The Keynesian Revolution and Our Empty Economy: We're All Dead

Victor V. Claar and Greg Forster

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Pre-COVID-19 the US economy was moving along quite nicely—if not particularly robustly—and had been doing so since the official closing of the Great Recession in July of 2009. We were experiencing the longest economic growth period in US history, approaching its eleventh year in July 2020. The official unemployment rate was at a fifty-year low, price inflation seems a thing of the past, interest rates have been at "zero bound" for years, and, until quite recently, consumer and business confidence have approached twenty-year highs. For all intents and purposes, this has been an eleven-year *Pax Economica*, despite massive twin deficits. It was during this period of growing economic wealth that Claar and Forster labored for seven years to explain why this prosperity is meaningless.

The *Keynesian Revolution* represents a multidisciplinary, panoramic study in support of the thesis that "there is no moral core to our prosperity" (2) and that Americans are stricken with an "anxiety of affluence" because "our prosperity" is "hollow" and our economy "empty" (4). This current state of affairs has deep historical roots and, channeling Adam Smith, the authors seek to construct a "dialogue between economics and moral philosophy" (9) to uncover where it was that things went awry. Having identified the problem, Keynesianism, the authors then suggest a cure—an economic discipline grounded in normative moral integrity with a teleology of human flourishing.

The heart of the study concerns the specific ethical, moral, and cultural nature of what the authors label the "Consumption Paradigm," a model of economics that had its origins with well-known twentieth-century economic guru John Maynard Keynes. By walking readers through the history of Western economic thought, the authors helpfully prepare readers for understanding the historical significance of the Consumption Paradigm. This excursion through history is designed to demonstrate how far the discipline has been blown off course by the crosswinds of changing cultural imperatives, shifting systems of morality, and evolving conceptions of the nature of humanity.

For the first couple of millennia—essentially from Socrates to Smith—matters of economics coalesced around commonly held principles of human nature, morality, and consequence. Despite the vastly differing metaphysical and epistemological structures inherent in, successively, the ages of Nature, Revelation (Christian), and Reason, ethics always mattered. For millennia, the grand presupposition of Western culture has been the existence of a greater purpose beyond our own lives. But, during the late Enlightenment period—after Adam Smith—his grand presupposition was supplanted by the view that human happiness, understood as "pleasure or preference-satisfaction" (44), became the new *summum bonum*. This marked the abandonment of moral concerns in the discipline of economics. The authors argue further that the "American Experiment" represents a curious "hybrid" of these three paradigms. They assert boldly that English clergyman and economist Robert Malthus subverted the anthropology of economics from its formerly more elevated and nobler teleological purpose to a focus on crass materialism (54).

This loss of that greater purpose spelled the end of moral philosophy in economics. The new economic era was an age of abstractions, deductive reasoning, and quantitative analysis. An intellectual battle over economic method ensued wherein pride of place was granted to "positive" (over "normative") economics, while teleological categories disappeared entirely. Even the term *normative* underwent drastic redefinition. It came to mean "maximizing utility"—satisfying the insatiable appetite to consume in the here and now. Economics was now repositioned as a "positive" science. No longer conceived of as an inherently moral discipline, economics became ethically neutral. Then, in the early twentieth century the "Keynesian Revolution" arrived, and the economy became politicized with the growth of state power following the First World War.

Enter a revised, pleasure-seeking *homo economicus* with a dominant utilitarian philosophy of life. Although by then not an entirely new anthropology, this reductionistic view of humanity blended well with the moral and social vision of Keynes, a vision he developed and nurtured with his Bloomsbury Group association and his personal philosophy and proclivities. According to the authors, John Stuart Mill's already attenuated and "robot-like" anthropology became an "animalistic" one under Keynes. Keynes's Consumption Paradigm was then perpetuated and systemically normalized by Keynesian disciples through the twentieth century. Under the tremendous influence of Paul Samuelson's introductory economics textbook in US higher education, this amoral and a-teleological understanding of economics was further popularized to the point of becoming standard economic dogma. The Keynesian revolution was complete; the counterrevolutions mounted by the Chicago and Austrian schools were doomed to failure since their systems accommodated the central tenets of Keynes' *homo economicus* even as they chipped away at "subordinate" issues (178). These systems, the authors lament, have also reordered the purpose of all honorable economic enterprise, from a focus on human progress and flourishing, to consumption as the singular intrinsic good.

