

# Whither Sustainable Development? A Keynesian Perspective

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## ***1. Introduction***

The ideological reversal that occurred in the late 1970's, along with the triggering of the debt crisis, marks a complete change in the way of apprehending the issue of development. Even though, since the end of World War II, many considered underdevelopment to be a global problem that had to be taken care of on a national scale, according to each country's specificities, in the early 1980's, the monetarist counter reform was to reverse the old proposition. This counter reform considered the problems to be originated from bad choices operated in some countries that wandered from the path that should have allowed them to make up for lost time. From then on, only a global answer, inspired by the Washington consensus, appears to be able to put the developing countries back on the straight and narrow. There were many works showing the inefficiency, if not the untenable side of such a reasoning<sup>1</sup>. Indeed, the growing instability of global economy goes hand in hand with worsening inequality, whereas the satisfaction of basic needs, reduction of poverty and massive unemployment remain a challenge to be taken up. The international institutions embarked on the way to sustainable development, but their approach, based upon the weak sustainability coming from the neo-classical paradigm<sup>2</sup>, does not prove to be up to the present stakes — the planned failure of the Millennium Development Goals proved it.

Yet, some heterodox approaches develop on this question adopting a demarche stamped with strong sustainability. It is the case for a part of ecological economics (Daly, 1990, 1996; Røpke, 2005; Soderbaum, 2000) or for the regulation school (Zuindeau, 2007). Post-developmentalists adopt an even more radical position rejecting the occidental development mode (Latouche, 1993; Nederven-Pieterse, 1998; Rist, 1997; Schuurman, 2000).

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<sup>1</sup> See for instance Stiglitz (2002, 2006), Bresser-Pereira and Varela (2004), Berr and Combarrous (2007).

<sup>2</sup> A presentation of the distinction between weak and strong sustainability can be found in the general introduction. See also Neumayer (2003).

On the other hand, the Post Keynesians face some difficulties to get involved into sustainable development. Even though Davidson and Weintraub (1978) were conscious of the coming ecological stakes when they released the *Journal of Post Keynesian Economics*, they were barely supported on this matter<sup>3</sup>. It is indeed relevant to note that no specific entry on sustainable development is devoted to in the King's Elgar Companion to Post-Keynesian Economics (2003). We can only find an environmental economics entry referring to a microeconomic approach.

This paper aims at revisiting the works of Keynes in order to show that his analysis is compatible with a sustainable development based approach. Indeed, his positions on environment and Arts, which lead him to a virulent criticism of capitalism, constitute the base of an ecological sustainability (2). This base is reinforced by his philosophy of uncertainty, which foreshadow the precautionary principle (3). Regarding social aspects, which constitute a second pillar of sustainable development, Keynes gives also some useful clues. Indeed, the emphasis put on unemployment and equity on the one hand, his vision of economics as a secondary science on the other hand, represent the foundations of a social sustainability which remains to be built (4).

## **2. Environment, Arts and the critic of capitalism**

Keynes' references to environmental issues are rather rare. This can be easily explained if one keeps in mind the historical context of the first half of the 20th century. Indeed, the main concerns are to manage the First World War consequences, to correct monetary and financial imbalances, to fight against mass unemployment or more generally to implement an international environment aiming at favouring peace. However, he knows that some classical economists have investigated environmental issues, such as Malthus on population or Stuart Mill in connection with the search for a steady state.

In a text entitled *National Self-Sufficiency* (1933), Keynes militates in favour of a gradual movement of relative withdrawal of national economies, in opposition with the 19th century internationalism, in order to restore the primacy of politics on economics. But this national self-sufficiency is only a necessary condition to the advent of a new model, which can break with the logic of *laissez-faire*. His critic of free trade is not without pointing out certain positions of the supporters of sustainable development: "*I sympathise, therefore, with those who would minimise, rather than with those who would maximise, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel — these are the things, which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national. Yet, at the same time, those who seek to disembarrass a country of its entanglements should be very slow and wary. It should not be a matter of tearing up roots but of slowly training a plant to grow in a different direction*" (Keynes, 1933, p.236). This reduction of the interdependence between nations is wished today, either by the advocates of a strong sustainability or the post-developmentalists. Through it, we would assist to a re-localization of the production, limiting transport in the productive processes and thus various pollutions. He continues by denouncing the fact that "*the same rule of self-destructive financial calculation governs every walk of life. We destroy the beauty of the countryside because the unappropriated splendours of nature have no economic value. We are capable of shutting off the sun and the stars because they do not pay a dividend. (...) Or again, we have until recently conceived it a moral duty to ruin the*

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<sup>3</sup> See, however, the works of Courvisanos (2005), Gowdy (1991), Jespersen (2004), Holt (2005), Mearman (2005a, 2005b).

