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Economic Modeling and Social Conflict: 1 – The Fiscal Multiplier

9.1 Some methodological remarks

If there is a correspondence between class relations and economic theory, are we able to see it? Can economic models reveal their class nature to the critical eye? Can economic modeling reveal its nature as a set of conceptual devices that represent class relations in a mystified way, and therefore help strategies for the enforcement of capitalist accumulation *vis-à-vis* various social patterns of resistance?¹ The difficulty resides in the fact that by its very nature economic modeling presents itself as a *technical* discourse. A “technical discourse” is one that is apparently free of value judgments about the object of investigation. The fetish-like character of technicism lies in the way it abstracts from the social nature of its object of inquiry, from the fact that capitalist society is pervaded with clashing oppositions. It is only through this abstraction, it is only by “forgetting” the character of the social roots of our condition, that one can claim to be able to embrace objectivity and impartiality in an economic discourse.

In this chapter I show how one of the main tools of post-war Keynesianism, the fiscal multiplier, assumes, without making it explicit, what indeed post-war Keynesianism had to implement: productivity deals. I can show this by reading the simple Keynesian multiplier through Marx’s lenses. My objective is to make explicit, for the Keynesian multiplier, what from a Marxian perspective should be made explicit in any discourse about the capitalist economy, namely the role of the social relations of production.

To avoid any misunderstandings, I must here make explicit what this chapter is not about. This chapter is not about Marx being right and
Keynes wrong, or vice versa. Neither is it about comparing, contrasting or integrating different theories, or functional relations, or causality propositions in the two approaches. For this reason, I will not discuss the abundant neo-Marxian literature that has attempted to integrate the two approaches with the aim of developing new models. Instead of aiming at an integration, this chapter’s main aim is a translation, and the insights we can gain through it.

This operation of course requires a “translator”, a mapping device that enables us to read analytical categories in ways that are different from those originally intended and which became common in the community of professional economists. I will try to make the basic analytical tool of Keynesianism – the fiscal multiplier – intelligible and understandable in terms of Marx’s categories. Since Marx’s main concern is the exposition of social relations behind economic categories (Marx 1867: 169), here my focus is to search for the role played by social relations in the Keynesian multiplier. However, since in given historical period social relations are expressed in institutional forms, my analysis also gives some general insight about the basic institutional requirements assumed within the Keynesian framework, requirements without which the Keynesian multiplier could not be operational. This latter insight is of course not entirely new, since the writers in the Social Structure of Accumulation and Regulation traditions have often pointed out how institutions which enable harmonious capital–labor relations were fundamental for the governance of the macroeconomy during the Keynesian era.

However, what to my knowledge has never been pointed out within these traditions is that embedded in the very analytical tools used by post-war macroeconomics was the assumption of a stable and given balance between classes in society, an assumption that was never made explicit. This means that a translation of the Keynesian multiplier in terms of Marx allows us at the same time to uncover at least part of what Gunnar Myrdal called the “inherited normative system” (Myrdal 1953: 22) of economics, and therefore to discern some hints of the “political element” of macroeconomics of mainstream Keynesianism.

Since Keynes’ *General Theory*, the consumption function has become one of the pillars of modern economics. Every textbook of economics starts with this basic concept as the building block of the entire edifice of macroeconomic theory. Its importance resides in the definition of the fiscal multiplier and in the mirrored relation to the savings and consumption functions. These are concepts which