Keynesianism

- Approach to economics promoted by John Maynard Keynes (1883-1946)
- Stepped away from the ideas of Adam Smith that we should have total free market economies and was therefore quite a radical economist at the time
- Keynes was a kind of welfare capitalist
- It recognised that:
    - Markets are not self regulating but need managing
    - That capitalism was (necessarily) subject to cyclical crises
    - That government should stimulate aggregate demand (for goods and services)
    - That government should promote equilibrium
    - That government should strive toward full employment

Regulation and the State

- Regulation was therefore heavily involved in Fordist-Keynesian capitalism
- It controlled:
    - Wages: collective bargaining with capital and labour
    - Competition: mediated competition through investment in technology
    - Money: mediated supply through Bretton Woods, central banks offered long term credit
    - The State: manage demand, promote full employment, enable mass consumption, welfare statism
    - International: bricolage of national interests policed by the USA, global interdependencies strengthen to increased competition among TNCs

Global Finance

- The Classical 'Gold Standard' (1870-1914)
    - Value of major currencies fixed to the price of gold - which was at the time very stable
    - Created a global system of fixed exchange rates
    - Embodied a globally integrated financial system
    - Required states to adjust automatically to financial disciplines
- Great in theory but inflexible
- WWI and the Way Street Crash changed things massively
- The Bretton Woods system (1945-1973)
    - Organised by JM Keynes
    - Fixed national currencies to the USD, which was in turn fixed to the price of gold - in theory this could survive an economic crash better than before
    - National economic interests took precedence over 'global financial discipline'
    - IMF founded to police and act as a lender of last resort to debtor nations
    - As the USA was the only creditor nation post-WWII it dominated
    - States were able to pursue national interests of long term investment, full employment
    - Collapsed in the 1970s

In Summary

- Organised Capitalism was:
    - Multi- scalar (from the factory level to the global financial system)
    - Reliant upon mass production and mass consumption
    - Reliant upon Keynesian macro-economic policies
    - Reliant on strong and managerial nation states
    - Reliant on a financial system that enabled '*long duree*' decision making