

Keynes's fascism with a British face

Jonathan Tennenbaum warns the patriots of eastern Europe and the Third World not to fall for fascist economics in Keynesian disguise.

The combination of savage monetary austerity and radical “free market” deregulation has wrought such wholesale destruction upon Poland and other nations of eastern Europe and the Third World, that all but a tiny minority in those nations are desperately looking for another solution. Those who continue to promote “shock therapy” and other forms of International Monetary Fund (IMF) austerity, do so in increasing political isolation, branding themselves as either lunatics or “bought and paid for” agents of foreign influence.

Not surprisingly, interest grows daily for the economic policies of Lyndon LaRouche—policies which include large-scale credit generation through Hamiltonian forms of national banking; dirigistic methods of promotion of technologically progressive, productive investment into domestic agriculture and industry, and massive state investments in basic infrastructure. The time for these policies is overripe: Clear-headed people who are concerned with the future of their nations, will automatically gravitate toward at least a pragmatic agreement with LaRouche's policies. If the “law of gravitation” appears to be suspended in many cases, it is chiefly due to blindness born of professional miseducation, and a tendency to cave in to the kinds of blackmail and bullying associated with the names George Bush and Henry A. Kissinger.

It happens that some well-intentioned, but poorly informed individuals in the Third World and eastern Europe sometimes associate the name of British economist John Maynard Keynes with alternatives to “shock therapy” and other IMF policies. Not only is such a reference false and misleading—Keynes was himself a chief architect of the Bretton Woods system, including the IMF, World Bank, and the General Agreement on Tariffs and Trade (GATT)—but it opens a window of vulnerability to dangerous sorts of mischief. We have reason to think that scoundrels, of the British species to which Sir John belonged, might undertake to circulate various illusory “liberal alternatives” to IMF policies, as a deliberate counter to LaRouche. Implicitly, such dangerous mischief builds upon the historical myth, that from 1919 on Keynes opposed the brutal Versailles Treaty—the forerunner of today's IMF austerity—out of heartfelt concern for the starving populations of central Europe.

For reasons indicated below, any “Keynesian alternatives” that might surface in the coming period will inevitably tend toward some form of fascism. This intimation indicates that the time has come to blow away some of the carefully

arranged dust which conceals the real John Maynard Keynes from critical view.

Keynes and the Nazis

The quickest way to dispose of the “liberal” Keynes, among civilized persons, is simply to quote his own introduction to the 1937 German edition of his famous *General Theory of Employment, Interest, and Money*. There he warmly recommends the Nazi fascist state as the most favorable context for applying his economic theories:

“Thus I may perhaps expect to find less resistance among German readers than among English ones, when I put before them a theory of employment and production as a whole, which differs in important respects from orthodox traditions. But can I hope to overcome Germany's economic agnosticism? Can I convince German economists that methods of formal analysis can make an important contribution to the analysis of present-day events and the formulation of present policies? After all, it belongs to the German character to be fascinated by theories. How hungry and thirsty must German economists be, having gone for so many years without such a theory! It is certainly worthwhile for me to make an attempt. And if I can contribute some tidbits to a full meal, prepared and served by German economists and adapted to German conditions, then I will be content. For I must admit that much in the following book was written and illustrated in reference to the situation in Anglo-Saxon countries. Nevertheless, the theory of production as a whole, which is the object of this book, *can be much better adapted to the conditions of a totalitarian state*, than the theory of production and distribution of wealth under circumstances of free competition and a large measure of *laissez-faire*.”

Reading this, we should not forget what those “German conditions” and “present day events” were, to which Keynes so dispassionately refers. Germany was a consolidated police state on a full war-economy mobilization; the Nazi race laws were in full effect; mass sterilization of “useless eaters” had begun. More to the point, Keynes knew perfectly well that the Weimar Republic had deliberately been brought down, and Hitler deliberately helped into power, by decision of the same Anglo-American establishment of which he himself was an integral part—tactical squabbles notwithstanding. Keynes was fully aware of the actions of Reichsbank President Hjalmar Schacht, in concert with Schacht's banking superiors in England and America, to bring into existence

and consolidate the fascist economy in Germany.

Was Keynes himself a supporter of fascism, as the cited quote would strongly suggest? Whatever specific objections Keynes may have voiced against the Hitler regime, the fundamental answer to the question is yes: Keynes must be regarded as a principled supporter of fascism, on the following four essential counts.

