



# The Keynesian Revolution and Our Empty Economy

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We're All Dead

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Victor V. Claar · Greg Forster

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# The Keynesian Revolution and Our Empty Economy

“If you think you know the imprint John Maynard Keynes left on economics and the world, you are in for a surprise. Claar and Forster build a compelling case that Keynes’s legacy is moral rather than scientific. Though explicit in his writings, Keynes’s moral philosophy and its effects have been overlooked. Keynes turned virtues into vices and vices into virtues. This moral revolution was more fruitful than his scientific innovations. And the fruit is bitter. Economists since Keynes, including Austrian and Chicago critics, have accepted his moral philosophy. Keynesian morals are built into the structures of public and private institutions, policies, and into our desires. We have material prosperity, but it is hollow. This fine book is in the spirit of Wilhelm Röpke, Keynes’s most perceptive contemporaneous critic.”

—J. Daniel Hammond, *Hultquist Family Professor, Wake Forest University*

“This is a courageous book. It asks economists to not only transcend their standard parameters and to realize that they are students of human conduct but also to grasp that human conduct inescapably has a moral dimension. The authors show that a failure to consider the moral dimension of human conduct leads to the ad nauseum fluctuations in our political life between the socialist left and the fascist right. Economists—indeed all social scientists—need to address the underlying meaning of human life. Consumption is not what life is ultimately about. This book will please neither standard economists nor most contemporary moralists, but to anyone who realizes that morality concerns flesh-and-blood human beings for whom the economic side of life does not exist in splendid isolation apart from the rest of human life, it is an intellectual call to arms. Simply put, once we understand that there is *telos* to human life that is not death, but human flourishing, then we can see that Keynes was manifestly wrong.”

—Dr. Douglas B. Rasmussen, *Professor of Philosophy, St. John’s University*

“Claar and Forster’s thought-provoking book reminds economists of the moral roots of our profession - roots from which common models stem and moral implications are derived whether we acknowledge them or not. In their delightful prose, they use the history of Keynesianism to call the profession to (re)consider its moral foundations and give up the pretense of positive analysis in favor of consciously reflecting on human dignity, the transcendent, and their roles in economics.”

—Angela K. Dills, *Gimelstob-Landry Distinguished Professor of Regional Economic Development, Western Carolina University*

“Surrounding us today are messages for simplifying our homes and our lives, for possessing and doing only things that “spark joy”—in short, for re-examining the consumerism that has been rampant in the post-World War II era. Meanwhile, governments pursue economic policies organized around targets for inflation and expectations for growth in national GDP that depend analytically upon the centrality of consumption and anthropologically on what Lord Keynes depicted as the “animal spirits” of mankind. Claar and Forster provide a valuable service by exploring how the 20<sup>th</sup>-century Keynesian revolution in political economy was wrought despite the availability of alternative paradigms, by explicating the troubling consequences of that victory, and by calling for a new conversation about the moral anthropology, economic theory, and social philosophies that might help us better align public policy with our growing dis-ease at being mere cogs in the machine of producing aggregate demand.”

—Lenore T. Ealy, Ph.D., *President, The Philanthropic Enterprise*

“Claar and Forster issue a clarion call to economists to re-examine the normative roots of their profession. They present a cogent analysis of how J.M Keynes’s moral vision of a consumption-driven economy is transformed by the Keynesian Revolution into an economics solely geared to serving humans as ‘bundles of appetites’. Through a comparative examination of other paradigms in the history of moral reasoning about economic action, they provide a well-reasoned argument for a return to a teleologically-grounded economics.”

—Edd Noell, *Professor of Economics, Westmont College, and President, Association of Christian Economists*

“Much to the chagrin of economists, thinking about human betterment requires more than a theory of rational individuals with preferences and resources interacting in markets. We need a framework for thinking about social organization outside markets, and an ethical theory based on more than hedonic calculation. Claar and Forster walk us through past proposals for combining ethics, social organization and markets, and then ask how we might begin to reframe such a relationship today. You will probably not agree with everything here, but you will find much to ponder.”

—Ross B. Emmett, *Professor of Political Economy, Arizona State University*

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“Private vices, by the dexterous management of a skillful politician, may be turned into public benefits.”

Bernard Mandeville, *The Fable of the Bees*

“I should support all sorts of policies for increasing the propensity to consume.”

John Maynard Keynes, *The General Theory of Employment, Interest and Money*

*To Wilhelm Röpke, who saw what was happening  
and sounded the alarm*

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## CITATIONS TO CLASSIC WORKS

Classic works such as those of Aristotle or Adam Smith are available in many editions, with no single standard edition. Where appropriate, when citing such works we have supplied the page number of the edition we use, followed (after a semicolon) by standardized references such as book, chapter, and section numbers, so readers using other editions can find the citations without unnecessary inconvenience.

