

# MARXISM AND KEYNES'S IDEAL WORLD

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## ABSTRACT

Keynes concurred with the central tenet of Karl Marx's *Das Kapital* (Volume 1): that capitalists excessively appropriate gains from entrepreneurial activities. Marx's ideas helped Keynes formulate a diagnosis of how a capitalist economy functions. Keynes, like Marx, also envisioned an ideal society. For Keynes, it was a society without unemployment and with a broad social security program. People would work a few hours per week, and all material needs would have been satisfied. The revolutionary Russia of Vladimir Lenin and Leon Trotsky did not resemble the society Keynes desired. Keynes detested Josef Stalin's administration, characterized by political persecutions and assassinations in Russia. But Stalin organized the planning dreamed of by Keynes in the form of Five-Year Plans. Keynes did not envision either capitalism or Soviet socialism; his ideal society would be achieved without violence. It would be an economy with industries, public transportation, and urban spaces organized for well-being. Thus, it required planning, as Keynes observed in Russia. This paper presents Keynes' intellectual trajectory in relation to Marx, Lenin, Stalin and Trotsky.

**Keywords:** Marxist; Soviet Union; Keynes's Ideal World; Planning; Zero Unemployment.

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# 1 Introduction

While there is extensive literature on Keynes's relationship with original Marxist ideas, some topics within the theme still warrant exploration. Evidence suggests that Keynes was well-acquainted with Karl Marx's *Das Kapital* (Volume 1) and *The Manifesto of the Communist Party* by Marx and Friedrich Engels. Keynes concurred with the central tenet of *Das Kapital* (Volume 1): that capitalists excessively appropriate gains from entrepreneurial activities - in Marxist terms: they appropriate surplus value. However, he fundamentally disagreed with the primary assertion of *The Manifesto of the Communist Party*: that worker exploitation would inevitably lead to the end of capitalism through revolution.

Marx's ideas helped Keynes formulate a diagnosis of how a capitalist economy functions. Keynes, like Marx, also envisioned a utopian or ideal society. For Marx, this was a society without exploiters or exploited. For Keynes, it was a society without unemployment and with a broad and comprehensive social security program. The revolutionary Russia of Vladimir Lenin and Leon Trotsky did not resemble the society Keynes desired.

Keynes viewed the transition from Tsarism to Soviet socialism in Russia with optimism. After all, it was a peaceful transition followed by rapid development. However, Keynes detested Josef Stalin's administration, characterized by political persecutions and assassinations in Russia, including the assassination of Trotsky in Mexico by a Stalin envoy.

The welfare state envisioned by Keynes did not feature an economy with exclusively state-owned enterprises, as in Soviet Russia, nor an authoritarian government. Keynes did not envision either capitalism or Soviet socialism; his ideal society would be achieved without violence or catastrophe. It would be an economy with industries, public transportation, and urban spaces organized for well-being. Thus, it required planning, as Keynes observed in Russia.

This paper is structured into seven sections, including this introduction and a summary at the end. Section 2 presents the core ideas of Marx's thought and their convergences and divergences with Keynes's thought. Section 3 highlights Keynes's enthusiasm and distrust regarding Russia's development in the early years of the revolution led by Lenin. Section 4 discusses the Russian Five-Year Plans, which Keynes valued, as well as the political persecutions and violence advocated by Stalin. Section 5 describes Trotsky's

tactic of revolutionary violence and Keynes's criticisms of this method. Section 6 outlines the general characteristics of the society and the economy planned by Keynes.

## 2 Keynes and Marx<sup>1</sup>

In 1933, during the preparatory writings for his *General Theory*, Keynes referred to a passage in Marx's *Das Kapital* by employing Karl Marx's schemes known as C–M–C and M–C–M', where C represents commodity and M denotes money, and M' is greater than M.

Marx used these schemes to explain the circulation of money and the circulation/production of goods in the capitalist economy. In the C–M–C scheme, according to Marx, the sale would be represented in the C–M phase (commodity is transformed into money), and the purchase would occur in the M–C phase (money is transformed into commodity). In this scheme, money circulates commodities in successive movements of sale, purchase, and consumption. As Marx (1867 [1996], 105-6) stated:

The circuit C—M—C starts with one commodity, and finishes with another, which falls out of circulation and into consumption. Consumption, the satisfaction of wants, in one word, use-value, is its end and aim

To reinforce elements of his theory, Keynes referred to the two forms of money circulation described by Marx, emphasizing the M–C–M' scheme. Keynes employed this scheme to make a crucial distinction that formed part of his economic theory. Marx differentiated the two schemes by stating that in the first (C–M–C), money was simply money, but in the second (M–C–M'), money was capital. In the latter, for Keynes, money would fuel an enterprise as an input, with the purpose of obtaining more money as output. Initially, money would buy input and labor hours to carry out production. Subsequently, this production would be sold, and then M' would be obtained.