In their appeal to restore dignity and morality to our economic system, the authors articulate a well-reasoned and appealing prescription. They call for a "moral consensus paradigm" a model that will appeal to all who have a concern for morality and teleology.

The model applies the Creator's image-bearing capacity of all humanity to economic science. This means recognizing the drive to be productive and creative; it means circumspect behavior in our production and consumption activities that itself will result in stewardship of creation's resources; it means recognizing the dignity of all humanity. The authors call for a renewed way of viewing economics with human flourishing as the ultimate purpose. They want professional economists to return to a morally and teleologically driven view of economics. Only then will the damaging cultural legacy, with the associated consumerism and materialism of the Keynesian Revolution, be overturned.

This historiographical project is a very valuable one. It is deep and thought-provoking and reminds the reader to reflect on the ultimacy to which he or she was created, to have high regard for transcendent reality, to locate all human endeavor within an epistemological framework that presupposes an honorable teleology out of which flow actions in pursuit of high ends—ultimately, the flourishing of humanity. For this constant reminder, we owe the authors a debt of gratitude.

Yet rarely have I read a manuscript that has so regularly reminded me of Marshall McLuhan's dictum that "the medium is the message." The choice of language and sentiment used to describe Lord Keynes and his thought is often hyperbolic, even bordering on the derisive. In describing Keynes' "animal spirits," for example (the phrase appears multiple times in the book, once misspelled at p. 142) the authors characterize Keynes as imbibing deep in "the darker realms of the human psyche" as he inhabited the Freudian "psychic netherworld" and dragged the discipline of economics there with him (112–13).

This read of Keynes is alarmingly disingenuous. The long-established "conventional wisdom" on this much-quoted Keynes-speak (to use a phrase popularized by Canadian-American economist John Kenneth Galbraith, incidentally also not spared the Claar/Forster censure) is much more helpful in understanding Keynesianism: "animal spirits" underscores the capricious and at times arbitrary nature of human behavior. A cursory glance at the scholarly literature reveals much recent work on human behavior, economic science, and the discipline's fundamental (and surely most heroic) assumption of the *rationality* of *homo economicus*. But Keynes was arguing that aggregate demand in the economy fluctuates because of (largely *irrational*) waves of optimism and pessimism. Perhaps Keynes overstated it—but not all human and economic behavior is rational as the literature is reminding us.

The authors make much of Keynes's most memorable phrase "in the long run we're all dead," the second part of which acts as the book's provocative subtitle. It is employed as the central Keynesian conviction driving the authors' thesis that the Keynesian revolution is a-teleological. Here is where context is most important. This famous quote is from Keynes's 1923 tract on monetary reform: "But this *long run* is a misleading guide to current affairs. *In the long run* we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past the ocean is flat again." One of Roosevelt's advisors cleverly retorted that "People don't eat in the long run senator, they eat every day." It would be thin gruel indeed if the comfort extended to the Depression-era woman—immortalized by that ionic image of the Migrant Worker—was only to wait: things would sort themselves out in the long run. Surely a person of Keynes's brilliance would not dismiss all long-term concerns with such reckless abandon as suggested by the authors. He spoke in exasperation on behalf of the hurting unemployed and the deeply suffering in a failing economy. So should we. The value of this phrase in the book's entire project is crushed under the ideological weight the authors burden it with.

This particular historiography, although accurate and very helpful in its retelling of the broad sweep of intellectual and cultural history, falters in its analysis of Keynesianism and of the hollowness of our prosperity. The result is an alarmist treatise, a work that exalts the American Moon Landing as a notable example of human flourishing, indeed a project of "transcendent value," and is mute on the plight of the poor and the irreparably broken ladder of social and economic mobility in the United States. Our "empty" economy will have integrity restored when our wealth is spent on things of value, not on, as Bob Goudzwaard would call them, "idols of our time." I am sure the authors agree with this principle. I suppose disagreement is over what those idols are.

Multiple times the authors say this: "We love economics because we think it matters a lot." So do I, which is why I strongly advise all who have an interest in our culture and who wish for a more enduring and honorable social philosophy to read this book. It deserves to be read, but closely and with a well-developed hermeneutic of suspicion.

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