## ABOUT THIS BOOK

This book considers the cultural legacy of the Keynesian Revolution in economics. It assesses the impact of Keynes and Keynesian thinking upon economics and policy, as well as the response of the Chicago and Austrian schools, and the legacy of all three in shaping economic life. The book is a call to restore economics to its roots in moral and cultural knowledge, reminding us that human beings are more than consumers. The Keynesian Revolution taught us that we should be happy if we are prosperous, but instead we feel hollow and morally anxious—our economy feels empty. Drawing on paradigms from earlier historical periods while affirming modern market systems, this book encourages a return to a view of human beings as persons with the right and responsibility to discover, and do, the things in life that are intrinsically good and enduring. Because in the long run, the legacy of our choices will live on long after “we’re all dead.”

# CONTENTS

<b>1</b>	<b>Introduction: Work Hard and Play by the Rules</b>	<b>1</b>
<b>Part I The Stakes</b>		
<b>2</b>	<b>From Socrates to Smith: The Moral and Cultural Foundations of Economics</b>	<b>23</b>
<b>3</b>	<b>Just the Facts, Mammon: Aspirations to Moral and Cultural Neutrality</b>	<b>59</b>
<b>Part II The Keynesian Revolution</b>		
<b>4</b>	<b>Keynes' Revolutionary Vision: Consumer Satisfaction as Moral Crusade</b>	<b>91</b>
<b>5</b>	<b>Forging the Consumption Paradigm: A Morally Neutral Moral Crusade</b>	<b>131</b>
<b>6</b>	<b>"We Are All Keynesians Now": How the Revolution Transformed Our Economy and Culture</b>	<b>161</b>

7	Two Counter-Revolution: The Chicago and Austrian Schools and the Consumption Paradigm	177
Part III Hollow Prosperity in the Empty Economy		
8	Pull Your Own Weight: Moral and Cultural Conditions for Productivity	195
9	Leave It Better Than You Found It: Moral and Cultural Conditions for Stewardship	243
10	Respect Other People: Moral and Cultural Conditions of Human Dignity	275
11	Putting First Things First: Moral Consensus for a Flourishing Economic Culture	305
12	Conclusion: Toward a Moral Consensus Paradigm	323
	Author Index	335
	Subject Index	339

## LIST OF FIGURES

Fig. 5.1	The <i>IS</i> Curve ( <i>Note</i> This figure is a creation of the authors' based upon the <i>IS</i> equation (see text))	139
Fig. 5.2	The <i>LM</i> Curve ( <i>Note</i> This figure is a creation of the authors' based upon the <i>LM</i> equation (see text))	140
Fig. 5.3	The <i>IS-LM</i> diagram ( <i>Note</i> This figure is a creation of the authors' based upon the <i>IS</i> and <i>LM</i> equations (see text))	141
Fig. 5.4	A Keynesian recession ( <i>Note</i> This figure is a creation of the authors' based upon the <i>IS</i> and <i>LM</i> equations (see text))	142
Fig. 5.5	Totems of the Micro and Macro (Copyright 1973 Western Economic Association. Reprinted with permission)	145
Fig. 5.6	Samuelson's Keynesian Cross ( <i>Note</i> This figure is a creation of the authors' based upon the <i>IS</i> equation (see text))	153



## CHAPTER 1

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# Introduction: Work Hard and Play by the Rules

America is haunted by a deep and growing anxiety about the structures of its economy. This anxiety crosses all lines of ethnicity, class, religion, party, and ideology; it has been an equally powerful force in the striking rise to power of former fringe figures Donald Trump and Bernie Sanders; in the Tea Party and Occupy Wall Street; and at the kitchen tables of millions of ordinary, apolitical Americans. It is not a mere selfish concern about who gets how much. It is a moral anxiety, a concern about what kind of people we are becoming. Is America still a country where it pays to “work hard and play by the rules,” in Bill Clinton’s famous phrase? Or have we become the kind of place where cheaters consistently get ahead and slackers get a free ride—where working hard and playing by the rules is for suckers?

### HOLLOW PROSPERITY AND THE EMPTY ECONOMY

America is a prosperous country—by historical standards, breathtakingly so. But we are not satisfied with our prosperity; it feels hollow. The richer we get, the more dissatisfied we seem to become. Where our ancestors were anxious to achieve affluence, we are anxious about our affluence. Our booming economy feels empty.

Ironically, even as economic structures dominated by the aristocratic hierarchies of the past are more and more completely dismantled by the dynamic churn of global markets, our sense that the rich don’t deserve their wealth—that the whole system is rigged against the little guy, and it’s

useless to work hard and play by the rules—has steadily increased rather than decreased. People distrust and resent the economic system dominated by bankers and tech entrepreneurs even more than they used to distrust and resent the systems that were dominated by kings and priests.

