

*Extended Abstract*

## Moral Critique of Capitalism in Keynes\*

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### Abstract

This paper is about Keynes's moral critique of laissez-faire capitalism. Keynes fundamentally questioned the values embedded in the capitalist system. According to him, love of money "is the main motive force of the economic machine," the means to bring societies from scarcity to abundance. But the fact that love of money, or the unlimited pursuit of wealth has become the goal is the "the greatest economic evil of our time." According to Keynes, the object of economic activity is a "good life," rather than the production of goods and services to satisfy human wants. Abundance would exist once human beings' absolute needs are met, and this would pioneer a virtuous life. Keynes's idea of the "good life" does not have the traditional separation of the state and market, and state intervention is justified for the welfare of the whole community. Although Keynes was mistaken about the good life occurring spontaneously and activities and behaviors that make people happier becoming prevalent when individuals' income and wealth rise, when income and wealth are distributed more evenly, and when unemployment is not a problem, his analysis is important in terms of providing insight into various policy proposals as well as into what kinds of values and principles should be prioritized in today's system where economic welfare coincides with material goods and "materialism dominates moral commitments."

### Keywords

Keynes • Capitalism • Love of money • Good life • Social justice

\* An earlier version was presented at "International Congress on Political, Economic and Social Studies," a conference held at Sarajevo Bosnia Herzegovina, May 2017.

This is an extended abstract of the paper entitled "Keynes'te Kapitalizmin Ahlaki Eleştirisi" published in Turkish Journal of Business Ethics.

Manuscript Received: July 17, 2017 / Revised: September 21, 2017 / Accepted: November 12, 2017 / OnlineFirst: December 20, 2017.

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Not only did Keynes analyze the problems of the capitalist system as an economist, but he also shaped his analysis in consideration of its philosophical dimensions as a moral philosopher. His moral critique of the capitalist system introduced his philosophical sensitivity and the interaction of this approach within economic and political fields. The policy questions from the beginning of his academic life regarding how best to organize the capitalist system created a foundation for his future studies.

According to Keynes, the purpose of economic activities is not unlimited pursuit of wealth, but good life. The pursuit of wealth or leaving business to get on with making money would eventually eliminate “the economic problem” defined as satisfaction of the absolute needs of human beings and all societies would face with abundance for Keynes. With the coming of abundance, people would be able to rid themselves of the capitalist system’s immoral values and principles and dedicate themselves to a virtuous life. For Keynes, therefore, capitalism’s reliance on psychological dispositions such as greed and insatiability directed by a love of money were a necessary phase for carrying societies from scarcity to abundance and a means to reach an ideal society.

Even though he emphasized *absolute needs*, he acknowledged *relative needs*, which he defined as any need that “lifts us above, make us superior to, our fellows” (Keynes, 1930 [1963], p. 365) when satisfied. According to Keynes, those “which satisfy the desire for superiority may indeed be insatiable; for the higher the general level, the higher still are they” (Keynes, 1930 [1963], p. 365). However, his assumption that all needs are biological relates to the conditions of his era. These needs would be satisfied as a consequence of technological progress; capital accumulation and scarcity, which he deemed a basic problem, would no longer be a “permanent problem” of humankind.

As capitalist societies evolve from scarcity to abundance, they become exposed to severe social and economic problems unless “the fruits of risk, uncertainty, and ignorance” are restrained. One problem that has been revealed is unemployment. Therefore, having a society work to its full capacity is an important necessity of a good life. For this reason, Keynes chose a full employment policy by means of consumption-triggered investment. An increase in investment level serves both technical and ethical purposes for Keynes. While investments increase income, they also increase individuals’ standard of living and their opportunities for a good life. In his “The General Theory of Employment, Interest and Money”, Keynes (1936) emphasized that the state’s role is to sustain enough aggregate demand to guarantee the use of potential resources. Full employment was a part of Keynes’s ethical project because it “can lead out of the tunnel of economic necessity into daylight” (Keynes, 1930 [1963], p. 372). Social justice is the other means to a good life for Keynes. Although Keynes emphasized one of the “the outstanding faults of the economic society in which we live” to be “its arbitrary and inequitable

distribution of wealth and incomes” (Keynes, 1936 [2013], p. 372), he did present social and psychological reasons for these inequalities in his general theory. In fact he advocated the *justice price*, a proportional rewarding of efforts or merit. He also offered some policy proposals for the problems arising out of economic arrangements like interest rates and the instability of money value. The role that Keynes attributed to the state rejects laissez-faire principles but does not approve of a state-directed economy. Private property and individual decision-making are essential necessities of economic efficiency and political liberty. Because government intervention needs to solve economic problems such as unemployment and social injustice that the market mechanism is unable to cope with and because he conceptualized the state and the market as two major complementary institutions, his critique of capitalism was liberal. Additionally, Keynes emphasized the importance of *corporate institutional responsibility*. For Keynes, economic growth induced by insatiability needs to not be an absolute priority. Any achieved high growth ought to be socially sustainable. Thus, he did not conceptualize private property as a natural right but justified it in reference to its social effects.

Keynes believed that love of money and/or the avarice released by capitalism could be satiated and other behaviors and motivations such as usury and precaution would be eliminated with the arrival of abundance; these motivational drives would lose their social approval, which would lead to a virtuous life. In other words, as individuals’ income grows and becomes more evenly distributed, they would more and more come to realize the importance of immaterial goods and/or values like friendship, family life, health, religious practices, art, and cultural activities, as well as notice that material goods do not increase their individual wellbeing.

Keynes’s mistake resulted from thinking that people have a fixed stock of needs. Today, however, a new set of wants has been created and will continue to be created in the future. Thus, the economic problem will never be solved and it will become “the permanent problem of the human race.” (Keynes, 1930 [1963], p. 366). Although Keynes is wrong about the good life spontaneously coming about and the prevalence of activities and behaviors that make people happier, his analysis is important in terms of which kinds of values and principles should be prioritized in today’s system, where economic welfare coincides with material goods and “materialism dominates moral commitments.”

This aforementioned vision of Keynes can be complemented with happiness economics because the findings obtained in empirical studies arrive at the same implications as Keynes. Empirical studies on happiness show that money cannot buy happiness, and immaterial values and/or goods are quite significant for people. Although wealth and income may be vital for obtaining material goods, happiness or wellbeing in no way increases with individual income because the self-interest emphasized by mainstream economics is not the only motivation affecting human behavior. Other

motivations such as sympathy and commitment, as emphasized by Amartya Sen, have strong impacts on human behaviors (Bechetti, 2008). Additionally, the relation between income and happiness and/or wellbeing is a more complex process that depends on individuals' physiological status and the specific context where individual decisions are made. Thus, happiness economics is an analysis that complements Keynes's vision; it proposes some policies for increasing goodness, such as the progressive consumption tax and advertisement reduction, and devises policies for informed choices.

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