This precise difference (between the two schemes) was what Keynes referred to as "[...] a *pregnant observation made by Karl Marx*" (Keynes, 1979 [2013a], p.81). More precisely, the distinction that mattered to Keynes was between Classical Economic<sup>2</sup> and the entrepreneurial economy he described as a starting point for developing his economic theory. For the classics, quantities of commodities were important; for Keynes, quantities of money were. In an entrepreneurial economy, capitalists would only begin production if they

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<sup>1</sup> This section is based on Sicsú (2020).

<sup>2</sup> For Keynes, Classical Economics is where the validity of Say's Law and the Quantity Theory of Money is observed.

expected to obtain more money at the end – in other words, after selling what was produced, to obtain more money than the amount spent to initiate that production.

Rejecting the C–M–C scheme as representative of the business world, Keynes (1979 [2013a], p.81) stated:

That may be the standpoint of the private consumer. But it is not the attitude of business, which is a case of M–C–M', i.e. of parting with money for commodity (or effort) in order to obtain more money.

Therefore, in Keynes's view, the operation of all firms forming an entrepreneurial economy could be represented by the M–C–M' scheme. Although Keynes considered his observation on the aforementioned passage from *Das Kapital* quite illustrative, he issued a warning to highlight his distance from Marx's ideas, which are (almost all) a consequence of the M–C–M' scheme. Keynes stated: “[...] *though the subsequent use to which he [Marx] put this observation was highly illogical.*” (Keynes, 1979 [2013a], p.81). Immediately following that observation of *Das Kapital*, Keynes (1979 [2013a], p.82) was quite critical and stated:

Marx, however, was approaching the intermediate truth when he added that the continuous excess of M' would be inevitably interrupted by a series of crises, gradually increasing in intensity, or entrepreneur bankruptcy and underemployment, during which, presumably, M must be in excess.

With these words, Keynes summarized Marx's central idea, which stemmed from his M–C–M' scheme.<sup>3</sup> For Keynes, this scheme illustrated the functioning of capitalism in the form of an entrepreneurial economy. For Marx, it was this, but much more. The difference between M and M' was what Marx called surplus-value,<sup>4</sup> which was the source of the worker's exploitation by the capitalist.

Keynes interpreted that, according to Marx, the capitalist dynamic, from crisis to crisis, driven by class struggle, could lead to communism. In his *Essays in Persuasion* (in the chapter *A short view of Russia*), from 1931, Keynes used “[...] *the term 'Communism' to mean the new order, [...]*” (Keynes, 1931 [2013b], p.258n). This path, starting from the extraction of surplus-value (for Marx) or the dynamic of an entrepreneurial economy (according to Keynes) that could end in communism, was the use Keynes considered "highly illogical" of Marx's important observation in *Das Kapital*.

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<sup>3</sup> For Keynes, money is an end, not a means (M – C – M'). Obtaining more money (M' > M) would be necessary as a mean to increase command over existing wealth. The monetary form would be necessary because money is the most liquid asset in the economy, providing greater security in the face of uncertainty.

<sup>4</sup> “This increment or excess over the original value I call “surplus-value.” The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital.” (Marx, 1867 [1996], p.106).

The use considered "highly illogical" by Keynes did not appear in *Das Kapital* (1867), but rather in *The Manifesto of the Communist Party* (1848). For Marx, class struggle always existed, even before capitalism. The difference is that in capitalism, the struggle occurs between the bourgeoisie and the proletariat with a new form of exploitation (Marx & Engels, 1982, p.107), namely, the extraction of surplus-value.

In Keynes's works, only one specific record referring to *Das Kapital* was left: the aforementioned schemes. There is another mention, though less direct but also very important. In the biographical essay Keynes wrote about Thomas Malthus, while acknowledging that he was "*Not being a good Marxist scholar [...]*", he argued that Marx and Malthus maintained "*[...] that 'effective demand' may fail in a capitalist society [...]*" (Keynes, 1933 [2013c], p.91) — which was another point of convergence between Keynes and Marx.