You can see this feeling of hollow prosperity in the stark contrast between economic policy debates in the early twenty-first century and economic policy debates in the second half of the twentieth century. From Eisenhower through Clinton, public debates about economics were dominated by technical questions. How do we manage the business cycle? How do we keep down inflation? How do taxes and regulations affect growth? How much debt is sustainable? Key moral questions did occasionally take center stage—especially where economic policy intersected directly with matters that were of more than just economic concern, such as racial segregation or health care. And politicians, as always, dressed up technical questions in moral language to whip up popular support for their preferred policies. At the bottom, however, economic debates were managerial—they were about what techniques we should use to manage our affluence. Prosperity was solid enough to be technical.

Those days are over. Economic debates today are all about outrage—which is to say, they are fueled (often unconsciously) by moral anxieties. We fear there is no moral core to our prosperity.

Nationalists are outraged that we don't have big walls and high tariffs to protect our people. How these things are supposed to work in practice almost never gets discussed. In the face of a deeper moral anxiety that our institutions no longer have any moral core, which is supposed to be to take care of their people, mere technical issues are beside the point.

Socialists are outraged that the government doesn't provide free, universal medical care and college education. How these things are supposed to work in practice almost never gets discussed. In the face of a deeper moral anxiety that our institutions no longer have any moral core, which is supposed to be to take care of their people, mere technical issues are beside the point.

From bailouts and bank regulations to basic universal income and Brexit, it's all the same story. People are outraged, and outraged people don't care about technique. If you've been sold a machine that turns out to have a missing button or a misaligned gear, you'll call technical support. But if you think you've been sold a machine that's actually a hollow shell, and doesn't have any of its most important working parts, you're not going to call technical support. You're going to call the cops.

The institutions of economic power—the businesses and financial houses and regulatory agencies and intergovernmental institutions—are still controlled by people who care about how economics works. But they now live in a parallel universe, separate from the public discourse that shapes economic policy. They are struggling to figure out how to do their jobs in a world where nobody trusts them, and nobody cares about technique.

But this change is also visible far beyond public policy debates. It runs much deeper. It goes down to the roots of who we are.

Taking an Uber ride through the streets of Omaha, heading to a seminar at Creighton University, one of the authors of this book noticed a building with an impressive glass dome. Hundreds of small windows fit together in an intricate pattern to form the dome. He remarked to the Uber driver on the building's unusual and impressive architecture.

"Yup," the driver responded. "I put in most of that glass."

The driver, who looked about 75, explained that he had worked most of his life in window installation. Over the course of a long career, he had worked on most of the larger buildings in Omaha. Now that he was beyond the age for that kind of work, driving for Uber allowed him to stay connected to his professional legacy.

"I feel pretty good, driving around the city, seeing all the glass I put in," he said.

But he said it in a bittersweet tone, one that reminded its hearer that it was not only in this driver's personal history that such things felt like they were departing the present for the past. The world where people were allowed to care about that kind of thing—the world where your daily work amounted to something important, something whose worth could not be measured in dollars and cents—seemed to belong to America's past, not just to this driver's past.

Almost nothing is more debilitating in the life of a nation than a pervasive moral anxiety. Wars and disasters may be catastrophic in the short term, but a persistent moral anxiety robs people of dignity and meaning. It destroys people's sense that their decisions matter, that they are moral agents. In some it breeds cynicism, injustice, and exploitation; it breeds anger, resentment, and political extremism in some others; and among still others, a paralyzing state of dependency, learned helplessness and susceptibility to manipulation. Among all but those of the strongest character or firmest faith, it plants a disturbing seed of doubt, nagging

away at us, whispering that we can't really be sure our lives have any significance. And slowly, the seeds grow (Berger 1967, 22–24).

The worst part of our anxiety is that we keep trying to fix the problem, but nothing we try seems to help. Politicians in both parties keep affirming their fervent devotion to America's traditional economic virtues: diligence, honesty, entrepreneurship, opportunity for all, and earning your success by doing work that makes the world a better place. They promise, and sometimes they even implement, ambitious plans to preserve our way of life. Yet somehow the scoundrels are always still on top, and the slackers never get off their cans and out of their parents' basements. We have lost our sense that working hard and playing by the rules pays off. And the seeds of meaninglessness continue to grow.

We wrote this book because we believe there is hope America can overcome the anxiety of affluence, the sense that our prosperity is hollow and our economy empty. We are not offering Polyannaism; indeed, we argue that the threat is even worse than most people have yet realized. The causes of hollow prosperity are older and deeper than one election cycle or even one generation. Nonetheless, we believe the problem, though large, is within the reach of human action. Hollow prosperity is not inevitable, even in a growing economy. A dynamic, modern economy is not doomed, by some inevitable law of nature, to become an unbreakable "iron cage" of materialistic selfishness, as Max Weber feared (Baehr and Wells 2002, ix–lxiv).

