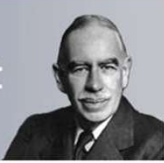





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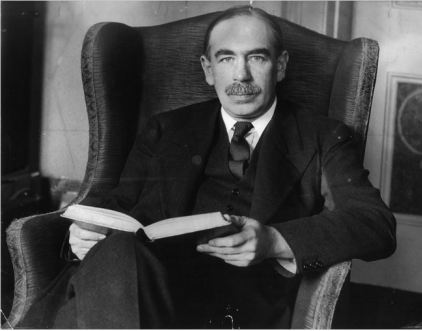
**Keynes und die ökonomischen Möglichkeiten für unsere Enkelkinder aus heutiger Sicht**

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Duisburg, 9. März 2026

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**John Maynard Keynes (1883-1946)**



**1905:** Abschluss in Mathematik und Philosophie  
Studien zur Ökonomik mit *Alfred Marshall*

**1908:** Lecturer in Economics, Cambridge

**1909:** PhD *A Treatise on Probability*

**1913:** *Indian Currency and Finance*  
nach WW I arbeitete Keynes für *das Schatzamt*

**1919:** *The Economic Consequences of the Peace*

**1923:** *A Tract on Monetary Reform*

**1925:** Hochzeit mit Lydia Lopokova

**1930:** *A Treatise on Money*  
*Economic Possibilities for our Grandchildren*



**1931:** *Essays in Persuasion*

**1936:** *The General Theory of Employment, Interest and Money*

**1940:** How to Pay for the War



**1944:** Britischer Vertreter bei der Bretton Woods Conference

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## Long run versus Short run

“But this long-run is a misleading guide to current affairs. **In the long run we are all dead.**” [‘Well, he’s dead and we’re in the long run’]. Though Keynes’s remark is well known, its context is not. It occurs in his *Tract on Monetary Reform* (1923; CW IV, 1971, p.65, emphasis in original) in which he is cheeking his old teacher, Alfred Marshall. For he continued: “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” (65). Keynes “was arguing for a change in emphasis, from concentrating on the economics of the long period, of the long-period determination of normal competitive equilibrium prices and quantities by the forces of supply and demand, Book V of Marshall’s *Principles*, then the bible of most English-speaking economists, to more attention to analysis of, and policy for short-run happenings. But, just before he died, in his last article in the *Economic Journal*, in speeches to the House of Lords and at his Political Economy Club at Cambridge (by then presided over by Dennis Robertson), he bemoaned the fact *that the pendulum had swung too far the other way, to an undue concentration on the short period* and the neglect of fundamental and lasting truths to be found in the insights of our founder Adam Smith and Keynes’s own Mentor, Marshall.” (G. C. Harcourt, 2010)

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## The ex-post-perspective: Keynes’s reflections on economic history

Keynes diagnosed *a stagnation in living standards* in the four thousand years *until 1700* due “to the remarkable *absence of important technical improvements* and to the *failure of capital to accumulate*” (JMK, CW IX: 323; my italics).

The data by *Maddison* (2001)\* show a cumulative increase of GDP per capita from year 0 to 1700 of only 40 per cent which is not far away from zero growth and thus confirm Keynes.

Keynes dates the beginning of the modern age in the sixteenth century with the accumulation of capital and “the rise of prices, and the profits to which that led, which resulted from the treasure of gold and silver which Spain brought from the New World into the Old”. “From the sixteenth century, with a cumulative crescendo after the eighteenth, the great age of science and technical innovation began” (324).

\*The World Economy. A Millennial Perspective. OECD

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## The power of compound interest (1)



Keynes traced the beginnings of British foreign investment to the treasure which Francis Drake stole from Spain in 1580.

→ Queen Elizabeth paid back the whole of England's foreign debt, balanced the budget, and invested in the Levant Company whose profits financed the foundation of the **East India Company** which marks the beginning of England's foreign investment.