First, Keynes was an open supporter of eugenics, or what the Nazis called "race hygiene." He was a leading member of the British Eugenics Society, which into the late 1930s hosted and praised some of the same Nazi "race scientists" who went on to design Hitler's "final solution" policy and were finally condemned at Nuremberg for mass murder.

Second, Keynes was a fanatical malthusian, sharing thereby the same underlying philosophy which moved the Nazis to practice "population control" against the populations of eastern Europe. In fact, malthusianism was the central axiom of Keynes's economic theories, as we shall demonstrate below.

Third, Keynes nurtured a violent hatred against the republican economic principles associated with G.W. Leibniz, Alexander Hamilton, and Friedrich List, upon which the rise of a free and prosperous Germany, up to World War I, had been based; and which the Hitler-Schacht collaboration was intended to destroy once and for all.

Fourth, as a leading member of the Cambridge Apostles group and a "flaming faggot" of considerable notoriety, Keynes subscribed to a fanatically anti-Christian, anti-moral philosophy of life identical in essential features with that of the Nazi inner circles, as characterized by the Nazis' famous principle "*Alles ist erlaubt*" ("All is permitted").

These statements may come as a great shock to readers familiar with the excellent reputation which Keynes has long enjoyed among liberal academic circles and professional economists. But some of the best corroboration for our assertions is to be found in Keynes's own economic writings, provided that we shift our attention from his elegant literary formulations to the murderous implications of what he says. For the purpose of this short article, a convenient example is provided by Keynes's famous 1920 book, *The Economic Consequences of the Peace*.

Keynes worships the Devil Malthus

At first glance, this book appeals to the reader as an impassioned condemnation of the Versailles Treaty, a cry in the wilderness against the insanity of a peace treaty guaranteed to generate future revolutions and wars. As official representative of the British Treasury to the Versailles negotiations, Keynes was indeed in the position to gain insights into the effects of the treaty. He describes clearly how the treaty was designed to wipe out the organic structure of the continental European economy in which Germany had played the locomotive role. He states clearly, and correctly, that the treaty would lead to the death by starvation of many millions

of people. Keynes pleads for a more "moderate" course, demanding a revision of the treaty which would give Germany a chance to rebuild its economy. All this would seem a laudable performance. It certainly assured a relatively positive reception for the 1937 publication of Keynes's *General Theory* in Germany.

But if we disregard the mere semblance of sanity in Keynes's 1920 statement, and pay attention to *what he actually says*, a different picture emerges. Keynes is in entire agreement that the German and continental European economies, in the form they had existed prior to World War I, should be destroyed! As an avowed follower of Parson Thomas Malthus, Keynes is filled with a passionate hatred for the Leibnizian principles upon which Vom Stein, List, and their counterparts in France and Italy built industrial Europe during the 19th century, upon which the faction of Hamilton and the Careys built the United States. These are the *anti-malthusian* principles of what became known as the "American System" of national economy, of which Lyndon LaRouche's policies today are the organic continuation. Keynes fervently wishes to wipe every vestige of this system from the European continent. He only disagrees with his Versailles colleagues on the *methods* chosen to accomplish that result. He is saying, in effect, to those colleagues: "Satan doesn't like the way you are going about this. You are creating too many problems for us in the future."

First, Keynes lays out his view of the "problem" to be solved: how to eliminate the concept of progress, and reimpose a malthusian order upon the world:

"After 1870 there was developed on a large scale an unprecedented situation, and the economic condition of Europe became during the next fifty years unstable and peculiar. . . . As numbers [of population] increased, food was actually easier to secure. Larger proportional returns from an increasing scale of production became true of agriculture as well as industry. . . . That happy age lost sight of a view of the world which filled with deep-seated melancholy the founders of our [that is, the imperial British—J.T.] Political Economy. Before the eighteenth century [before Leibniz and the American Revolution!—J.T.] mankind entertained no false hopes. To lay the illusions which grew popular at that age's latter end, Malthus disclosed a Devil. For half a century all serious economic writings held that Devil in clear prospect. For the next half century he was chained up and out of sight. Now perhaps we have loosed him again."