The moral misdirection that causes our hollow prosperity is the result of a long series of specific choices made by particular people in identifiable times and places. They did not have to make those choices. They could have made better choices. So can we. We live within structures and constraints created by our ancestors' choices, so getting out will be the work of a generation or longer, not of one election cycle. But if enough cultural leaders, especially economic leaders, grasp the deeper causes of the problem and prioritize effective solutions, our moral disorders can be licked. Greater challenges have been conquered before and will be conquered again. Hope will not put us to shame.

### WHAT CAUSES HOLLOW PROSPERITY?

Are we really losing the world that Omaha driver looked back on? After all, people have been raising the alarm about moral decay for a long time, yet the world goes on. The limit of nostalgic absurdity may have

been reached by Richard Weaver, whose romantic longings for the lost agrarian world of the Old South led him to construct an intellectual history of the West consisting of nothing but unbroken moral decline. Some people like to point out that every generation since the fourteenth century has complained that the generation rising to take its place was morally inferior to itself; to this objection, Weaver boldly replies: Yes, and it was true every time (Weaver 1948, 1–17).

We are not interested in nostalgia, still less in futile attempts to resurrect old social models that have passed away for good reasons. But we think the signs are clear that hollow prosperity is a real problem. Radical movements driven by economic resentments and outlandish policy ambitions used to exist on the fringes of American life, even as radicalism on other issues (civil rights and sexuality, for example) often took center stage and sometimes enjoyed impressive victories. Now, the Tea Party and Occupy Wall Street have been followed by the simultaneous rise of possibly the two most economically extremist candidates ever to have a real shot at the presidency: Donald Trump and Bernie Sanders. There is really no precedent in American history for the current triumph of economic radicalism. The nineteenth and twentieth centuries provide plenty of examples of politicians who were like Trump and Sanders—men who consistently lost elections, or won them only in idiosyncratic constituencies; who were shut out of serious public forums; and who enjoyed what little success they had through niche-market rabble-rousing that attracted little general attention. Now, not only have these two extremists climbed to the tops of their respective parties, but they are the models being emulated by future presidential aspirants.

That kind of thing does not come out of nowhere. This book will argue that the underlying source of the anxiety that our prosperity is hollow is the indifference of our economic systems to moral categories. Our current economic system was not created with the intention that it would promote greed, envy, sloth, gluttony, vanity, and other selfish desires in our economic lives. But that is only because it does not even recognize the existence of these things. It does not see them as relevant to its design and functioning. Worse, as we will show, the conscious indifference of our economic thinking toward moral categories has facilitated an unconscious adoption of economic thought that is much worse than merely indifferent to morality; it actively promotes our worst instincts. Our refusal to think about virtue and higher purposes in economics has made it possible for us to unknowingly adopt economic

structures that actively deform us (without our realizing it) into selfish, materialistic economic actors.

The result of this conscious moral indifference and unconscious moral deformation is visible all around us. We find it in business practices that extract money without creating value for the customer; in crony capitalism that uses illicit collusion or government favoritism to enrich big firms and political cronies at the expense of customers, investors, small businesses, and entrepreneurs; in able-bodied people at all levels of the socioeconomic spectrum living in long-term dependency on one-way subsidies from others (the state, churches, friends, and family); and countless other ways. Our conscious indifference to moral categories creates a culture in which we feel like those who have wealth generally don't deserve it—that working hard and playing fair doesn't pay. Our unconscious moral deformation creates a culture in which that perception is increasingly accurate.

This moral indifference and deformation wears many faces. The description above (“greed, envy, sloth, gluttony, vanity, and other selfish desires”) may bring to mind thievery and exploitation, squandering wealth on frivolous luxuries and entertainments, or vulgar indulgences of the flesh. These are certainly selfish desires *par excellence*. And no doubt the selfish desires that matter most are those that move us to break the rules of fair play by lying, cheating, and stealing.

But we also find moral indifference and deformation in the civilized idea of “enlightened self-interest” that urges us to restrain our greed, sloth, and lust in the short term for the sake of long-term happiness that is still entirely self-oriented. The outwardly moralistic man—whether aristocratic gentleman or bourgeois shopkeeper—who would never acquire anything except by honest labor, never waste a penny on frivolities, and never touch a woman other than his wife but who nonetheless *lives for the sake of nothing higher than his own personal happiness* is as much a part of the problem as the most insidious crony capitalist.

It is in this sort of person, and not in the more obviously wicked crony capitalist, that the long-term problem lies. His superficial morality of enlightened self-interest is built on nothing solid. This person can offer no compelling justification for his morality. There is no reason to expect his children and their children will remain as honest, frugal, and disciplined as he, for he lacks a strong enough source to stamp this character upon their hearts (Hunter 2000). This is why the moral virtues and

higher ends of human activity that would make our economic life genuinely meaningful are not being reliably passed on from generation to generation.