"Every £1 which Drake brought home in 1580 has now [1930] become £100,000. **Such is the power of compound interest!**" (324, my italics)



Keynes assumes for *Europe and the United States* an increase of GDP per capita since the 16<sup>th</sup> century by 400 per cent due to the **combined effect of capital accumulation and technical progress**.

According to the data of Maddison (2003) this holds for Western Europe whereas *the increase in the U.S. was three times higher*.

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## The power of compound interest (2)

The power of compound interest also holds in an **ex-ante**-perspective. Keynes, who emphasized that the future is uncertain, speculates about the **consequences of a continuous capital accumulation and technical progress**. For the century till **2030** he calculates with an average annual growth rate of capital of 2 per cent and productivity growth of 1 per cent which would result in an increase in the standard of living in the advanced economies by four to eight times and thus to the **solution of the economic problem in the long run**, provided that **four conditions** are fulfilled (no important wars, a limited population growth, trust into scientific progress, and ongoing capital accumulation).

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### The ex-ante-perspective: Keynes's vision for the year 2030

No doubt, Keynes identified the main determinants of economic growth at a time when modern growth theory did not yet exist. Thus *Solow* (2008: 89)\* attests to Keynes "credit for understanding, at an unpromising time, that the longer run trajectory of developed capitalist economies depends on the **forces of investment and innovation ... the march of capital accumulation and technical progress.**"

Presumed that Keynes's rate of productivity growth is MFP growth, aggregate output would increase by 1.7 per cent per annum with a constant population and after hundred years lead to an increase of per capita income by 5.4 times. Keynes's upper limit of an increase in living standards by 8 times would be reached by an annual growth of aggregate output of 2.1 per cent, no unrealistic scenario for advanced economies.

\* in L. Pecchi, G. Piga (eds.), *Revisiting Keynes. Economic Possibilities for our Grandchildren*, Cambridge, Mass 2008: MIT Press.

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### Modern growth economics and the power of compound interest (1)

The power of compound interest has also been pointed out by modern authors. Thus *Lucas* ('Making a Miracle') stresses: "In **Korea**, over the same period [1960-1988], per capita income grew at 6.2 percent per year, a rate consistent with the doubling of living standards every 11 years." (*Lucas*, 1993: 251)

Naturally references to the impressive growth process of the Chinese economy in recent decades has also been made: "The world had never seen anything like **China**, with its saving rate in excess of 40 percent and with growth rates averaging 9.7 percent for three decades." (*Stiglitz*, 2008: 41)

According to Stiglitz the possibility to Keynes's solution of the economic problem is therefore given.

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## Modern growth economics and the power of compound interest (2)

However, it should be pointed out that the cases of *Korea* and *China* are examples of *catching-up-processes* over decades, whereas Keynes made his vision for the leading economies and for a time span of a whole century.

Even with the consideration of increasing returns to scale, external effects of human capital, etcetera, Keynes's vision remains a realistic one, aside from the open question of the *sustainability* of such growth processes.

Solow (2008, p.91): "Keynes's utter lack of interest in distributional matters is a serious flaw."

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## Keynes's neglect of the distribution problem

In his visionary essay Keynes (1930) did not only focus on the developed Western world but also did not discuss the ***distribution problem***. Thus, the modern world faces huge international differences in per capita income as well as enormous **inequalities** in the distribution of income and wealth. *China* and *Brazil* are not the only countries with a high **Gini coefficient**. With the United States as the leader many countries in the Western hemisphere have seen again an increase in the Gini coefficient in the recent past.

Presumed that the *Keynesian prediction of an increase in GDP per capita by eight times* would materialize this would imply that the absolute differences would also increase by 800 per cent. Thus, the solution of the economic problem for greater parts of mankind is far away, even if material hardship in contrast to the past can be overcome.