*tillers of the soil and destroy the age-long human traditions attendant on husbandry if we could get a loaf of bread thereby a tenth of a penny cheaper*” (Keynes, 1933, p.242). Keynes realises that economic and financial logic are in opposition with ecological and social reason. Keynes condemns environmental destructions and reacts to the disfigurement of the planet, which lead him to minimize the role of economics (Keynes, 1930). He refutes the mainstream view which, accordingly to the neoclassical model, integrates the environment as a natural capital within a production function whose factors — labour, physical capital and thus natural capital — are substitutable, thus subordinating nature to economic calculation (Holt, 2005).

If direct references to environmental problems are rather limited, the stances of Keynes as regards Arts, or his philosophy of uncertainty — that will be further developed —, contain the premises of a Keynesian approach of environment that foreshadows sustainable development. Keynes considers that the purpose of life is to enjoy beauty, knowledge, friendship and love, all concepts that are not primarily concerned with economics. He rejects the “classical” vision, based on the Benthamian utilitarianism, coming from the 18th and 19th centuries, which he considers to be a catastrophic change for civilization. In his opinion, Arts, as nature, must be disconnected from economic considerations, because “*the exploitation and incidental destruction of the divine gift of the public entertainer by prostituting it to the purposes of financial gain is one of the worse crimes of present-day capitalism*” (Keynes, 1936b, p.344).

His positions concerning environment and Arts lead Keynes to formulate a virulent criticism of capitalism, which can be found in many texts. Visiting communist Russia in 1925 (which became USSR in 1922), he notices that if the communist “faith” is likely to involve a collective adhesion, nothing like this can happen with capitalism because of its amorality. In his opinion, “*it seems clearer every day that the moral problem of our age is concerned with the love of money, with the habitual appeal to the money motive in nine-tenths of the activities of life, with the universal striving after individual economic security as the prime objective of endeavour, with the social approbation of money as the measure of constructive success*” (Keynes, 1925b, p.268). If he is wary about communism, he considers that we should give Russia a chance: “*that out of the cruelty and stupidity of Old Russia nothing could ever emerge, but that beneath the cruelty and the stupidity of New Russia some speck of the ideal lie hid*” (Keynes, 1925b, p.271)<sup>4</sup>.

Whatever his criticism of capitalism, Keynes rejects any idea of revolution and preaches gradual changes towards a society less subjected to international constraints. He recognizes however the risks of an “economic nationalism” which introduces many dangers, in particular the one of a great haste: “*it is of the nature of economic processes to be rooted in time. A rapid transition will involve so much pure destruction of wealth that the new state of affairs will be, at first, far worse than the old, and the grand experiment will be discredited*” (Keynes, 1933, p.245). This criticism, which is addressed to the Russian revolution of 1917, is quite relevant concerning the “shock therapy” imposed to Russia in the early 1990s whose negative consequences are well known. But the main risk for Keynes is intolerance, i.e. the

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<sup>4</sup> This initial curiosity is partly explained by the fact that Keynes joins Russian Communism in its will “*to construct a framework of society in which pecuniary motives as influencing action shall have a changed relative importance, in which social approbations shall be differently distributed, and where behaviour, which previously was normal and respectable, ceases to be either the one or the other*” (Keynes, 1925b, pp.259-260). However, he will finally reject this experiment: “*Let Stalin be a terrifying example to all who seek to make experiments. If not, I, at any rate, will soon be back again in my old nineteenth-century ideals, where the play of mind on mind created for us the inheritance which we are seeking today to divert to our own appropriate purposes*” (Keynes, 1933, p. 246).