Likewise, while “selfish desires” may bring to mind only the selfishness of individuals, the selfishness of social groups is equally important. The desire of one individual to advance themselves at the expense of everyone else is obviously the paradigmatic type of selfishness. But moral indifference also opens the door to the selfish desires of institutions, demographic groups, religions, movements, nations, and so forth. The economic preferences of groups are fair and right in many cases, such as the demand for equal treatment and expansion of opportunity, or the negotiation of a better deal in a contract. However, as Reinhold Niebuhr wisely observed, our “selfless” devotion to a group or cause is often a vicarious form of selfishness. We feel generous and noble because we are serving something higher than ourselves, but we have only legitimized our own selfish desires by projecting them onto the group. I crush you mercilessly and seize money and power, not because I’m selfish, but only because I’m so selflessly devoted to [insert pure and noble cause here]. And the more aggressively we work for the cause, the more selfless we feel, in a vicious circle that goes on without end (Niebuhr 1932, 1–22, 83–112).

While individual selfishness culminates in the ideology of enlightened self-interest, group selfishness culminates in technocracy and collectivism. People no longer have morally important claims in their own right simply because they are human beings with intrinsic dignity and a calling to be stewards over their own lives. They are not entitled to the freedom to make their own choices, and thus the opportunity to practice love, honesty, diligence, generosity, or any other virtue whatever. People become cogs, to be moved around arbitrarily in whatever way serves the machine. If their current shape does not serve the machine, they can be reshaped at will—or scrapped.

Manifest injustices strike at our sense of moral order like a blow from a sledgehammer. But enlightened self-interest and collectivism can be just as deadly in the long term. The slow and silent selfishness of enlightened self-interest eats away at our sense of moral order like dry rot slowly hollowing out a tree. And the iron vice of collectivism, which grasps the moral order at first intending to fix it, gradually squeezes it tighter and tighter until the life is at last choked out of it.

## ECONOMICS SHAPES MORAL AND CULTURAL LIFE

If we are really losing our grip on the world that Omaha driver looked back to, what exactly was it that allowed that world to maintain moral coherence in its economy? How did we come to lose our grip on it, and how can we start rebuilding it? One of the reasons it's difficult to write about these issues is that we no longer have clear categories for thinking about this ineffable something that makes economies cohere morally. That lack of categories is central to the story of how hollow prosperity arose.

We love economics. We love economics so much because we think it matters—a lot. We owe to the diligent labors of this discipline enormous advances in our understanding of how economic life really works. The economic knowledge that the world around us seems determined to squander in its blind fits of outrage is the fruit of centuries of long and arduous labor. This knowledge is not only essential to any effective approach to urgent social problems, but also to any serious understanding of human life as a whole. We are economic creatures (in addition to much else) and no one can really form a coherent idea of what it means to be human and what life is all about without at least a basic understanding of the knowledge cultivated by the discipline of economics. This is doubly true in the modern world, where we experience our public and common life with our neighbors primarily through economic relations, as opposed to the political and religious forms of unity that made ancient and medieval cultures cohere.

But “economics matters a lot” is a double-edged sword. Dysfunctions in the study of economics will produce defects in our knowledge of economics, which will in turn produce deformities in our economic institutions—and hence in us and our lives. As economics has come into its own as an independent discipline, the enormous new knowledge this discipline has generated gives it enormous power over our lives. Economic institutions are much more socially important now than they ever have been, and their influence over the way we live our daily lives, and thus over how we understand ourselves and our world, is vast.

Our argument is interdisciplinary, or perhaps metadisciplinary. We are not “doing economics” but examining the presuppositions of doing economics. Yet we also are not simply subjecting economics to a unilateral imposition of premises from another discipline, as if we wanted to repeal the independence of the discipline and return economics to its former

status as a branch of moral philosophy. We are social scientists who value the enterprise of social science on its own terms. But we recognize that all disciplines rely upon premises that cannot be justified within the discipline; they rely on sources outside themselves. We are constructing a dialogue between economics and moral philosophy, using the lens of each discipline to look at the other and see what we can learn about both. We want economics and moral philosophy to compare notes—on equal terms.

Economics is a moral and cultural system. That is what the dialogue between economics and moral philosophy reveals. If economists want a full understanding of economic behavior—not of something outside economics that is connected or related to it, but economic behavior considered in itself—they have to think about moral and cultural questions.

The economy is a web of human relationships in which people create value and exchange it with one another, and all human action is moral and cultural. Human action is shaped at the deepest levels by morality—by our character; by what we understand to be good, true, and beautiful; and by what rules we believe we are obligated to obey. Equally, human action is shaped at the deepest levels by culture—by formal and informal social structures that help define the meaning of our actions, greatly limiting the ability of individuals to simply make up the meaning of their own lives for themselves.

