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THE NEW ECONOMICS.

by M. Polanyi.

This book is born of the conviction that we have to-day in the Keynesian theory of employment the key to a proper economic structure of society, and that the general public is not aware of this. The realisation of the fact that modern economic theory offers the means for avoiding unemployment has not yet penetrated to the leading political writers of the day.

(cut out and use latter)

(Insert here an extract of the position taken up by Meade, Douglas Jay, Durbin, Brockenau, Drucker, Wells, Cole, Dickinson, Geoffrey Crowther, Church Conference, Middleton Murray, John Strachey)

The new economic thought, which took its origin from Keynes' "General Theory of Employment etc.", published in 1935, has by now completely revolutionised the theoretical analysis of economics as given in technical Journals and textbooks. It has also exercised great influence on the New Dealers in the U.S. and is becoming increasingly accepted as the theoretical basis of British financial policy. Nor is the influence of the new theory absent in books on social problems. A number of socialist authors, well schooled in economic theory, have given prominence to the possibilities opened up by the Keynesian view. Socialists, however, are not altogether suitable pioneers along the new ways of thought, which, by their very nature, form a side-track to the socialist issue of state ownership. Most left-wing writers and Economic Planners, bent on the suppression of private enterprise, take therefore little notice, if any, of the

new theory which is destined to restore the decency and vitality of the capitalist system.

Response among non-socialists has not been much better. Popular economic writings of Geoffrey Crowther have explained Keynesian theory but given little scope to its social significance. Walter Lippmann's "Good Society" published in 1937 was crystallised before Keynes' book had taken full effect on its author. Other non-socialist political writings of the past five years have been even less favourable to Keynes. In the books of Lionel Robbins that were published in this period, there are strong attacks on some of Keynes' views and other leaders of the Liberal School of economists have shown a similarly directed antagonism.

(footnote)

Pigou, Hayek. Much of this criticism was directed against other parts of the Keynesian theories, than those which we are going to discuss in this book.

Federal Union, a movement of thought, which, only recently, spread out widely all over England and America, took no notice of the Keynesian analysis of unemployment, and - so far as I can see - never questioned the expectation, emphatically expressed (without even a hint of evidence) by Streit in "Union Now", that economic union will cure unemployment. A similar disregard of Keynesian thought forms largely the basis of Drucker's "The End of Economic Man," which in recent years was the most successful of the many writings, announcing the "final failure" of capitalism, as manifested in mass unemployment.

The enlightenment of the educated strata - and through them, of the wider masses of the people - in the new understanding of economic life, must not be delayed. The thin trickle of academic teaching as imparted to specialists, in technical terms, must not be encumbered with side issues, that none of its vital message is brought into wider circulation. While access to the new outlook remains limited to students of economics, the public is left unaided in its perplexity: equally repelled by the recollections of the pre-war depression, and by the systems of economic control, by which totalitarian countries used to ensure full employment. In its academic and professional isolation the Keynesian theory fails to make impact with the wide political desires which it should be destined to release. Unaided by popular response it cannot develop its vast

social implications and remains a piece of clever analytical technique, for the use of specialists.

By this little book I want to share with the reader my own method, through which I have - without any training as an economist - built up for myself an adequate understanding of the Keynesian view. This technique will also be used to demonstrate the mechanism by which various remedies of unemployment can take effect. I will try to explain one particularly simple and radical method, the separation of Saving and Investment, which apparently has not been suggested before in quite the same way.

Next to unemployment, the greatest evil in modern capitalism is the prevalence of monopolistic tendencies. I will show how strongly these are increased by an atmosphere of chronic unemployment, and that consequently the best - and perhaps only - way to prepare their elimination, is to secure a permanent flow of full employment.

The diagrams which I am going to use are based on a film, "Unemployment and Money" which I made a few years ago. They were drawn for the film by Mr. Jeffryes and re-drawn for this book by ... A recent experiment conducted by Mr. Shearman, Educational Officer of the W.E.A. has tested the film, and confirmed the hope that its symbols form a useful base for thought - at least of a simpler kind - on "dynamic variations of economic life.