confiscation of the power by a minority for its own interest<sup>5</sup>. Indeed, “*it is the modern method — to depend on propaganda and to seize the organs of opinion; it is thought to be clever and useful to fossilise thought and to use all the forces of authority to paralyse the play of mind on mind*” (Keynes, 1933, p.245). On this point, the partisans of a strong sustainability fully agree with Keynes. Indeed, they consider capitalism to be responsible of the increase of inequalities while it reinforces the power of the “powerful” — i.e. multinational firm managers, northern but also southern political leaders and main media — whose cupidity or ignorance make them put their own interest before the general interest. Thus, they manage to convince the victims of the system how they need to make sacrifices today in order to reach an unceasingly differed and largely illusory happiness.

To sum up, we can note that Keynes is conscious of environmental and cultural limits of capitalism. But, for more personal reasons, due mainly to his social origins<sup>6</sup>, he does not reject it and only proposes a regulation of the system. This position does not seem to be free from contradiction on behalf of an author wishing to reduce the importance of pecuniary aspects. Thus, Keynes appears to be halfway between the weak and strong versions of sustainable development.

### **3. Uncertainty and Precautionary Principle**

The whole economic philosophy of Keynes is based on uncertainty, a concept that prefigures the precautionary principle.

#### *3.1. The philosophy of uncertainty<sup>7</sup>*

If the concept of uncertainty constitutes one of the pillars of Keynes’ “revolution”, his vision on this subject is strongly influenced by the philosophy of George Moore whose *Principia Ethica* (1903) will deeply mark the apostles of the Bloomsbury group, and particularly Keynes<sup>8</sup>. Besides, this influence will be found in his *Treatise on Probability* (1921) and, later, in his *General Theory* (1936).

Moore tries to answer two questions: what is the good? How to make the good? As he considers that one cannot define the good, except by intuition, he deduces that the largest conceivable goods are state of minds associated with aesthetic pleasure and appreciation of beautiful objects on the one hand, with personal affections on the other hand. Facing difficulties in apprehending the good, Moore considers that we can never be sure of the results of our actions nor even of their desirable nature. As there is no probabilistic basis, we must rely on traditions, rules of conduct, moral standards and common sense.

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<sup>5</sup> However, Keynes is convinced that only a lit elite, of which he considers to be part of, is able to allow great progress. Dealing with “Red Russia”, he asserts: “*How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement?*” (Keynes, 1925b, p.258).

<sup>6</sup> His political course confirms this ambiguity. As a member of the liberal party, to which he will remain faithful throughout his political life, Keynes reproaches the Labour party, of which he shares a number of positions, for being a class party. Whereas he wonders about, in *Am I a Liberal?*, the possibility of joining the Labour party, his position is devoid of ambiguity: “*To begin with, it is a class party, and the class is not my class. If I am going to pursue sectional interests at all, I shall pursue my own. When it comes to the class struggle as such, my local and personal patriotisms, like those of every one else, except certain unpleasant zealous ones, are attached to my own surroundings. I can be influenced by what seems to me to be justice and good sense; but the class war will find me on the side of the educated bourgeoisie*” (Keynes, 1925a, p.297).

<sup>7</sup> This paragraph owes a lot to Dostaler (2007).

<sup>8</sup> Keynes will later claim this influence in *My early beliefs* (Keynes, 1938a).

Keynes will embrace the “religion” of Moore, which allows him to reject the Benthamian utilitarianism that he considers “*as the worm which has been gnawing at the insides of modern civilisation and is responsible for its present moral decay*” (Keynes, 1938a, p.445). This also enables him to push back economic values and therefore the rationality principle<sup>9</sup>. Lastly, Keynes will draw from Moore the idea that we live in a largely non-probabilistic world. Indeed, if, following Moore, we consider the good to be indefinable — because its definition supposes that one knows what it is —, we must logically deduce that we can never be sure of the positive or negative effects of our decisions. Consequently, the neoclassical mechanics cannot function any more. Actually, probabilistic calculus based on Bernoulli’s law is not applicable to economics where the same fact cannot be repeated. Thus, between two situations *a* and *b*, the fact that the first has a probability a hundred times higher to happen does not prevent the second from occurring, or even any other situation which was not foreseeable. Therefore, Keynes thinks that we must reason in radical uncertainty, i.e. in a world where “*there is no scientific basis on which to form any calculate probability whatever. We simply do not know*” (Keynes, 1937, p.114)<sup>10</sup>.