Think of that Uber driver who used to install windows. His economic work is a source of meaning and purpose in his life, far beyond the paycheck. This meaning and purpose is not something that stands outside of his economic behavior, or even something that exists parallel to his economic behavior in some kind of oil-and-water distinct coexistence. The meaning and purpose of his work is core to his economic behavior as economic behavior.

However, the discipline of economics today has no categories for thinking about his economic behavior in these terms. When asking what he gets out of his job, it rarely looks beyond the paycheck. And through the influence of the institutions that are shaped by the discipline of economics, the economists have taught the institutions that have authoritative voices in our wider culture to think about jobs solely in terms of paychecks as well.

Now think about bigger structures. Have you ever seen a business—Apple, General Motors, Disney, Caterpillar, anybody—talk about itself as if it existed to make money? On the contrary, they all work hard to

articulate a mission and vision grounded in some higher purpose that serves human needs and makes the world a better place through their products and services. That is not just PR hokum (although of course there's always a healthy dose of hokum in the world, and business is no exception). For the people who work in a business, that business is not just a platform for making money. The work they do there is a source of meaning and purpose in their lives. Therefore the business itself must have meaning and purpose—a mission worth working for.

The discipline of economics sees a business only as a platform for making money. However, the literature on business management—written by and for the people who actually run businesses—has recognized this as a fallacy for generations.<sup>1</sup> One of the most widely accepted pieces of conventional wisdom in management literature is that employees are much more motivated by a sense of mission than by paychecks, so good business leadership involves articulating a mission that has intrinsic value (i.e. value beyond the revenue it produces) and then running the organization in accordance with that vision.

Yet we don't apply this insight beyond our own lives. Everyone on the shop floor at General Motors cares intensely about the higher purpose of their own work, making products that serve their neighbors and make the world a better place. But they know that the people in the executive suite at Apple are just greedy scoundrels who only care about money. And everyone in the executive suite at Apple feels the same in reverse, about their own work and about the "it's-just-a-paycheck" attitude they assume must predominate on the shop floor at General Motors.

The wider culture gets its categories for thinking about economics from economists, not from the business management literature. Hence our businesses are constantly talking about higher purpose in business, and this discourse has no practical effect on economic policy or our cultural understanding of what economic life is all about. In our own workplaces, where we find meaning and purpose in our own work, we take the mission of the business seriously. But when we hear the CEO of any

<sup>1</sup>Consider, for example, Frederick Herzberg's classic 1968 article, which became the most-requested reprint in the history of *Harvard Business Review* and was reprinted in that journal in full in 2003 (Herzberg 2003). This article, as the title suggests, presented a summary of what was already in 1968 a line of research that had been going on for a generation. After Herzberg, this line of management research was taken up by such prominent figures as Peter Drucker and Michael Porter.

company outside of our own sector talking about meaning and purpose, we dismiss it as PR hokum.

As hollow prosperity grows, we become increasingly aware that something is missing—for example, that we must acknowledge some higher purpose in our work besides the paycheck. Yet generations of moral indifference and deformation in economics has left us without categories for thinking, speaking, and acting about this problem. Unable to do anything, or even to articulate our concerns clearly, we are paralyzed. Hence the feeling that we are losing our grip on the world where such things used to matter. Hence the outrage and the demand that somebody must do something, without thinking about how things work.

From this we draw two conclusions that will shape our argument. Because all human action is moral, every school of economics rests at bottom upon a set of normative presuppositions (what is obligatory?) and teleological presuppositions (what is intrinsically good?). And because all human action is cultural, the normative and teleological presuppositions upon which economics rests are not simply a matter of individual belief and choice from moment to moment. They are that to some extent, but they are also embedded deep in the formal and informal structures of society. Those structures change slowly and are not much susceptible to short-term manipulation.

So economics can neither (1) avoid morality nor (2) individualize morality. If we want to understand economic behavior, we must understand its normative and teleological dimensions. And we cannot reduce those normative and teleological dimensions to arbitrary individual preferences.

