

Monthly Review and Keynesianism

[This is an email I sent out to friends on April 12, 2010.]

Hi everybody,

One of the puzzles facing many revolutionary Marxists these days, in their efforts to more deeply understand the extremely serious and still-developing world economic crisis, is to figure out just how much validity there is in the theories and explanations put forward by the quite prominent “Monthly Review School” of radical economists. Of course we Marxists believe that the correct basic explanations for the crisis are to be found in Marxist political economy. So a question that then arises is to what extent the MR School is putting forward a Marxist explanation, and to what extent it is putting forward a bourgeois Keynesian explanation for the crisis.

The founders and continuators of the MR School have never denied that they have been influenced by *both* Keynes and Marx. Paul Sweezy, the primary founder of the school, was strongly influenced by not only Keynes himself, but also by followers of Keynes including Alvin Hansen, Joan Robinson and Hyman Minsky, and also by those like Michal Kalecki and Josef Steindl who more-or-less independently of Keynes developed and extended Keynesian-like theories. Sweezy’s collaborators, Paul Baran and Harry Magdoff, were likewise strongly influenced by Keynesianism, as is his primary successor as leader of this MR school of thought, John Bellamy Foster (who is now the editor of *Monthly Review*).

However, while it is common to speak of *the* “Monthly Review School”, in reality there are many different economists loosely associated with MR, some of whom are considerably more influenced by Keynes than others. This makes it even trickier to disentangle Keynes from Marx in examining this loose “school” as a whole.

For these reasons it is good to see in the April 2010 issue of *Monthly Review* an “exchange” between two extremes in this MR School continuum that serves to bring out some of these differences: First, an article by the more thorough Keynesian, Thomas Palley, “The Limits of Minsky’s Hypothesis” (online at: <http://www.monthlyreview.org/100401palley.php>), followed by a rebuttal, “Listen Keynesians, It’s the System!” by John Bellamy Foster and Robert W. McChesney (online at: <http://www.monthlyreview.org/100401foster-mcchesney.php>). This pair of articles helps clarify the different degrees to which Keynesianism has influenced economists writing articles in MR or who are otherwise associated with it.

From the title of the Foster-McChesney article it appears that they consider themselves to be Marxists and *not* Keynesians. But in reality they are also considerably influenced by Keynesianism. Mostly, in attacking what they call “Keynesianism”, they are actually attacking what Keynesianism has come to be in the United States—i.e., what Joan Robinson labeled “Bastard Keynesianism” (of the sort promoted by Paul Samuelson, Paul Krugman, and people like that). I think Foster & McChesney are suggesting that Palley—while not as wrong as people like Krugman—has nevertheless not fully drawn the correct lessons of Keynesianism the way

that Sweezy, et al., have done. (I guess that would make Palley either a more traditional Keynesian, or perhaps a *half-Bastard* Keynesian in their eyes!)

Palley says the root problem which led to the current crisis was the switch to neoliberalism in the Reagan period. This meant that wages were “no longer rising” and that “therefore” the workers could no longer buy enough of what was produced to keep the economy from sinking into stagnation or crisis. This result was, however, postponed for a couple decades by the sort of absurd financialization and crazy debt bubbles that Keynes’ follower Hyman Minsky warned about (with his “financial instability hypothesis”).

Foster & McChesney say (quite correctly) that the fault lies not with just neoliberalism, but rather with the capitalist system in general. Furthermore, they say that there is really no solution to this sort of problem within the capitalist system. So they deserve our applause to that degree. And yet, they also think there is sufficient validity to the Keynesian point of view that they believe that outright depression can “probably” be avoided, and that modern capitalism merely has a tendency toward *stagnation*. This is the longtime theme of Sweezy and the core of the MR School.

In short, even Foster & McChesney do not realize how really serious this crisis is going to turn out to be! Their Keynesian thinking—even if less dominant than it is in people like Palley—nevertheless gives them a lot of faith in the ability of the capitalist system to avoid outright crisis and depression, at least over any extended period of time. They explicitly reject the notion that the capitalist economy can break down in a major way. It will likely take a number of years of further serious worsening of the economy before they start to wonder if maybe, just perhaps, they have been wrong on that point.

The one key point that *all* Keynesians (of whatever degree) just cannot understand is that economic *crises* are inherent in capitalism, and inherent in the very extraction of [surplus value](#). Severe crisis (and not just “stagnation”) can only be *postponed* via methods such as developing enormous consumer debt bubbles and massive government debt through “Keynesian fiscal deficits”. But eventually those bubbles can no longer be further expanded, will start to pop, and the economy will sink into depression. Unless all the mountain of *excess capital* generated since the last depression can be destroyed somehow to clear the ground for a new expansion, the economy will *remain in crisis* from that point on (with only very secondary ups and downs within it).

Note also that both Palley and Foster/McChesney contrast their ideas to what they dismiss as “orthodox Marxism”. And both of them consider the “falling rate of profit theory” to be “orthodox” Marxist political economy. (This is not at all the theory of crises that I uphold; it is only one of the three most prominent theories of crises to be found in Marx’s *Capital*, and by no means the most central one. For me their notion of “orthodox Marxism” is a straw man.)

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Short additional discussions of many of these topics can now be found in my *Dictionary of Revolutionary Marxism* online at <http://www.massline.org/Dictionary/index.htm> See especially the entries for BASTARD KEYNESIANISM, KEYNESIAN DEFICIT FINANCING, MINSKY, MONOPOLY CAPITAL (book), MONTHLY REVIEW, PRIMING THE PUMP, and SWEEZY.

Scott