Thus, as Dostaler (2007) points out, in moral sciences, the unit of analysis is human being acting in the history while groping in the fog. But, as it is necessary to act, we must find a new basis from which it becomes possible to take decisions. These decisions must be established, according to Keynes, from expectations allowing to determinate a conventional behaviour, whose foundations are not very solid. Therefore, he argues, “*it is reasonable (...) to be guided to a considerable degree by the facts about which we feel somewhat confident, even though they may be less decisively relevant to the issue than other facts about which our knowledge is vague and scanty*” (Keynes, 1936a, p.148)<sup>11</sup>. Expectations also depend on the confidence with which the forecast is made<sup>12</sup>.

The adoption of this convention allows “the immoralist” Keynes to reject Moore’s conclusions according to whom moral standards must guide our action. The conventional base that he describes leads rather to situations where rumour, fear, disillusion or on the contrary hope — which are non probabilistic elements — can involve a brutal and sudden revision of these expectations, which can be one of the causes of the crises in the emerging countries since the second half of the 1990s.

### *3.2. From uncertainty to the precautionary principle*

The conventional base defined by Keynes allows us to understand better our behaviour concerning environmental questions. Indeed, numerous studies show the unsustainability of the Western model of development. For instance, the increase in the amount of pollution will induce important climatic changes. However, if we are sure that these changes will occur, the

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<sup>9</sup> Indeed, Keynes considers that “*the attribution of rationality to human nature, instead of enriching it, now seems to me to have impoverished it. It ignored certain powerful and valuable springs of feeling*” (Keynes, 1938a, p.448).

<sup>10</sup> His conception of uncertainty will lead him to rebel against some of the most famous statisticians of his time, namely Pearson and Tinbergen.

<sup>11</sup> “*For this reason the facts of the existing situation enter, in a sense disproportionately, into the formation of our long-term expectations; our usual practice being to take the existing situation and to project it into the future, modified only to the extent that we have more or less definite reasons for expecting changes*” (Keynes, 1936a, p.148).

<sup>12</sup> So, “*if we expect large changes but are very uncertain as to what precise form these changes will take, then our confidence will be weak*” (Keynes, 1936a, p.148).

fact of being unaware of the form that they will take — according to Keynes, we have a weak confidence — prevent us from fully taking into account this problem, showing that the most important is not to know that changes will happen, but to believe in their appearance.

However, because ecological matters become an increasingly important component of expectations as environmental risks become more visible, we should adopt a more careful attitude. And if we consider, according to Keynes, that economic issues are secondary and that we live in a world where radical uncertainty prevails, we must promote a necessary precautionary principle. This principle, which appeared for the first time in Germany at the end of the 1960s, is now widely accepted. For instance, the Rio declaration on environment and development (1992), gives in its principle n°15 the following definition: “*In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation*”.

This principle gave place to two antagonistic conceptions. The first one is connected to a weak precautionary principle that is based on a cost/benefit analysis expressing risk management. In that case, the burden of proof of the danger falls onto the opponents of a decision. Thus, this approach recognizes the primacy of economic values because it is easier to highlight economic benefits than human and ecological costs. The second one, which relies on a strong precautionary principle, considers that the promoters of a potentially dangerous decision have to show the absence of “serious” risk. Joining the “imperative of responsibility” of Jonas (1984), this approach states that environmental issues — and one could add social ones — prevail over economic questions. Therefore, strong precautionary principle is not in opposition with Keynes’ primacy of investment but questions the contents of such investment, emphasizing the role of the State that must urge firms to engage in “clean” investments and promote a code of ethics.

#### ***4. Unemployment, distribution and the place of economics***

If Keynes is conscious that many economic problems remain, such as unemployment and distribution, he considers economic issues not to be the most important.