The "Devil" here is nothing but the lying claim of Malthus, that population growth will inevitably outstrip production—a lie which Malthus propagated in order to justify the elimination of "useless eaters" among England's poor as well as in the colonies looted by Malthus's employer, the British East India Company. That same argument, mixed together with race theories—also of British origin—provided the "theoretical basis" for the Nazis' infamous "population policies" during World War II.

Keynes proceeds to attack the "American System" of investment in technological progress, whose documented success, both in the United States and continental Europe, refuted Malthus's lies:

"Europe [before World War I] was so organized socially and economically as to secure the maximum accumulation of capital. While there was some continuous improvement

in the daily conditions of life of the mass of the population, Society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it.

"The immense accumulations of fixed capital which, to the great benefit of mankind, were built up during the half century before the war, could never have come about in a society where wealth was divided equitably. The railways of the world, which that age built as a monument to posterity, were, not less than the pyramids of Egypt, the work of labor which was not free to consume in immediate enjoyment the full equivalent of its efforts."

Keynes chooses to ignore the essential point, that in contrast to unproductive pyramid-building (which Keynes later recommends as the path to "full employment"), the construction of railroads in the United States and Europe increased the per capita productive powers of labor; and this increase in turn permitted both an increase in living standards *and* an increase in the wealth invested in expansion and improvements of the means of production. Keynes completes his lying attack on the American System as follows:

"Thus this remarkable system depended for its growth on a double bluff or deception. On the one hand the laboring classes accepted . . . a situation in which they could call their own very little of the cake, that they and Nature and the capitalists were cooperating to produce. On the other hand the capitalist classes were allowed to call the best part of the cake theirs and were theoretically free to consume it, on the tacit underlying assumption that they consumed very little of it in practice. The duty of 'saving' became nine-tenths of virtue and the growth of the cake the object of true religion.

"And so the cake increased; but to what end was not clearly contemplated. Individuals would be exhorted not so much to abstain as to defer, and to cultivate the pleasures of security and anticipation. Saving was for old age or for your children; but this was only in theory—the virtue of the cake was that it was never to be consumed, neither by you nor by your children after you. . . . The cake was very small in proportion to the appetites of consumption, and no one, if it were shared all around, would be much the better off by the cutting of it. Society was working not for the small pleasures of today but for the future security and improvement of the race—in fact for 'progress.'

"If only the cake were not cut but was allowed to grow in the geometrical proportion predicted by Malthus of population, but not less true of compound interest, perhaps a day might come when there would at last be enough to go around, and when posterity could enter into the enjoyment of *our* labors. . . . One geometrical ratio might cancel another, and the nineteenth century was able to forget the fertility of the species in a contemplation of the dizzy virtues of compound interest. There were two pitfalls in this prospect: lest, population still outstripping accumulation, our self-denials promote not happiness but numbers; and lest the cake be after all consumed, premature-

In memoriam: Minoru Toyoda

The editors of *EIR* are saddened to report that Mr. Minoru Toyoda passed away on Dec. 15 at the age of 79. Throughout his life, Mr. Toyoda was actively involved in developing the Japanese automobile industry, and the Toyota automobile conglomerate and associated industrial spinoffs. Mr. Toyoda believed that it was necessary for Japan to also play an active role in fostering the development of fundamental science, and that his country had an important role to play for humanity as a whole.

In 1989, when Martin Fleischmann and Stanley Pons announced their discovery of cold fusion, Mr. Toyoda invited them to Japan, and a friendship developed. And when the international science community turned against the two chemists, Mr. Toyoda offered them a laboratory where they could continue their researches. On the morning of his death, Mr. Toyoda had met with a group of his associates, who briefed him on the latest developments in cold fusion. He was happy and interested in all of the progress.

EIR Science and Technology Editor Carol White wrote of his singular contributions in her Dec. 11, 1992 *Feature* on the Third International Conference on Cold Fusion. White observed on Dec. 28: "While I never met him personally, I felt his death as a very personal loss. He was an extraordinary human being, and by all accounts a joyous man, whose friendship was cherished by all those who were privileged to know him."

He was the honorary chairman of Technova Inc., a think tank that he founded in May 1978, as he explained, because, "For a long time, I have held the strong belief that equitable growth in the world economy during the 21st century will only be achieved by the harmonious development of science and technology, through international cooperation." In July 1985, Mr. Toyoda established an international R&D laboratory near Nice, France, called IMRA Europe.

ly, in war, the consumer of all such hopes.”