Despite the scarcity of elements from *Das Kapital* discussed by Keynes, he harshly criticized this work by Marx, while still emphasizing its enormous influence. In a letter to Bernard Shaw dated December 1934, he stated:

My feelings about *Das Kapital* are the same as my feelings about the Koran. Its dreary, out-of-date, academic controversialising seems so extraordinarily unsuitable as material for the purpose. Do you believe both *Das Kapital* and the Koran? Or only *Das Kapital*? But whatever the sociological value of the latter, I am sure that its contemporary economic value [...] is nil. (Keynes, 1982 [2013d], p.38)

Keynes's perspective on Marx's ideas appears to be based on his reading of *Das Kapital* (Volume 1) and *The Manifesto of the Communist Party*. However, this cannot be stated with absolute certainty. One issue is certain: Keynes admitted he was not a thorough scholar of Marx's works. Nevertheless, this does not diminish the importance of identifying Keynes's view on Marx. This is merely an observation aimed at providing precision to his perspective. It should be noted that in Keynes's time, besides not being his primary focus, an in-depth study of Marxism was largely restricted to groups in Germany and Soviet Russia. At that time, when socialist movements were spreading across Europe, the most widely disseminated ideas attributed to Marx seem to be those that Keynes absorbed most, including Marxism associated with Leninism and, later, Stalinism.

### **3 Keynes and Lenin**

Keynes could not have opposed the revolution led by Lenin. After all, the takeover of the Winter Palace was relatively peaceful. Furthermore, the slogan of the Bolshevik

revolution was "Peace, Bread, and Land". Moreover, Keynes had enormous reservations about World War I, and Lenin proposed Russia's withdrawal from the conflict. Keynes was a proponent of ending poverty and creating jobs. Lenin, in a predominantly agrarian country, proposed the confiscation and nationalization of all landlords' lands in Russia to transform them into productive farms (see Lenin, 1917). Unproductive large estates were to Russia what idle factories were to industrial Great Britain. Keynes viewed Russia as a laboratory where a new experiment would be examined.

In a letter to his mother on December 24, 1917 (see Keynes, 1971 [2013e], pp.266-267), Keynes expressed enthusiasm for the Russian Revolution while doubting the success of the new experiment. Soon after the revolution, at the end of 1917, the Russian government established rationing of meat and other foods. Keynes began to fear endless queues, the impoverishment of the population, and a general disorganization of the economy. He thought that the government's proposal to increase wages while supply decreased would excessively lengthen food queues (Keynes, 1971 [2013e], pp.266-267). In his letter to his mother, he articulated his feelings:

Christmas thoughts are that a further prolongation of the war, with the turn things have now taken [i.e., Russian Revolution], probably means the disappearance of the social order we have known hitherto. [...] What frightens me more is the prospect of general impoverishment. The abolition of the rich will be rather a comfort and serve them right anyhow. [...] Well, the only course open to me is to be buoyantly bolshevik; [...] our rulers are as incompetent as they are mad and wicked, one particular era of a particular kind of civilisation is very nearly over. (Keynes, 1971 [2013e], p.266-267)

Several years after the revolution, Keynes still maintained sympathy for the process unfolding in Russia. In 1922, he was hired as a correspondent to write a series of articles for the *Manchester Guardian* about the Genoa Conference. The purpose of the Conference was to re-establish confidence among nations after World War I.

Russia appeared in several of Keynes's articles, which concerned debts incurred by the Tsarist governments, debts to the Allies during World War I, and the confiscation of foreign properties during the Bolshevik government.

Notable articles include "Rubbish about Millions" and "The financial system of the Bolsheviks". In the first, Keynes emphasized that the revolution liberated the Russians "[...] from many things, and amongst others from the huge obligations incurred to the foreigner by the old regime for its own purposes" (Keynes, 1977 [2013f], p.389). In the second, Keynes expressed surprise and satisfaction with the direction of economic organization in Russia. He exchanged ideas with

the Russian delegation present in Genoa and concluded that a rapid and complete overcoming “[...] of the original chaos and primeval slime which is apt to be our idea of Soviet Russia. An extraordinary experiment in socialism is in course of development. I think that there may be solid foundations on which to build a bridge” (Keynes, 1977 [2013f], p.408).

Keynes respected Lenin. In a well-known excerpt addressing the problem of inflation in 1919, Keynes stated “*Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency.*” (Keynes, 1919 [2013g], p.149).

Keynes visited Russia for the first time in 1925, after Lenin had already passed away. In his *A short view of Russia*, Keynes praised Lenin, objected to the Russian regime, and expressed admiration for Russia's structural and economic advancements. Lenin was commendably considered a practical politician who adopted a trial-and-error method without limits: “*No one has ever been more frankly experimentalist than Lenin [...]*” (Keynes, 1931 [2013b], p.262). In 1922, Keynes sent a request to Lenin via Georgy Chicherin,<sup>5</sup> inviting him to write a brief preface for the Russia section of the *Reconstruction in Europe* supplement, which was published in the *Manchester Guardian*. Lenin did not respond, as he had been seriously ill since 1921.