##### *4.1. Economic matters*

In the final chapter of his *General Theory*, Keynes thinks that “*the outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes*” (Keynes, 1936a, p.372). Seventy years later, this assertion is still relevant. Indeed, mass unemployment and increasing precariousness are common either in developed or developing countries and are assimilated to a collateral damage of globalisation despite the speeches of circumstance. Meanwhile, inequality increases<sup>13</sup>.

Keynes, whose economic analysis focuses on demand, cannot accept this situation. Indeed, an increasing instability as regards as employment contributes to create a morose economic environment resulting in a negative impact on effective demand. If he summarizes very well his views on that matter in a text entitled *The General Theory of Employment*

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<sup>13</sup> There is a broad consensus to recognize that inequality, either internal or international, have not ceased increasing for approximately 30 years. See for instance Milanovic (2003), Bourguignon and Morrisson (2002).

(Keynes, 1937), he considers also that technological unemployment, “*due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour*” (Keynes, 1930, p.325), may result in reducing the sorrow of each one, i.e. “*to make what work there is still to be done to be as widely shared as possible*” (Keynes, 1930, p.329), a point of view endorsed by the supporters of a strong sustainability.

Concerning distribution, Keynes condemns the love of money as a possession (Keynes, 1930) which generates speculation and therefore an increasing economic instability and more inequality. This diagnosis is confirmed by more than twenty years of neo-liberal policies based on the so-called Washington consensus. Let’s remember that the Tobin tax, popularized by the altermondialist movement, was largely inspired by Keynes for whom “*the introduction of a substantial government transfer tax on all transactions might prove the most serviceable reform available, with a view to mitigating the predominance of speculation over enterprise*” (Keynes, 1936a, p.160)<sup>14</sup>.

Keynes’ solutions concerning unemployment and distribution of wealth are undoubtedly marked with sustainability. He goes a step further in his respect *Economic Possibilities for Our Grandchildren* (1930) where he considers that the role of economics is to allow the satisfaction of “*those needs that are absolute in the sense that we feel them whatever the situation of our fellow human beings may be*” (Keynes, 1930, p.326). In the case of developing countries, these absolute needs are now connected with the satisfaction of the Millennium Development Goals. In his opinion, once these needs are satisfied, humanity will be able to turn to non economic activities that will be much more important. With his usual optimism, Keynes thinks that “*assuming no important wars and no important increase in population, the economic problem may be solved, or be at least within sight of solution, within a hundred years. This means that the economic problem is not — if we look into the future— the permanent problem of the human race*” (Keynes, 1930, p.326).

However, despite Keynes’ predictions, the economic problem is still not being resolved. In his opinion, “*the pace at which we can reach our destination of economic bliss will be governed by four things — our power to control population, our determination to avoid wars and civil dissensions, our willingness to entrust to science the direction of those matters which are properly the concern of science, and the rate of accumulation as fixed by the margin between our production and our consumption*” (Keynes, 1930, p.331). If population does not seem any more to be a major problem, it is not the same concerning the three other conditions: wars and latent conflicts are expanding; the logic of accumulation keeps progressing and leads Science to be a mean of achieving such an accumulation, resulting in the precautionary principle being inoperative.

#### 4.2. *The primacy of politics on economics*

A question arises. Why, in a world producing so much wealth, the essential needs are still not satisfied? Keynes thinks the reasons are more political than economic. Dealing with unemployment, he asserts: “*I believe that our destiny is in our own hands and that we can emerge from it if only we choose — or rather if those choose who are in authority in the world*” (Keynes, 1931, p.344). If he claims that the elite have to show the way to be followed, Keynes remains vague as for their composition. The evolution of capitalism in the last ten years leads us to believe, following the example of the partisans of a strong sustainability and

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<sup>14</sup> According to Keynes, *speculation* is “*the activity of forecasting the psychology of the market*” while *enterprise* is “*the activity of forecasting the prospective yield of assets over their whole life*” (Keynes, 1936a, p.158).

the post developmentalists, that the power is confiscated by the “powerful” who actually do not work any more in favour of the general interest but try to enhance their dominant position and their privileges<sup>15</sup>. According to Perkins (2005), this “corporatocracy” represents the contemporaneous form of imperialism whose “economic hit men” are the trusty servants<sup>16</sup>.