Here we find, clothed in Keynes’s habitual sarcasm, already the kernel of his strategy for destroying the orientation toward scientific and technological progress, which had become a leading feature of the continental European and American economies under the policies of Leibniz, Hamilton, and List.

Post-industrial fascism

Keynes’s strategy is very simple: To maintain technological progress, an economy must produce a margin of material surplus or “profit” which can be reinvested in the form of improved and expanded productive capacity. Keynes proposes to sabotage this process—which he denounces as a “double bluff or deception”—by establishing what became known as the post-industrial or consumer society. The principle is, “Enjoy now, don’t think about the future!” By inflating the consumer goods and service sectors of the economy, the margin for technologically progressive investment is “eaten up” and finally eliminated entirely. Meanwhile, the population, whose morals have been destroyed by the orgy of consumerism, spread of hedonistic culture, and decline of real productive employment, doesn’t notice that it is cannibalizing the physical basis for its own existence.

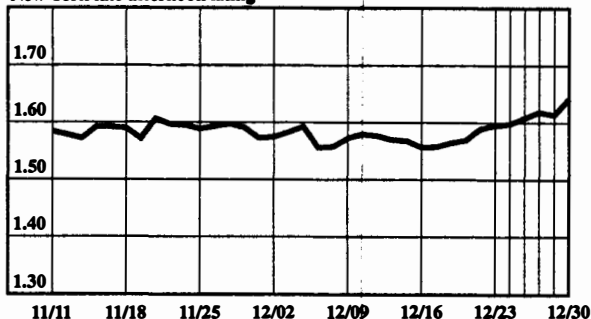
This is exactly what has happened to the U.S. economy over the last 20 years, under the influence of Keynesian policies which began to be implemented already in the 1950s. Characteristic for these policies was a massive expansion both of government spending and of credit, which however (with the partial exception of the Kennedy administration) was channeled mainly into a vast expansion of superfluous consumerism and parasitical service-sector employment. Meanwhile real investment into basic infrastructure and the productive industry fell below the break-even point. The result is the worst economic crisis of U.S. history. The same thing, of course, is happening in western Europe now. The murderous, “malthusian” effects are best seen in the starving billions of people in the Third World, who were excluded from the Keynesian consumer boom in the rich, so-called advanced countries, and who are paying for it with their cheap labor and resources. The present wave of “ecofascism” is in fact a lawful continuation of Keynes’s policies, whose essence is to prevent modern technology from being used in the Third World, on the pretext of “saving the environment.” At the same time, a new demand is opened up in the industrialized countries for “environmental products,” thereby consuming whatever time, energy, and resources would otherwise be available for real economic recovery.

At the end of the line, what started out as a “liberation from the Puritan work ethic” and a victory for the philosophy of *Alles ist erlaubt*, is transformed into savage, malthusian austerity, as the productive base of society collapses. At that point—too late to be corrected—the mask falls from Keynes’s British-style “fascism with a liberal face.”

Currency Rates

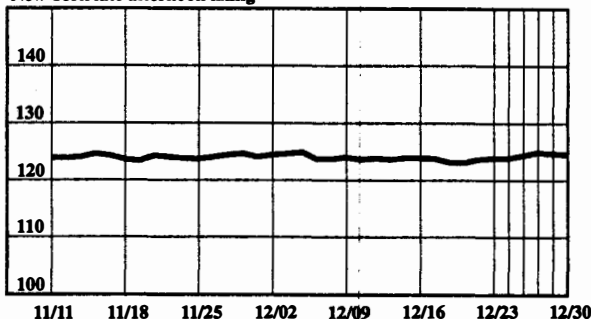
The dollar in deutschemarks

New York late afternoon fixing



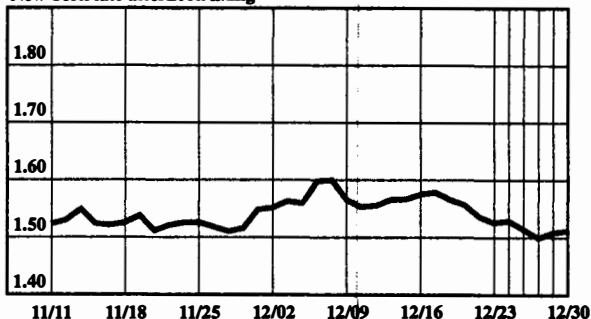
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