Keynes's impressions of Russia swung back and forth, but there was a clear trend of distancing from the political regime. Keynes's rejection was specific: it lay in the impossibility of communism being a regime with political freedom. He began to consider communism a religion and stated: “*Like other new religions, it seems to take the colour and gaiety and freedom out of everyday life and to offer a drab substitute in the square wooden faces of its devotees.*” (Keynes, 1931 [2013b], p.256-257).

Regarding the Russian economy, Keynes showed cautious optimism. He observed some growth in private trade and state capital. He also noted a government that would certainly honor its debts to its import funders. He observed high unemployment in cities and peasants satisfied with having their own land to work and produce. He considered the system still had a low level of efficiency but that it functioned and contained elements of continuity (see Keynes, 1931 [2013b], pp.253-271). However, he observed with great optimism the works initiated by Lenin, including, for example, the large state investments:

Some of the grandiose schemes of the new regime are beginning to take actual shape. Leningrad will soon be supplied with power and light from one of the

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<sup>5</sup> Russia participated in the Genoa Conference represented by a delegation led by its Foreign Minister, Georgy Chicherin.

largest and most modern generating stations in the world. The plant-breeding establishments, which are to supply the peasant with better seeds on the latest Mendelian lines, are extensive and well-equipped. (Keynes, 1931 [2013b], p.266)

## 4 Keynes and Stalin

From 1928, Stalin established the Five-Year Plans for state planning with the aim of developing agriculture, industry, and electricity generation/distribution. Keynes greatly valued state economic planning. However, Keynes highlighted that planning was not exclusive to the Russian economy; fascism also practiced planning (Keynes, 1982 [2013h], p.85). Keynes, however, believed that it would not be necessary to renounce democracy to implement planning.

In the preparatory writings for the General Theory (during 1932), Keynes stated that the Five-Year Plans were an example of economic organization that increases production to its "optimum point" without introducing forces into the system "[...] *which tend to reduce output before this optimum point has been reached*" (Keynes, 1973 [2013i], p.389).

Keynes agreed with H.G. Wells, who, when interviewing Stalin in 1934, suggested that planning could be done by technicians and engineers. However, Stalin countered that the "technical intelligentsia" could not play an "independent historical role"<sup>6</sup>

In a radio program broadcast on March 14, 1932, Keynes disagreed with Stalin's ideas, stating that he desired the best of communism, namely planning, and the best of democracy, namely individual liberty:

May it not be a necessary price to pay for the benefits of state planning, that we also suffer those other affronts to the individual which seem to be inseparable from a Bolshevik or a Fascist state? For myself, I do not see why this need be so. At least I should like to try whether it be not possible to enjoy the advantages of both worlds. (Keynes, 1982 [2013h], p.91)

Indeed, the Soviet Union under Stalin followed the path of extinguishing freedoms. This configuration horrified Keynes, who wrote a letter (in 1937) to Kingsley Martin stating:

[...] Stalin is engaged in a systematic destruction of the old Communist Party. [...] Lydia's Russian paper calculates that out of the 2,800,000 members of the Communist Party, something like 25 per cent have been executed, arrested, exiled or dismissed from their offices in the last few months. [...] Stalin's position will soon be indistinguishable from that of the other dictators [...]. (Keynes, 1982 [2013d], p.72)

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<sup>6</sup> See for instance <<https://redsails.org/stalin-and-wells/>>

According to Keynes, “*Stalin has eliminated every independent, critical mind, even when it is sympathetic in general outlook. He has produced an environment in which the processes of mind are atrophied.*” (Keynes, 1982 [2013h], p.246).

After his first trip to Russia, Keynes's image of the political regime was disappointing. However, he always viewed with some optimism the possibilities of that country achieving objectives that comprised his utopia. Despite all the setbacks, Keynes (1931 [2013b], p.270-1) left the following message in the last paragraph of A short view of Russia:

I should like to give Russia her chance; to help and not to hinder. [...] if I were a Russian, would I contribute my quota of activity to Soviet Russia than to Tsarist Russia! I should detest the actions of the new tyrants not less than those of the old. [...] that out of the cruelty and stupidity of Old Russia nothing could ever emerge, but that beneath the cruelty and stupidity of New Russia some speck of the ideal may lie hid.

Keynes (1982 [2013d], p.32-3) observed that his friend:

Shaw and Stalin are still satisfied with Marx's picture of the capitalist world, which had much verisimilitude in his day but is unrecognisable, with the rapid flux of the modern world, three-quarters of a century later. They look backwards to what capitalism was, not forward to what it is becoming. That is the fate of those who dogmatise in the social and economic sphere where evolution is proceeding at a dizzy pace from one form of society to another.

