	155
Macroeconomic policy since 1973	157
The breakdown of the boom	163
The international monetary system	166
Errors of macroeconomic policy	169
Reduction in growth potential	173
The inflationary process	179
Distributional conflicts	182
The oil price shocks	187
Expectations and investment	191
Conclusions	195
7 Conclusion	199
<i>References</i>	205
<i>Index</i>	211

Illustrations

1.1	Neoclassical analysis of the loanable funds market	10
1.2	The speculative demand for money	15
5.1	The IS–LM diagram	138
5.2	Aggregate supply in the New Classical Macroeconomics	147

Tables

2.1	Full employment budget surplus of the US federal government, 1929-39	51
2.2	Expansion in US demand attributable to fiscal policy, 1934-6	51
2.3	Public expenditure in Germany by category, 1932-8	70
4.1	Unemployment in the advanced capitalist countries	92
4.2	Unemployment in selected countries, 1950-73	94
4.3	Cyclical and growth characteristics of different periods	96
4.4	The sources of demand growth in the United States, 1937-56	101
4.5	Changes in the US average propensity to consume, 1937-56	102
6.1	Growth and unemployment in the OECD countries, 1962-81	156
6.2	Money supply growth and inflation in seven major OECD countries, 1965-82	158
6.3	Discretionary effects of fiscal policy in seven countries, 1965-78	159
6.4	Discretionary and automatic changes in budget balances of seven major OECD countries as a percentage of GNP, 1971-82	160
6.5	Labour productivity growth in the advanced capitalist countries, 1960-80	173
6.6	Growth rates of private non-residential fixed investment, 1967-80	193

Preface

This book focuses on the practical achievements of Keynesian ideas. It is not a record of what government officials or academic economists thought at various times, but rather an attempt to assess what difference those thoughts and the policies which flowed from them have made to the economic history of the advanced capitalist world. This is a very big question – too big to be satisfactorily answered in one book – but also a very interesting one. It is one which is seldom addressed directly, although implicit answers to it underlie many deeply held opinions about macroeconomic problems. It raises major issues about the general pattern of capitalist development over the last half-century; the conclusions which I reach accordingly reflect much more than just a particular interpretation of Keynesian economics.

The book is structured as follows. Chapters 1 and 5 are theoretical. Chapter 1 reviews the whole debate about the Keynesian revolution, and Chapter 5 investigates how much is left of it after the Monetarist counter-attack. Those who feel they have had more than enough of such theoretical disputes may concentrate on the other chapters. Chapter 2 looks at the experience of four countries which employed fiscal measures to promote recovery in the 1930s, and draws some conclusions. Chapter 3 briefly describes the elevation of Keynesian thought into official orthodoxy in Britain and the USA during the war years. Chapter 4 investigates the contribution of Keynesian economics to the post-war boom, and Chapter 6 asks why it has slipped from official favour since that boom ended in the early 1970s.

Although the reader will find in this book much orthodox economic analysis, I would like to acknowledge my debt to

writers in the Marxist tradition. The emphasis on class conflict, the insistence on the connections between economics and wider social developments, including politics, and the refusal to accept official formulations of economic problems at face value – all these have been consistent elements in the Marxist tradition and have powerfully influenced my own thinking. By contrast mainstream macroeconomics in the West, with the exception of a few individuals (amongst whom I would particularly like to single out Angus Maddison), has tended to remain trapped within the short-run perspectives of aggregate demand management or the abstractions of growth models, and has conspicuously failed to bring any sort of historical vision to current economic problems.

I would like to thank Sam Aaronovitch, Christine Ennew, Roger Middleton, Peter Morris and Jack Parkinson for their comments on chapters of this book in draft form. Any errors which remain are of course entirely my own responsibility.

M. F. B.

Abbreviations

EEC	European Economic Community
EFTA	European Free Trade Association
EO	OECD Economic Outlook
GDP	Gross Domestic Product
GNP	Gross National Product
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Co-operation
TUC	Trades Union Congress
UN	United Nations