## WE'RE ALL DEAD: THE KEYNESIAN REVOLUTION

In this book, we argue that the moral deformation in our economic system is grounded in a revolutionary transformation in the discipline of economics in the first half of the twentieth century. Chapter 2 outlines the moral and cultural nature of the most important historical paradigms for studying economics—the Nature paradigm of classical Greece and Rome, the God paradigm of medieval and early modern Christians, and the Reason paradigm of the Enlightenment—as well as the reasons they passed away. Chapter 3 shows how economists in the nineteenth century aspired to a morally and culturally neutral social science. In Chapter 4, we describe how Keynes reacted against the moral

emptiness of the nineteenth-century approach by offering an economics that was normative but not teleological—a fervent moral crusade, but without any ethical basis or purpose higher than the goodness of satisfying consumer appetites. Chapter 5 traces how the major figures who followed Keynes adopted his moral crusade, but clothed it in the nineteenth-century language of moral neutrality, producing a fully developed Consumption paradigm that claimed to be morally neutral while actually conducting the discipline of economics as a moral crusade to maximize consumption. Chapter 6 reviews how this Consumption paradigm gained extensive influence over the structures of our economic life and broader culture. Chapter 7 looks at the major responses from Keynes’ critics in the Austrian and Chicago schools, highlighting how they—ironically—participated in and actually strengthened the process of transforming economics into a moral crusade for the satisfaction of consumer appetites. Chapters 8 through 11 examine the Consumption paradigm through the lens of moral philosophy, asking four key anthropological questions (how do human beings relate to their environment, to the past and future, to one another and to the transcendent?) that reveal the implicit moral and cultural assumptions of their paradigm. The Conclusion in Chapter 12 considers where this history leaves us, and what we might do now to begin constructing a better paradigm for economic study.

The reader will have seen that we are, in the words of one reviewer who commented on the manuscript of this book, “playing the paradigm game.” That is, we are describing an overarching set of assumptions that define the discipline of economics in the present historical period, and illustrating the content of this set of assumptions by comparing them with the assumptions that defined the discipline in other historical periods. This method is useful for discovering assumptions that are typically unconscious, and revealing the full meaning of these assumptions by showing how they differ from the assumptions that have prevailed in the past. The Consumption paradigm is so deeply and widely established in our lives that we have to step very far back from our present position before we can see it for what it is.

However, this method is also susceptible to the danger of oversimplification. We are well aware of how much detail and nuance we have left out. For example, in Chapter 2 we describe the “optimism” of the Enlightenment view of human nature, as compared with classical Greco-Roman and Christian views. This is true for the purposes of the present

discussion, because the relevant question is how much we can improve social conditions over time. However, if we were asking how much moral virtue it is possible for individuals to achieve if they have the right endowments and circumstances, the Enlightenment view of human nature might actually be the least “optimistic” of the three, rather than the most optimistic. Painting with a broad brush is necessary to our method, and readers should not rely on this book for general intellectual history as opposed to the particular questions we are focused on. But such methods are useful and necessary for our questions; and if you head down to your local paint store, you will discover that they do sell broad brushes.

The first step in the great change we are tracing was moral indifference. Leading economic thinkers of the nineteenth century attempted to remove the moral and cultural categories that lay at the heart of all previous paradigms for understanding economics. Then, in the twentieth century, the Keynesian Revolution returned economics to its historic roots in moral and cultural engagement. But now it had a new, topsy-turvy “morality” that embraced—and even ethically demanded—selfish, materialistic behavior on grounds that such behavior contributed to economic growth and job creation. The moral indifference of the nineteenth-century economists opened the door to the morally deforming structures of twentieth-century economics.

Ironically, as we will see, John Maynard Keynes himself was admirably forthright that he was a moral and cultural thinker. He wanted to reject the moral indifference of the nineteenth-century economists in favor of a new moral crusade for a consumption-oriented society. He insisted that everyone had an ethical duty to spend and consume more and more, for the sake of fueling the economy. For this grand moral vision, he was prepared to destroy traditional pieties and revolutionize ancient social structures.

However, as we will see, the Keynesians who followed Keynes—and who gave final shape to what we now call the Keynesian Revolution—did not share this view. They wanted to eat their cake and have it; they wanted to be morally neutral like the nineteenth-century economists *and* to go on a moral crusade to promote selfish, materialistic behavior for the sake of jobs and growth. The perverse result is a discipline that (1) claims to be morally neutral, “positive and not normative,” (2) constantly makes strong moral demands, in spite of this supposed moral neutrality, about how we ought to live and how the institutions that

serve as basic structures in our daily lives ought to be managed, and (3) makes these moral demands to promote a way of life that is selfish and materialistic.

“In the long run we are all dead” (Keynes 2013, 65). Nothing captures the dramatic clash between older moral views and the new one that now guides economics as perfectly as this famous rejoinder from John Maynard Keynes to the appeals of old-fashioned economists that we think in longer terms. Older views prioritized what we leave to our grandchildren; Keynes prioritized immediate gratification so completely that the good of future generations vanished from any present relevance. As we will see, even in the short essay he wrote on “Economic Possibilities for Our Grandchildren,” for Keynes the good of our grandchildren has no bearing whatsoever on what we ought to do today (Keynes 1963).