Keynes differed from Stalin on another crucial point. Keynes believed that the State could establish rules and thus the government could control the economy. Stalin believed the exact opposite, that the State was captured by capitalists. Stalin said<sup>7</sup>:

The capitalist State does not deal much with economy in the strict sense of the word; the latter is not in the hands of the State. On the contrary, the State is in the hands of capitalist economy.

Wells (in the 1934 interview that has already been mentioned) argued with Stalin that the State could control and plan the economy. Wells indicated to Stalin that state control of the economy, which he called "socialisation," could occur without the statization of factories and transportation. In his words:

If we begin with the State control of the banks and then follow with the control of transport, of the heavy industries of industry in general, of commerce, etc., such an all-embracing control will be equivalent to the State ownership of all branches of national economy. This will be the process of socialisation.<sup>8</sup>

Stalin believed that only violent revolution could bring about profound social transformations. Wells, like Keynes, believed that the transition to a new form of social organization would be peaceful and constructive. In his words:

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<sup>7</sup> See reference at < <https://redsails.org/stalin-and-wells/>>.

<sup>8</sup> See reference at < (<https://redsails.org/stalin-and-wells/>)>.

Propaganda in favour of the violent overthrow of the social system was all very well when it was directed against tyranny. But under modern conditions, when the system is collapsing anyhow, stress should be laid on efficiency, on competence, on productiveness, and not on insurrection. (...) It seems to me that the insurrectionary note is obsolete.<sup>9</sup>

In 1945, Keynes acknowledged that Russia had successfully overcome famine and achieved rapid reconstruction, although he once again emphasized his disagreement with Stalin's methods of governance.

## 5 Keynes and Trotsky

Leon Trotsky was one of the most prominent leaders of the Russian Revolution of 1917 and the organizer of the Red Army. After Lenin's death, he contended with Stalin for the leadership of the Communist Party. Trotsky was expelled from the Party at Stalin's initiative. He left Russia in 1929, remaining in Europe until early 1937 (living in Turkey, France, and Norway). He arrived in Mexico on January 9, 1937, resided at Frida Kahlo's house, and had a romantic affair with her. He was assassinated by an envoy of Stalin on August 20, 1940.

In March 1926, Keynes wrote a commentary on Trotsky's book titled *Where is Britain Going?* (see Keynes, 1933 [2013c], pp.63-67). Keynes considered that Trotsky discussed British affairs in an intimidating, dogmatic tone and revealed much ignorance. Trotsky criticized the Labour Party because its goal was Socialism, which would be achieved without any violent revolution. Trotsky evaluated that the Labour Party members were benevolent bourgeois (Keynes, 1933 [2013c], p.63). According to Keynes, Trotsky believed that the Fabians<sup>10</sup> confused the consciousness of workers and paralyzed their revolutionary will. Fabians would be “*upstart liveried lackeys of the bourgeoisie*” (Trotsky apud Keynes, 1933 [2013c], p.64).

Keynes believed that Trotsky was concerned only with methods and not with the ultimate goal. For Trotsky, revolutionary action required violence and war (“Action means War” in Keynes, 1933 [2013c], p.64). For Keynes, transformative action should not be

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<sup>9</sup> See reference at < <https://redsails.org/stalin-and-wells/> >.

<sup>10</sup> The Fabians believed that instead of a revolutionary rupture, they should build a new society gradually, occupying spaces in governments and creating institutions to train leaders who would influence the entire society. For example, they founded the London School of Economics (in 1906) and the British Labour Party (in 1900). The motto of the Fabian Society is "Educate, Agitate, Organize." They called themselves Fabians in reference to Fabius, a Roman general born three centuries before Christ, known for his tactics of delaying conflicts. See the Fabian Society website for more information: <https://fabians.org.uk/about-us/our-history/>.

violent. According to Trotsky, it was unthinkable that the change to socialism could occur through peaceful arguments and voluntary action (Keynes, 1933 [2013c], p.65). Keynes believed that capitalists could be regulated by the State and that they could cede part of capital gains to society as a whole.

Keynes opposed Trotsky, stating that the Labour Party could come to power through constitutional means, and thus capitalists would not oppose with violent methods. There would be no recourse to force. The bourgeoisie, as a social and economic class, would not feel the need to oppose a political party elected by the workers' vote. Trotsky believed that when capitalists realized they had lost control of parliament and the state, they would resort to violent force (Keynes, 1933 [2013c], p.65).

