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**James Crotty**, *Keynes Against Capitalism. His Economic Case for Liberal Socialism*, Routledge, 2019, pp. 397.

The protagonist of Luigi Pirandello's novel *One, No One and One Hundred Thousand* realizes one day that his self-image does not correspond to the image that others have of him. A dramatic attempt to change the view of others ensues.

In varying degree, all of us would like others to see us in a certain way. This was also true of Keynes. During his lifetime, he provided pointers to interpreting his economic thought. Since his death, "others" have sought to discover the "true meaning" of his work. James Crotty's book is the latest in a long line of interpretations.

The first was a draft self-portrait. Keynes did not write an autobiography, but in a number of writings he did try to influence future historians. For example, in "*Am I a Liberal?*", an address he gave in 1925, he offered an overview of the English political scene, concluding as follows: "I have endeavoured to indicate my own attitude to politics, and I leave it to others to answer, in the light of what I have said, the question with which I began – Am I a Liberal?" And in the preface to *The General Theory* he stated that, until then, he had been an orthodox economist: "I myself held with conviction for many years the theories which I now attack".

Scholars began early on to do portraits of Keynes. In 1937 John Richard Hicks presented the famous IS-LM model to reconcile the revolutionary Keynes with the classical tradition, triggering an ongoing debate among economists worldwide.

In 1951 Roy Harrod published the first biography of Keynes, inaugurating a parallel effort among historians. In Robert Skidelsky's monumental biography, Keynes is described as a great liberal thinker who tried to save capitalism by inventing the macroeconomics that made it possible (and allows us) to tackle the dangerous uncertainty that depresses aggregate demand. In the second volume of the biography, titled *The Economist as Saviour*, Skidelsky states (p. 437): "The depression [of the 1930s] radicalised Keynes intellectually, but not politically or socially. Politically, he still thought of himself as a liberal, a believer in individual freedom and its corollary of limited government. He never embraced socialism".

Crotty sees Keynes in a different light. His Keynes became a liberal socialist who, rather than seeking to save capitalism, wanted to transform it into a new economic system. Keynesian liberal socialism supposedly has two distinguishing features. The first regards the final aims of economic policy: full employment and social justice. The second concerns the appropriate tools. According to Crotty's Keynes, the hidden disease of mature capitalism is the "secular stagnation" caused by the relentless difficulty of investing the entire amount of available saving. The cure is massive public control of investment, requiring the creation of a managed economy, with public control of credit, capital and trade as well. According to Crotty, Keynes's liberal socialism was adopted neither by politicians, who renounced pursuing full employment and social justice, nor by mainstream Keynesian economists, who focused on short-run issues and were interested in efficient markets.

Crotty's book consists of an introduction followed by three parts comprising 23 chapters. In the introduction, the author spells out his thesis and outlines the work. He states (pp. 1-2): "It is almost universally

believed that Keynes wrote *The General Theory* to save capitalism from the socialist, communist, and fascist forces that were rising up against it in this era. I argue in this book that this was not the case with respect to socialism. The historical record shows that Keynes wanted to replace then-current capitalism in Britain with what he referred to as ‘Liberal Socialism’”. In this connection, Crotty quotes from an interview given by Keynes in 1939: “The question is whether we are prepared to move out of the nineteenth-century *laissez-faire* state into an era of liberal socialism, by which I mean a system where we can act as an organised community for common purposes and to promote economic and social justice, whilst respecting and protecting the individual – his freedom of choice, his faith, his mind and its expression, his enterprise and his property”.

Part I bears the title “From *The Economic Consequences of the Peace* to *The General Theory*” and spans 11 chapters. According to Crotty, the real Keynesian revolution begins during the 1920s when Keynes, cooperating with the Liberal Party, supported a plan of public investment, run by a Board of National Investment, to tackle high unemployment.

Part II, “*The General Theory: the ultimate defense in theory of Keynes’s radical policy agenda*”, is divided into 9 chapters in which the author explains that, contrary to classical theory, Keynes wanted to demonstrate that capitalism could not spontaneously converge towards a full employment equilibrium.

Part III, “State planning, public investment, and Liberal Socialism after *The General Theory*”, comprises 3 chapters and emphasizes that the main changes in Keynes’s views regarded the choice of new economic policy tools. In particular, Crotty stresses that the Treasury and the central bank became the main players to ensure the equilibrium between savings and investments. He writes (p. 360): “The main institutional change in the 1940s from Keynes’s interwar views is that the functions previously to be vested in an independent National Board of Investment were now to be ceded to the Treasury. The main function of the Treasury in this regard would be to try to ensure that total

national investment, public and private, would remain equal to what Keynes called the 'indicated' or full-employment level of national savings, thereby ensuring sustained full employment. The central bank was to be nationalized (which it was in 1946), and its main objective was to keep the long-term interest rate below the rate of profit on new capital investment."

Crotty shows us Keynes in a different light. If liberal socialism is really an economic system oriented towards the dual aim of full employment and social justice through public control of investments, then we can certainly say that Keynes was not a liberal who wished to save capitalism, but, rather, a liberal socialist who wanted to transform it. But is this liberal socialism? Is it sufficient to want public control of investments to be considered a liberal socialist? Or is public ownership of the means of production also necessary? According to Mises and the Austrian school of economics, public control of investments by itself suffices to violate a fundamental private freedom, triggering a process of transformation of capitalism into socialism. In this case, however, all the advocates of a mixed economy should be considered socialists, and Mises in fact regards them as such. But we know that their ranks include individuals whom it would be far-fetched to label socialists. On the other hand, must one accept the "secular stagnation" hypothesis to be a liberal socialist? In Italy, for example, several liberal socialists did not accept Keynesianism precisely because they did not believe that the hidden disease of capitalism was the excess of savings over investments.

Who, then, was Keynes? Like every man, Keynes ultimately remains a mystery. James Crotty's book sheds new light on some aspects of his multifaceted personality.

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