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## Absolute versus relative needs

Keynes distinguished between two classes of needs: **absolute needs** and **relative needs**. Whereas he was optimistic about the satisfaction of absolute needs, he was more sceptical about the latter and imagined that the relative needs, “the desire for superiority, may indeed be insatiable” (326). This phenomenon which **Thorstein Veblen** (*Theory of the Leisure Class*, 1899) had already described as the problem of **conspicuous consumption** (*Geltungskonsum*) could be identified in all social classes, such as in youth gangs, the “keeping up with the Joneses” or modern excesses of investment bankers. Most clearly **Fred Hirsch** (1976) in his *Social Limits to Growth* had discussed this phenomenon as **positional goods**, which could not be satisfied even with growing material wealth. Hirsch’s emphasis that economic growth and increase in wealth could not be equalized has its modern equivalent in the research on *happiness*.

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## Sustainable Growth (1)

**Sustainable Development** has three dimensions:

- **Economic Sustainability**  
Keynes mainly concentrated on an increase in GDP per capita due to the combined effect of capital accumulation and technical progress. However, sustainable growth also requires...
- **Social Sustainability**  
If ongoing technical progress (and globalization) leads to a loss of importance of labour, at least less qualified labour, a better education/qualification of the masses and a greater participation of workers in the ownership of productive capital then becomes a necessity in democratic societies, as has, e.g., already been emphasized by *Leontief* (1982).  
*Social sustainability requires more equality of chances as well as a reduction in the enormous inequalities in the distribution of income and wealth.*



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## Sustainable Growth (2)

- **Ecological Sustainability**  
 was no contemporary topic and is not addressed at all by Keynes (1930). Insofar as technical progress will lead to a much higher efficiency in the use of natural resources, environmental-friendly economic growth may even be possible for our grandchildren (provided greater **rebound effects** could be avoided). On the other hand, *even zero growth* – if it would not be associated by a greater resource-efficiency – *could be non-sustainable* in the sense of a final stationary state.

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## Sustainable Growth (3)

In the early 20<sup>th</sup> century Keynes was involved in the **rural preservation movement** in England. As most of his closest friends of both the Cambridge Apostles and the Bloomsbury group, he was engaged in the environmental activism, specifically for the preservation of rural England and its beauty. This was a passionate concern for Keynes, by far not limited to some occasional remarks.

(In April 1951 the *Peak District National Park* was founded as the 1<sup>st</sup> N.P., “created to protect the area’s natural beauty and promote public enjoyment”.)

The environmental crisis surely raises **important ethical questions** on which Keynes had something to say. Concerning his conception of economics as a moral science, he was strongly influenced by the **ethical philosophy of G. E. Moore**, often citing *natural beauty* as one of the simplest and most intuitively comprehensible *goods*.

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## Structural changes in demand

In Keynes's 1930 vision the *rise of new consumption needs* as well as the *tendency towards a service economy* hardly play any role.

As *Pasinetti* (1981, 1993) has pointed out **technical progress** has a **double-sided nature**. It does not only increase productivity on the supply side but also leads to **changes in the structural composition of demand** (product innovations, Engel curves). The long-run structural changes in the consumer society (growing tourism industry, use of new media\*) have not been anticipated by Keynes. This development undermines that the subsistence minimum is a temporally and regionally endogenous variable.

\* "We don't know if Keynes was broad-minded about Everyman's use of leisure, but the rest of us can enjoy the *World Cup* with good conscience." (*Solow* 2008: 90)

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## New demands

Even though for individual consumption goods satiation according to Engel curves or product life cycles will be reached, **product innovations** time and again will lead to growth phases in the production of new goods with a high elasticity of demand.

Keynes also could not know that the **higher life expectancy of the grandchildren** has led to a substantial increase in the share of health expenses (in the U.S. from 3.5 per cent in 1930 to 18 per cent of GDP in 2024).