Trotsky imagined a hypothetical situation to justify his claim: a Labour majority in Parliament decided to confiscate lands without compensation to their owners, established a high tax on capital, and abolished the Crown and the House of Lords. There could be no doubt that the capitalist classes would not accept all this without violent struggle, especially since the police, judiciary, and military apparatus would be in their hands. Furthermore, capitalists control banks, the credit system, transportation, and commerce. The City of London, according to Trotsky, depended entirely on capitalists. (Keynes, 1933 [2013c], p.65-66)

According to Keynes, Trotsky argued that these terrible means of pressure would be put into action to curb the Labour government's activity. They would paralyze its governmental efforts, frighten society, divide its parliamentary majority, and finally, cause financial and commercial panic (Keynes, 1933 [2013c], p.65). For Keynes, Trotsky thought that only one alternative existed: violent revolution. Thus, Trotsky concluded that society would be divided into two parts: the proletariat, who would be willing to make the revolution, and the capitalists, who would defend the maintenance of their social and economic *status quo* (Keynes, 1933 [2013c], p.66). For Keynes, Trotsky had no project for society: "*He is so much occupied with means that he forgets to tell us what it is all for*" (Keynes, 1931 [2013b], p.66).

Keynes concluded that Trotsky's book, *Where is Britain Going?*, was useless. Force would solve nothing. Keynes rejected any kind of war: class struggle, war between countries, or religious violence. An understanding of the historical process, which Trotsky liked to appeal to so much, would argue against the use of force. According to Keynes, what was missing was a coherent scheme of progress, a tangible ideal. In opposition to Trotsky's ideas,

Keynes stated that "*The next move is with the head, and fists must wait*" (Keynes, 1933 [2013c], p.67). In contrast to the understanding of Marxists-Trotskyists, Keynes trusted the power of persuasion associated with theories that sought to understand the real world.

It is quite relevant that in 1925, only a few months before criticizing *Where is Britain Going?*, Keynes had written a text titled *A Short View of Russia* that contained some ideas similar to those defended by Trotsky. There was no agreement on the methods suggested by Trotsky, but rather on the ideals, that is, the end point.

Keynes believed that Trotsky had a rigid way of thinking, meaning he had difficulty adapting to new ideas, situations, and information. He considered Trotsky a "*religious*" (Keynes, 1931 [2013b], p.254). However, Keynes highlighted that he had an agreement with Trotsky's ideal. Keynes accepted Trotsky's words:

a society which will have thrown off the pinching and stultifying worry about one's daily bread... in which the liberated egotism of man—a mighty force! — will be directed wholly towards the understanding, the transformation, and the betterment of the Universe'. (Trotsky apud Keynes, 1931 [2013b], p.255)

Keynes stressed that he agreed with the ends not the means proposed by Trotsky. He also indicated that he would agree with some lines of the society imagined by Trotsky, who said: "*...solidarity will be the basis of Society...*" and also emphasized that "*...disinterested friendship, love for one's neighbour, sympathy, will be the mighty ringing...*" (Trotsky apud Keynes, 1931 [2013b], p.255).

Before settling in Mexico, in 1929 Leon Trotsky had been denied political asylum in Great Britain because the Labour government feared that Joseph Stalin would consider this act a provocation to the Soviet Union. Trotsky's request gained the support of Labour and Liberal figures, including Keynes, H.G. Wells, the Webbs, and G.B. Shaw<sup>11</sup>. The government did not publicly provide any justification for denying Trotsky's request. The Labour government's denial sparked protests from unions and Labour parliamentarians.

## 6 Marxists and Keynes's Ideal World

Keynes had a prolific intellectual life, being a voracious reader, giving lectures, and actively participating in debates. Marxists, as observed, left a significant mark on Keynes's ideas. The four prominent Marxists occupied a distinguished place in Keynes's intellectual

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<sup>11</sup> George Bernard Shaw is one of only two people to have won both a Nobel Prize in Literature (in 1925) and an Academy Award (Oscar, in 1939). Bob Dylan won the Nobel Prize in Literature (in 2016) and an Academy Award (in 2000).

and political life. Keynes observed aspects he considered deplorable in Marxist political activity but viewed their ideals with much sympathy and some agreement.

Keynes agreed with Marx: capitalists seek maximum profit! Capitalists have a single function: to generate more money or surplus-value. Keynes agreed with Marx's description of how the capitalist economy functions. However, according to Marx, the result of capitalist dynamics would be the proletarian revolution and the end of capitalism itself. For Keynes, this dynamic would be permanent, without end.

The first revolutionary experience did not occur as a result of excessive extraction of surplus-value in factories, as Marx and Engels predicted. It happened in an agrarian country, Russia. It was not led by a working-class leadership. It was led by two politicians, Lenin and Trotsky, who were intellectuals.

