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John Maynard Keynes, the GOP's latest whipping boy

By Dana Milbank
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"In the long run we are all dead," the great 20th-century economist John Maynard Keynes once stipulated.

As usual, Keynes was right, and in this case it's probably for the better: Keynes didn't live to see the Republicans of 2010 portray him as some sort of Marxist revolutionary.

"The president will use the Labor Day holiday as the launching pad for yet another government stimulus effort, another play called from the same failed Keynesian playbook," declared Rep. Eric Cantor (Va.), the No. 2 Republican in the House.

"The point is that the Obama Keynesian-on-steroids has not worked," Sen. John McCain (Ariz.) announced on Fox News.

Rep. Paul Ryan (Wis.) determined that "the Keynesian experiment, which was more spending, has failed to produce jobs."

These men get their economic firepower from conservative think tanks such as the Cato Institute (which writes of "Barack Obama's Keynesian Mistake") and from business leaders such as Intel's Paul Otellini ("their experiment in Keynesian economics [is] not w orking"). Together, they've managed to turn the Keynesian notion of economic "stimulus" into such a dirty word that President Obama and his aides are afraid to let it escape their lips.

What's with the hate for Maynard?

Perhaps these Republicans don't realize that some of their tax-cut proposals are as "Keynesian" as Obama's program. There's a fierce dispute about how best to respond to the economic crisis -- Tax cuts? Deficit spending? Monetary intervention? -- but the argument is largely premised on the Keynesian view that government should somehow boost demand in a recession.

Or perhaps, more ominously, these Republicans know exactly what they are saying when they reject Keynesian intervention: that the government should do nothing to help the millions out of work or to rebuild confidence in the economy.

I called Harvard's Greg Mankiw, a former

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chairman of George W. Bush's Council of Economic Advisors, to ask about the GOP assault on Keynes. "I don't think it's useful to frame it as Keynesian and anti-K eynesian," Mankiw said of the attack on the long-dead Briton. Bush, he said, used "Keynesian logic" in designing his tax cuts. "The idea that demand is an important driver of the economic cycle" -- that's Keynesian -- "is uncontroversial," he said.

Here's what Mankiw wrote about Keynes in November 2008 in the New York Times: "If you were going to turn to only one economist t o understand the problems facing the economy, there is little doubt that the economist would be John Maynard Keynes. Although Keynes died more than a half-century ago, his diagnosis of recessions and depressions remains the foundation of modern macroeconomics."

With so much of Keynesian theory universally embraced, Republican denunciation of him has a flat-earth feel to it. Will they next demand the abolition of NASA because it's "Galileo on steroids?" Shut down the National Institutes of Health for being a "Hippocratic mistake?" Strip funding for those "Einsteinian experiments" at Los Alamos? Demand a halt to public schools teaching from the "failed Darwinian playbook?" (Oh, wait. They did that last part already.)

Keynes's place in economics is similarly unassailable, and the assault on him lends credibility to the charge that the Republicans lack ideas of their own and are merely generating opposition for its own sake. There's a cogent argument to be made that Obama's stimulus was ill-designed and ineffective, but dismissing the most important figure in economic thought in the last century says less about Obama than about his accusers.

Writing last year in the New Republic, Richard Posner of the conservative Chicago school of economic thought argued that Keynes's 1936 General Theory "is the best guide we have to the crisis. . . . Economists may have forgotten The General Theory and moved on, but economics has not outgrown it."

Economists offering alternatives to Keynes devised mathematical models showing how markets would behave efficiently. But those ideas collapsed along with everything else in 2008. The uncertainty of the financial crisis

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caused a spiral of falling demand, investments and employment -- just as Keynes had said would happen. A sudden rise in savings among anxious consumers accelerated the decline -- the "paradox of thrift" that Keynes had warned about.

With business and consumers refusing to spend, Keynesian theory says it's up to the government to stimulate consumption -- by spending more or by using tax cuts to stimulate demand.

There is an alternative to such "Keynesian experiments," however. The government could do nothing, and let the human misery continue. By rejecting the "Keynesian playbook," this is what Republicans are really proposing.

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