

Keynes, Hayek, and "Religion" as a Necessary Social Institution

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Recent issues of this journal have been given over to articles dealing with Keynes and with economists of the Austrian persuasion. In particular, two articles addressed similarities between Keynes and Hayek: Lawson brought forward certain methodological relationships (Lawson, 1996), while Shearmur analyzed various connections between Keynes and Hayek in their respective views on the State (Shearmur, 1997).

This paper establishes and evaluates another such relationship that is certainly an aspect of these two most prominent theorists' views on the State but also speaks to a certain underlying understanding of the nature of capitalist organization that informs their respective methodological positions. Both Keynes and Hayek argued for the social necessity of "religion"—understood as an ideological force—as an institution that aided the maintenance of a capitalist economy, which tended to self-destruct if left to its own individualist tendencies.

In September 1925, shortly after their marriage, Keynes and Lydia Lopokova visited the fledgling Soviet Union. It is well known, of course, that Keynes registered marked disdain for that early socialist experiment, partly because it based its hopes on "the common man" or the "boorish proletariat" and partly because he believed socialism to be economically inefficient. Yet, Keynes observed something in that society that caused him to reflect on a failing of capitalism: communism as a "religion" had a great moral force that served as a unifying and galvanizing principle utterly lacking in capitalist society:

The exaltation of the common man is a dogma which has caught the multitude before now. Any religion and the bond which unites co-religionists have power against the egotistic atomism of the irreligious....

If irreligious capitalism is ultimately to defeat religious communism it is not enough that it should be economically more efficient—it must be many times as efficient (Keynes, [1925b] 1972, pp. 267-8).

Hayek entitled the concluding chapter of *The Fatal Conceit*, "Religion and the Guardians of Tradition." Here, in his culminating work, Hayek stressed the tension between the "primitive instincts" of solidarity and collectivism, represented by early communism, and the fragmentation and individualism of the "extended order" (capitalism). The latter may be most beneficial in terms of increasing output and permitting growth in population, but the competition and individualism it necessitates run counter to those primitive instincts that run deep in the human psyche. An irrational resistance to capitalism is generated, based on those primal instincts, and an irrational support for a socialist alternative develops. Religion, understood as religion proper, develops as an evolutionary response to the lost paradise (so it is believed) of primitive communism and serves as an ideological mechanism to maintain the community bonds that are severed by the march of individualism:

We owe it partly to mystical and religious beliefs...that beneficial traditions have been preserved and transmitted at least long enough to enable those groups following them to grow....

As an order of human interaction became more extended, and still more threatening to instinctual claims, it might for a time become quite dependent on the continuing influence of some such religious beliefs—false reasons influencing men to do what

was required to maintain the structure enabling them to nourish their enlarging numbers (Hayek, 1988, pp. 136, 138).

Both Keynes and Hayek noted the need for some socializing institutional force that prevented individualism from fracturing the society that lay at the foundation of the capitalist economy promoting that individualism. Granted, they approached this issue from different vantage points (though, as Lawson informs us, these differences are not as acute as usually perceived), and they promoted public policy recommendations that represented quite dissimilar points on the political spectrum. Keynes, in particular, argued that the competitive structure that once provided capitalism with its historic vitality had been gutted by the transformation to large-scale, oligopolistic firms (a transformation that he dated to the end of the nineteenth century [Keynes, (1919) 1971, pp. 9 ff.]) and proposed that something of a collectivist solution to the problems of capitalism must be developed in the modern period (including a socialized investment program [Keynes, (1926) 1972, pp. 287-9; (1936) 1973, p. 164]). Hayek, of course, saw significant state encroachment as anathema (though, as Shearmur demonstrates, this is not to be understood as *no* state intervention). Both, however, did understand that capitalism posed a danger to its own organization in its competitive, divisive structures and processes. And both saw a need for some force that overrode, in large measure, the resulting anti-social consequences of this economic order.

Further, where it is clear that Hayek saw religion (as normally understood) to be the social force that substitutes for the cohesion of the primitive tribe, Keynes was more expansive in his recommendation. For Keynes, "religion" was to be understood as an ideological force that may include religion proper but is not limited to religion. He didn't lay out a specific program in this respect, but one could argue that it could be inclusive of, say, patriotism, nationalism or similar ideologies supportive of capitalist property relations.

Indeed, a scanning of Keynes' writings finds a marked concern for institutional and ideological arrangements that he believed were necessary for modern capitalism to survive. For example, in his discussion on labor policy to be developed in the modern period, he recommended the reintroduction of the Saturnalia, a pre-class society celebration surrounding the winter solstice that had been subsequently used in propertied societies to allow a controlled, institutionalized venting of the anger and frustrations of the producing portions of the population in order to minimize potential revolutionary developments (Keynes, [1925a] 1972, p. 303). (This pre-Christian, pre-class festival, after many social and political gyrations, has devolved into Christmas. See Nissenbaum, 1996.)

Another illustration is Keynes' recommendation regarding policies promoting redistribution (Keynes, [1936] 1973, pp. 372-4). In part, to be sure, his proposals were directed at purely economic consequences for a redistribution of income would raise aggregate spending through the effect on the aggregate marginal propensity to consume. But he also (and perhaps more importantly) believed that the property relations of capitalism would be better safeguarded if the distribution of income were less unequal than that which results from the normal operations of the economy (Ibid., p. 380).

Both Keynes and Hayek, then, saw capitalism as not simply the sum of mechanical relationships among variables, producing results of a purely economic nature, where those relationships were devoid of social foundations or consequences. Rather, they saw the economy as based on a social order where the consequences of the workings of that economy could have serious deleterious effects on that order. Both sought to promote ideas and policies that would defend capitalism—against itself. Granted, they approached their respective examinations of capitalism from different vantage points, and they usually promoted different

policy programs to maintain capitalism. But both Keynes and Hayek were in agreement that the individualizing effects of a capitalist economy needed to be tempered by some social and ideological force that preserved the underlying society. Both saw the social need for "religion."

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