Keynes viewed Russia's future with some optimism. After all, the revolution advocated for the end of hunger, land distribution to families, and Russia's withdrawal from World War I. The revolutionary government proposed the creation of millions of jobs in cities and the end of rural poverty. Keynes observed Russia, led by Lenin, with the eyes of a scientist in a laboratory. During the Stalinist period, Russia launched the Five-Year Plans that developed the country in agriculture, industry, and infrastructure. Russia's state planning was observed and valued by Keynes, who emphasized that planning should be combined with a democratic political regime.<sup>12</sup>

The political regime implemented by Stalin in Russia was abhorred by Keynes, who opposed the methods adopted by Stalin to govern. He also opposed the methods proposed by Trotsky for transforming society. Keynes proposed a peaceful revolution, without violence, without conflict between individuals, but accepted conflict of ideas. Trotsky proposed a violent revolution with class struggle. Keynes agreed with some aspects of Lenin's and Trotsky's vision for society but rejected their methods to achieve it.

Keynes envisioned the overcoming of capitalist society by a fully democratic and deeply developed society. The Soviet Union contained the seeds of economic development but failed to offer freedom and democracy. Conversely, Keynes's utopia contained political well-being, that is, freedom in its sharpest and most extensive forms. The tripod of full employment, income distribution, and equality of opportunity summarized the meaning of

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<sup>12</sup> Sicsú (2021) describes Keynes's agreement with and admiration for the planning implemented in the Soviet Union by Stalin.

his economic well-being utopia. Keynes's ideal society should contain economic well-being and political well-being (freedom and democracy). In his words: “... a regime which will deliberately aim at controlling and directing economic forces in the interests of social justice and social stability” (Keynes, 1981 [2013k], p.439).

The Ideal society, dreamed of by Keynes, is described in his article *Economic Possibilities for Our Grandchildren* (1930) (Keynes, 1931 [2013b], pp.321-332). It is a society where seeking wealth would not be necessary because all material constraints would be resolved: a life with social and material well-being would be guaranteed for all. Greed would be a vice; usury, a misdemeanor; and the love of money would be detestable – and where the wisest would not worry about the future: it was about living today, without anxieties (Keynes, 1931 [2013b], p.321).

Keynes did not believe that the transformative agent would be the proletariat, but rather an enlightened and cultured vanguard. He thought, for example, that the direction of the economy should be exclusively attributed to specialists (Keynes, 1931 [2013b], p.332). Keynes's ultimate goal would be the end of the love of money. This would be the peak because the end of the love of money could only occur when there was security of material life forever: in the past, present, and future.

Still in his article *Economic Possibilities for Our Grandchildren*, Keynes revealed that he believed full human development on the material plane would be achieved if: (i) there was population control, (ii) wars and civil conflicts did not exist, (iii) science was entrusted with solving problems, and (iv) an adequate pace of investment occurred (see Keynes, 1931 [2013b], p.331).

Keynes aimed to build an Ideal society that he called a "true social republic"<sup>13</sup>, "ideal republic"<sup>14</sup>, "liberal socialism"<sup>15</sup>, "true socialism of future"<sup>16</sup>, "peculiar British socialism"<sup>17</sup>, or perhaps some other label. Keynes was a political economist and radical thinker, as he himself acknowledged. He desired broad and profound changes in relations between individuals, in society, in the economy, and in the State. He desired profound social changes, as he suggested:

[...]I am less conservative in my inclinations than the average Labour voter; I fancy that I have played in my mind with the possibilities of greater social changes than

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<sup>13</sup> Keynes, 1931 [2013b], p.300.

<sup>14</sup> Keynes, 1982 [2013h], p.34.

<sup>15</sup> Keynes, 1982 [2013h], p.500.

<sup>16</sup> Keynes, 1981 [2013k], p.222.

<sup>17</sup> Keynes, 1981 [2013j], p.475.

come within the present philosophies of, let us say, Mr Sidney Webb, Mr Thomas, or Mr Wheatley. The republic of my imagination lies on the extreme left of celestial space. (Keynes, 1931 [2013b], p.309)

Sidney Webb was a Fabian socialist, James Thomas was a trade union leader, and John Wheatley, a radical socialist. Keynes concluded this article by stating: "*The political problem of mankind is to combine three things: economic efficiency, social justice, and individual liberty.*" (Keynes, 1931 [2013b], p.311). These three elements formed the deepest foundations of his Ideal.

In his *Economic Possibilities for Our Grandchildren*, Keynes wrote that, in his ideal society, humanity would have already solved its economic problems, for example, it would have built a society without any unemployment. People would work in "*Three-hour shifts or a fifteen-hour week*" (Keynes, 1931 [2013b], p.329) and all material needs would have been satisfied. These needs would be met when individuals could "*... devote our further energies to non-economic purposes.*" (Keynes, 1931 [2013b], p.326).