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## The problem of technological unemployment (1)

In his vision Keynes (1930) assumes that technical progress will lead to a **reduction of the average working time to three hours a day or fifteen hours per week in the year 2030**. This implies a great danger:

"We are being afflicted with a **new disease** of which some readers may not yet have heard the name, but of which they will hear a great deal in the years to come – namely, **technological unemployment**. This means unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour." (JMK, CW IX: 325)

However, in contrast to Marx, *Keynes* did not regard *technological unemployment* as a *permanent* but a *temporary* problem, "a temporary phase of maladjustment".



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## The problem of technological unemployment (2)

- However, in contrast to contemporary German economists such as Emil Lederer or Adolph Lowe, *Keynes never deepened his analysis of technological unemployment* which was responsible for the latter's "lukewarm reception" (Gary Mongiovi) of Keynes's *General Theory* by New School economists.
- "*I deny that Keynes' theory is a general theory of employment.* For his statement would lead to the deduction that full employment for *any* amount of labor could be secured by cooperation of this amount of labor with *any* quantity and quality of fixed capital. ... *Orthodox theory has no satisfying approach to this side of the unemployment problem.* And by accepting the orthodox theory for all employment beyond the point of acquiescence Keynes has been able to develop a general theory of employment in which *technological unemployment* is not even mentioned." (Neisser 1936: 460 and 462; my italics.)



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## Robert Bosch (1932)

***Die Verhütung künftiger Krisen in der Weltwirtschaft***  
*Plädoyer für eine Verkürzung der Arbeitszeit von 48 auf 36 Wochenstunden*  
 « Was sollen denn die Arbeiter anfangen mit den 18 Stunden Freizeit täglich?  
 Darauf sage ich mit voller Überzeugung, dass auch Nichtstudierte sich  
 beschäftigen lernen, wenn sie erst einmal genügend freie Zeit haben. Gebt  
 Ihnen Zeit und etwas Geld, und die Leute werden allen möglichen  
 Liebhabereien sich hingeben. ... Sie werden Sport treiben und – sie werden  
 zufriedener sein als heute, da sie arbeitslos sind. Die Arbeiterschaft hat den so  
 viel angefeindeten **Achtstundentag** [1906 bei Bosch nach Heinrich Freese in  
 HH und Ernst Abbé bei Carl Zeiss in Jena] ganz gut vertragen. Im Gegenteil:  
 Zu der Zeit, als die Arbeiterschaft über die Gebühr zur Arbeit herangezogen  
 wurde, hat sie sich viel mehr mit Fusel usw. betäubt, als heutzutage. »  
 « *Ich zahle nicht gute Löhne, weil ich viel Geld habe,  
 sondern ich habe viel Geld, weil ich gute Löhne zahle.* »

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## Social and moral consequences in a materially satiated world

“nervous breakdown ... amongst the wives of the well-to-do  
 classes, unfortunate women ... who cannot find it sufficiently  
 amusing ... to cook and clean and mend, yet are unable to find  
 anything more amusing” (p. 327)  
**Cultural elitism of Bloomsbury group** implied also an explicit  
 contempt for the “*love of money*”.  
 Perhaps instead of “the age of leisure and abundance” (p. 328)  
 another depressing outlook is empirically more relevant:  
 “the sheer stress of combining full-time work with the ‘basic  
 need’ of shuttling children around to all the organized activities  
 that have replaced unsupervised play in the dangerously  
 unsupervised local park” (*Leijonhufvud*, 2008: 120).  
 “The United States is the most striking counter-example to  
 Keynes’s prediction that increased wealth would produce  
 greater leisure.” (*Richard Freeman*, 2008: 136).

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## The Future of Capitalism

“On the many occasions when I have been asked for an economic forecast, my response has been that my only prediction about the future is that it will surprise me.” (*William Baumol* 2008: 199)

“For my part I think that **capitalism, wisely managed**, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but **that in itself it is in many ways extremely objectionable**. Our problem is to work out a social organization which shall be as efficient as possible without offending our notions of a satisfactory way of life.” (*Keynes* ‘The End of Laissez-Faire’, [1926] 1971: 294)