Keynes moved the discipline from an older, broader set of moral presuppositions to a new and narrower set of moral presuppositions. Older views were robustly teleological—they had a more fully articulated understanding of what counted as a flourishing human life. They saw productive human work as the source of wealth; they prioritized giving people stewardship over their own lives for their own flourishing as well as the long-term stewardship of civilization for future generations. Keynes replaced this with shallow anthropology and a utilitarian moral ethic. He saw people’s desire to consume as the source of wealth, rather than their desire to create; he trusted that people could be so rational, and that reason itself could be so far-seeing, that control of the economy could be safely handed over to elite-educated, plenipotentiary technocrats; and he prioritized short-term gratification over long-term stewardship of civilization.

In Keynes’ works, economics is robustly normative, but has almost no teleology. Keynes insists that we have moral obligations (the normative dimension). But his thought is informed by a shallow and materialistic understanding of what is intrinsically good and worth pursuing (the teleological dimension).

The primary figures who followed Keynes were uncomfortable with his openly and even proudly normative approach. They followed the nineteenth-century economists in aspiring toward moral neutrality. So as they built up the system of Keynesianism, they brought back in all the nineteenth-century rhetoric about how economics must be positive, not normative, and refrain from telling people how they ought to live. Yet

they retained, and even amplified, Keynes' normative commitments to the elevation of short-term consumption appetites and central economic planning by omnipotent experts.

Needless to say, these are not the usual focal points for the study of Keynes and Keynesianism. Part of the reason we have difficulty seeing these aspects of the Keynesian Revolution is because we are so much its children. We do not find Keynes' breathtakingly radical and revolutionary statements to be radical or revolutionary, or even noteworthy, because to a large extent we think about economics the way he taught us to think about it. Likewise, when we hear economists say that they make no moral claims, and then instantly turn around and give us a long list of things we ought to do, we either do not notice the dissonance or merely smile about it and move on. We have no sense of the floor opening up underneath our feet to reveal an abyss of moral confusion with no bottom.

Of course, the Keynesian Revolution did not take place in a vacuum. Such changes are always part of a larger history that involves many influences. This story could be told with other emphases. However, it was Keynes who gave expression to the grand vision of economics as a moral crusade on behalf of selfish materialism. And it was his followers who blended that vision with the discipline's sharply contrasting nineteenth-century rhetoric of moral neutrality to produce the paradigm out of which the discipline operates today.

But do academic economists really have this much control over how the broader economy and culture think about economics? At the time of the Keynesian Revolution, they did. Universities were at the height of their social power in the first half of the twentieth century. The process of embedding moral presuppositions into a culture occurs primarily in institutions with recognized cultural authority and prestige; culture changes when these institutions change (Hunter 2010, 32–47). The American university was at that time among the most powerful of such institutions. Rival sources of authority, such as churches, remained quantitatively large but had steadily lost their cultural power. And the forces that have eaten away at the university's cultural power in more recent years—intellectual overspecialization, bureaucratic dilution of mission, ideological rigidity, capitulation to student radicalism and entrepreneurial disruption from alternative knowledge sources—were all still in the future.

The Keynesian Revolution in academic economics filtered outward through the mediation of people who presented themselves, essentially, as Keynes' translators. In reality, those who play what is commonly called a "translator" role between the academy and the world of practice are never really just translators. They select some of the insights they glean from scholars and integrate these with other selections of knowledge and experience drawn from more practical sources. And they do so in response to a variety of incentives and pressures. To some extent, they disseminate knowledge and integrate experiences to improve the world of practice; but to some extent they also reshape the knowledge and experiences they integrate to accommodate existing interests in the practical world that can't be changed in the short term, or that they do not wish to change (Hayek 1949).

The Consumption paradigm has had wide-ranging effects on economic policy and practice. In Chapters 8 through 11 we will trace some of its more obvious and important tangible effects. It shapes the arguments we make in debates over tariffs, taxes, immigration, minimum wages, universal basic income proposals, and other hot economic topics. Beyond this, its implications range from the almost-exclusive focus on GDP per person as our overriding measure of economic flourishing to the almost-exclusive focus on fiscal and monetary stimulus as responses to downturns; from declines in new business formation to increases in nonwork and economic dependency; from the explosion of personal and public debt to the collapse of business ethics; from the ever-increasing level of control political leaders have over our lives to the ever-increasing level of vicious polarization in our culture.

### BEYOND CHICAGO: CRAFTING AN EFFECTIVE RESPONSE

The Keynesian revolution, like all revolutions, was followed by reactions. Chief among them were the critiques of Keynesianism from two great rival schools: the Chicago school and the Austrian school. These schools fought hard to challenge the dominance of Keynesianism. They racked up some impressive successes, particularly in the last quarter of the twentieth century. But the appearance that they had finally displaced Keynesianism proved fleeting. By the early twenty-first century, under both Republican and Democratic administrations, Keynes was back in the driver's seat, stronger than ever.