Then, Keynes pointed out the purpose of an "*age of leisure and of abundance*" (Keynes, 1931 [2013b], p.328) or his ideal society: "*... for the first time since his creation man will be faced with his real, his permanent problem—how to use his freedom from pressing economic cares, how to occupy the leisure, (...) to live wisely and agreeably and well*" (Keynes, 1931 [2013b], p.328). He stated what the place of money would be in an ideal society: it would only be "*... a means to the enjoyments and realities of life...*" (Keynes, 1931 [2013b], p.329); regarding the love of money, Keynes stated: "*... the love of money as a means to the enjoyments (...) will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities...*" (Keynes, 1931 [2013b], p.329).

About the transition from capitalism to Keynes's ideal society, the article *Economic Possibilities for Our Grandchildren* pointed out that: "*... of course, it will all happen gradually, not as a catastrophe*" (Keynes, 1931 [2013b], p.331). Keynes's ideal was much more than the pursuit and maintenance of full employment. Keynes aimed for a new society. In his words:

Why should we not set aside, let us say, £50 millions a year for the next twenty years to add in every substantial city (...) a local centre of refreshment and entertainment with an ample theatre, a concert hall, a dance hall, a gallery, a British restaurant, canteens, cafes and so forth. Assuredly we can afford this and much more. Anything we can actually do we can afford. Once done, it is there. Nothing can take it from us. (...) Yet these must be only the trimmings on the more solid, urgent and necessary outgoings on housing the people, on reconstructing industry and transport and on re-planning the environment of our daily life. Not only shall we come to possess these excellent things. With a big programme carried out at a properly regulated pace we can hope to keep employment good for many years to come. We shall, in very fact, have built our New Jerusalem out of the labour which in our former vain folly we were keeping unused and unhappy in enforced idleness. (Keynes, 1980 [2013j], p.270)

Keynes believed that resources existed for the construction of his New Jerusalem, which should be built through the execution of a permanent program of works at a pace controlled by the government. In other words, Keynes's tactic for transitioning to his Ideal had planning as its most important piece.

Although the planning proposed by Keynes involved many areas, such as a foreign trade tariff scheme, exchange rate management, and many others, its nerve center was public expenditure management. Without it, the first pillar of Keynes's Ideal society, which was full employment, could not be achieved. The second pillar of his Ideal society was social security. Keynes had already stated in his *How to Avoid a Slump* that “... we need to be slowly reconstructing our social system with these ends in view” (Keynes, 1982 [2013h], p.393). The ends Keynes referred to were his Ideal society. Within the social system that, according to Keynes, needed to be reconstructed was, certainly, the establishment of a social security structure.

That is why Keynes immediately revealed his "wild enthusiasm" for the social security proposal presented by William Beveridge, which he considered “...a vast constructive reform of real importance...” (Keynes, 1977 [2013f], p.204). Ultimately, Keynes had a final goal, which was his Ideal society. He charted a path from contemporary capitalism to his Ideal society. The method was planning, which would support the two pillars of his ideal society: the abolition of unemployment and a social security program.

In conclusion, Keynes had a rich experience with Marx's ideas. He accepted the dynamic of the capitalist economy described by Marx but rejected the end of the capitalist system envisioned by Marx and Engels. He had enormous intellectual curiosity about the Russian Revolution led by Lenin and Trotsky. The Russian economic organization was viewed with optimism, but the political governance of brutality and persecutions was rejected. Stalin led Russia during this period of barbarities. Industrial capitalism in England or backward capitalism in Russia was rejected by Keynes. A New Jerusalem was the Ideal society envisioned by Keynes: vast state economic control, zero unemployment, and security of life for all.

## **7 Summary and Conclusions**

Keynes's intellectual relationship with the most important Marxists in history is rich with convergent and divergent ideas. Keynes was always known as a powerhouse of ideas. From Marx, he absorbed the capitalist dynamic of profit generation. Lenin showed him the

role of leadership in setting a country on the path of industrialization and development. Trotsky envisioned a society that contained traces of Keynes's ideas about an Ideal society. Stalin organized the planning dreamed of by Keynes in the form of Five-Year Plans. Keynes's powerhouse of ideas produced a dream of a society with full individual freedom and abundance.

Keynes advocated that in his Ideal society, humanity would have already solved its economic problems, such as building a society without any unemployment. People would work a few hours per week, and all material needs would have been satisfied. When these needs were met, individuals could devote their energies to non-economic purposes.

Keynes pointed out the ultimate purpose of his Ideal society: the individual would be concerned with how to use their vast free time and would have time to live their leisure. They would have time to live life without material worries. It would be a life of social, material, and mental well-being. The love of money should not exist or would be detestable.

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