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The Keynesian Revolution and Our Empty Economy: We're All Dead (Book Review)

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Victor V. Claar and Greg Forster, *The Keynesian Revolution and Our Empty Economy: We're All Dead.* Cham, Switzerland: Springer/Palgrave Macmillian, 2019. 345 pp. ISBN 978-3-030-15807-1. Reviewed by J. van Vliet, Professor of Economics at Dordt University. This article was originally printed in the *Journal of Markets & Morality*, Acton Institute, Spring 2021 issue, which has given permission for its publication in *Pro Rege*.

The U.S. economy is moving along quite nicely—if not particularly robustly—and has been doing so since the official closing of the Great Recession in July of 2009. We have experienced the longest economic growth period in U.S. history, approaching its eleventh year in July. The official unemployment rate is at a 50-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, an 11-year *Pax Economica*, despite the massive twin deficits here in the U.S., which many (economists) argue is not a problem in our new global world. (I happen to think it is.)

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 book's central 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) by digging deep to uncover where it was that things went awry. Having identified the source, they then suggest a cure—an economic discipline grounded in normative moral integrity with a teleology of human flourishing.

The heart of the study surrounds 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 20th-century economic guru John Maynard Keynes. The authors helpfully prepare readers for understanding the significance of this reigning metaphysical construct and just how much of a historical sea change this turn represents, by walking them through the history of western economic thought. This excursion demonstrates just how much off course the discipline has been blown by the crosswinds of changing cultural imperatives, shifting systems of morality, and even radical deviations from what it has always meant to be human.

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. From the early philosophers to Adam Smith, regardless of humanity's authority structure, the grand presupposition of western culture was that of the supremacy of a higher, greater purpose than existence in the here and now. These three reigning paradigms agreed here, even if they differed everywhere else.

It was during the late Enlightenment period—after Adam Smith—that this 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. In applying their thesis to the here and now, the authors draw from various representatives —names familiar to any economic historian—to make the compelling case that the "American Experiment" represents a curious "hybrid" of these three paradigms. In setting the stage for what comes next, the rather bold assertion is made that it was English clergyman and economist Robert Malthus who subverted the anthropology of economics from its formerly more elevated and nobler teleological purpose to one of crass materialism (54).

This spelled the end of moral philosophy in economic (now) science. A new era had been ushered in, a new economic age of abstractions, deductive reasoning, and quantitative analysis. An intellectual battle over economic method ensued where pride of place was granted to "positive" (over "normative") economics, with the concomitant disappearance of teleological categories. In fact, the term "normative" underwent drastic redefinition. It came to mean "maximizing utility"—satisfying the all-consuming and insatiable appetite to consume in the here and now. Economics itself now came to be repositioned as a "positive" science, a turn from an inherently moral discipline to one which was ethically neutral, and this despite ideological pushback from both the right and the left. Then, in the late-nineteenth and early-twentieth centuries, many cultural events combined to facilitate Keynes and the "Keynesian Revolution," and the economy became politicized with the growth of state power following the first world war.

Enter a revised, pleasure-seeking *homo economicus* and the ushering in of utilitarianism as the sole purpose and meaning 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, Mill's already attenuated and "robotlike" anthropology became an "animalistic" one under Keynes and set the stage for his Consumption Paradigm, which was perpetuated and systemically normalized by Keynesian disciples through the twentieth century. Under the tremendous influence of Paul Samuelson's introductory economics textbook in U.S. higher education, this amoral and a-teleological understanding of economics was not only popularized but became standard economic dogma. The Keynesian revolution was complete; the counter-revolutions mounted by the Chicago and Austrian schools were doomed to failure since their systems accommodated the central tenets of Keynes' *home economicus* even as they chipped away at "subordinate" issues (178). These systems, too, have reordered the purpose of all honorable economic enterprise, from one focused on human progress and flourishing, to one where consumer appetites represent the singular intrinsic good.

In their appeal to restore dignity and morality to our economic system, the authors articulate a well-reasoned and certainly appealing prescription to such a system—"a moral consensus paradigm." This model appeals to all who have a concern for morality and teleology. If the goal of economics is human flourishing, the recommended paradigm certainly delivers that. It is a model that 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, which itself will result in stewardship of creation's resources; it means recognizing the dignity of all humanity. 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 brought 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.* Keynes was arguing that aggregate demand in the economy fluctuates because of (largely *irrational*) waves of optimism and pessimism. Perhaps he overstated it—but not all human and economic behavior is rational, as the literature is reminding us.

Much is made of Keynes' 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 author's thesis that the Keynesian revolution is a-teleological. Here is where context is most important. This catchy assertion is from Keynes' 1923 tract on monetary reform: "The 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 past the ocean is flat again." Ten or so years later this text received a much more accurate exegesis than that of Claar/Forster: opposition to relief programs of President Roosevelt's New Deal was based on the mainstream (then classical) argument, voiced by a U.S. senator, that "the economy will work itself out in the long run." 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' 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.

A final reminder of the importance of context is this: President George W. Bush's September 21, 2001 address to a joint session of Congress is a veritable paean to American democracy, courage, moral virtue, and the "work, creativity and enterprise" of the American people. Human flourishing, in other words. In subsequent speeches he encourages America not to be cowed by terrorism and intimidated from the regular routine of life. He urged the adoption of a business-as-usual approach and suggested families continue their common practices of shopping and confidently travelling by air as part of that general appeal. The authors lean on the highly biased and provocative logic Andrew J. Bacevich (misspelled by the authors) employs to argue that the 2007 financial meltdown had its roots in Bush's post 9/11 exhortation to go to the mall. That this was patently untrue to the spirit of the President's heart should be self-evident. But provocative sound bites matter.

There are a number of other very significant issues that unfortunately mar the study, but I am already over my word limit. I mentioned earlier this was an ambitious work of historiography. 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 which 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'm 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.