Keynes would certainly not agree with such radical positions as he considers “*that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas*” (Keynes, 1936a, p.383). Having a high opinion of the *bourgeoisie* and the intelligentsia, he could not resign himself, even if he often noticed, that they were acting in their own interest. However, as Perkins (2005) suggests, the “powerful” maintain conflicting situations in order to draw a pecuniary advantage and a reinforcement of their power. As regards as employment, they may not find beneficial to preach a cut in working time which would limit the economic dependence of a growing number of people. In the same way, a very uneven distribution of wealth has, if nothing is done, a cumulative effect that favours upper social classes and most developed countries while weakening the poorest in order to make them increasingly more docile<sup>17</sup>. This domination results in promoting a free trade based competition that appears in fact largely distorted.

Thus, Keynes’ criticism is still relevant even if the economic context has changed since the 1930s: “*if nations can learn to provide themselves with full employment by their domestic policy (...), there need be no important economic forces calculated to set the interest of one country against that of its neighbours. (...) International trade would cease to be what it is, namely, a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases, which, if successful, will merely shift the problem of unemployment to the neighbour which is worsted in the struggle, but a willing an unimpeded exchange of goods and services in conditions of mutual advantages*” (Keynes, 1936a, pp.382-383). Behind what seems to be a plea for a free trade regime, Keynes believes in fact that solutions are national and promotes a trade regime based on mutual aid rather than on competition. So, “*it does not now seem obvious that a great concentration of national effort on the capture of foreign trade, that the penetration of a country’s economic structure by the resources and the influence of foreign capitalists, that a close dependence of our own economic life on the fluctuating economic policies of foreign countries, are safeguards and assurances of international peace. It is easier, in the light of experience and foresight, to argue quite the contrary. The protection of a country’s existing foreign interests, the capture of new markets, the progress of economic imperialism — these are a scarcely avoidable part of the scheme of things which aims at the maximum of international specialisation and at the maximum of geographical diffusion of capital wherever its seat of ownership. Advisable*

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<sup>15</sup> Stiglitz (2002) confirms this judgment in the case of the North-South relations.

<sup>16</sup> “*Economic hit men are highly paid professionals who cheat countries around the globe out of trillions of dollars. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex, and murder*” (Perkins, 2005). Their job is to convince countries that are strategically important to the U.S. to accept enormous loans for infrastructure development, and to make sure that the lucrative projects are contracted to U.S. corporations. Saddled with huge debts, these countries come under the control of the United States government, World Bank and other U.S.-dominated aid agencies that act like loan sharks — dictating repayment terms and bullying foreign governments into submission.

<sup>17</sup> In *The Economic Consequences of the Peace* (1919), Keynes, for instance, denounces Lloyd George’s attitude who broke the promises made with Germany at the time of its capitulation, supporting a law of the strongest that will cause much devastation: “*There are few episodes in history which posterity will have less reason to condone — a war ostensibly waged in defence of the sanctity of international engagements ending a definite breach of one of the most sacred possible of such engagements on the part of the victorious champions of these ideals*”. (Keynes, 1919, p.91).

*domestic policies might often be easier to compass, if, for example, the phenomenon known as 'the flight of capital' could be ruled out"* (Keynes, 1933, p.235-236).

Therefore, Keynes would condemn export-led growth strategies inspired by the Washington consensus. Besides, such strategies were a failure and slowed down the development process rather than supporting it. However, developed countries and international institutions, despite shaming humanistic rhetoric, continue to promote a model which makes it more and more difficult to hide its true objectives. The (wrongfully?) naive interrogation of Keynes concerning the fulfilment of his ideas — “*Are the interests which they will thwart stronger and more obvious than those which they will serve?*” (Keynes, 1936a, p.383) — is meaningful to that extent and help us to understand why the “powerful” are rejecting such proposals.

Ultimately, promoting a cut in working time, rejecting an immoderate pecuniary accumulation, conflicting with speculation and favouring a balanced international trade result in minimizing the place of economics and make Keynes an initiator of sustainable development.

### ***5. Concluding remarks: the post Keynesians and sustainable development***

Whereas the Keynesian thought is nowadays neglected, we think, on the contrary, that Keynes was well ahead of his time. Undoubtedly, although not stressing on ecological issues, he would be in phase with a sustainable based approach (Holt, 2005). And, even if little has been said by post Keynesians on such issue (Mearman, 2005b), they share some key features with sustainable development.

Indeed, Bird (1982) considers that the incorporation of political judgments about future generations' welfare is an explicit feature of post Keynesian environmental analysis and stresses the immutable ecological constraint, as Davidson (1979) did. Lavoie (2005) thinks that post Keynesians attach a great importance to the concepts of hysteresis and irreversibility. Combined with radical uncertainty, which prefigures the precautionary principle, these concepts provide the foundations of an ecological approach of sustainability and show that bringing them together is possible with ecological economics (Holt, 2005). Besides, Lavoie (1992) thinks that, except when a crisis occurs, uncertainty creates a certain continuity, because the behaviour of economic agents or institutions will slowly change as regards to fluctuations of any kind, precisely because of their hesitations vis-à-vis imperfect information. Post Keynesians also reject the substitutability of production factors and favour a complementarity in phase with a reasonable management of the natural resources (Lavoie, 2005; Holt, 2005). They consider today's decisions to have an impact on tomorrow, not only on the people but also on the biosphere<sup>18</sup>. Holt (2005) agrees with Keynes when considering that the economic problem can be solved and that we should now turn to a qualitative improvement of the standard of living. We are consequently very far away from the neoclassical analysis, based on the recognition of the environmental Kuznets' curve that considers that, in the long run, economic growth is beneficial to the environment.

On the other hand, the emphasis laid on distribution, equity and demand confirms that post Keynesians join sustainable development. According to Mearman (2005a), they follow

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<sup>18</sup> Lavoie (2005) believes that post Keynesian works can be closely related to Georgescu-Roegen, who is one of the pioneers of sustainable development.

Keynes' rejection of the positive/normative distinction<sup>19</sup>, which implies the primacy of politics on economics. Thus, economics should only aim at ensuring the satisfaction of the essential needs.

However, Keynes' analysis presents few weaknesses which should be overcome by referring to the second leading instigator of post Keynesian economics, namely Kalecki. In particular, Keynes underestimates the power of vested interest while Kalecki (1943) underlines that the influence of economic ideas in shaping policy is severely constrained by the prevailing social and political institutions (Eshag, 1977). Kalecki seems closer to reality when he emphasizes on political and class struggles while Kapp (1951) should be of great interest for economists aiming at combining post Keynesian economics and institutionalism. Moreover, Keynes considers that full employment goes through an increase in public expenditure, in order to favour investment, whatever those investments are. With the new awareness of the ecological constraint, post Keynesian economists should follow Kalecki and his advocacy of state intervention motivated by the desire to improve the conditions of the broad masses of the population. Indeed, he thinks that market forces fail to ensure a full utilization and a rational allocation of resources as far as the welfare of community is concerned, including now the preservation of the biosphere.

We must acknowledge that a unified post Keynesian approach does not exist yet that deals with a global approach of sustainable development, even if we can find some insights of such an analysis. Following Mearman (2005a, 2005b) or Holt (2005), we consider that today's main objective for post Keynesians should be to gather these elements in order to contribute to the advent of a model based on a strong sustainability. Such a model should emphasize the realism of assumptions and a "reasonable" rationality, fruit of radical uncertainty and the principle of effective demand. In this respect, we should integrate time in its historical dimension, leading to the recognition of the irreversibility principle. Such a model should also stress on social class conflicts, thus rejecting methodological individualism, and privilege production over exchange. The central role of the State, and more generally of its institutions, should be strongly reaffirmed if we consider, following Keynes, that economic issues are subordinated to politics.

But, in succeeding to compete with the mainstream, post Keynesians need to get closer to other heterodoxies. For example, connections with ecological economics are obvious if we accept the increasing importance of environmental concerns. In the same way, the assistance of the institutionalism could be fruitful to better apprehending relationships between social groups so as to promote greater equity.

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<sup>19</sup> In a letter addressed to Harrod on July 4, 1938, Keynes clearly asserts his rejection of the positive/normative distinction: "economics is essentially a moral science and not a natural science. That is to say, it employs introspection and judgments of value" (Keynes, 1938b), p.297).

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