

Speculation and Growth under Contemporary Capitalism*

Prabhat Patnaik

A pervasive view of the current financial crisis of capitalism holds that it is essentially an aberration. Some attribute this aberration to specific mistakes committed in the past, for instance by Alan Greenspan with regard to the Federal Reserve's monetary policy. Some, including many belonging to the first category, hold the lack of adequate regulatory mechanism as being responsible for this aberration. Paul Krugman, the current year's Nobel laureate, blames it on insufficient "oversight" of the financial system. And even Joseph Stiglitz the well-known radical economist and Nobel laureate, characterizes it as a "system failure", a term that more or less sums up this entire range of explanations, in so far as it makes the crisis a phenomenon that in principle could have been avoided with impunity.

My purpose here is to argue that the current financial crisis represents *not a failure of the system but the system itself*, that it is the result of the very *modus operandi* of contemporary capitalism rather than being unrelated or extraneous to it. The view that such crises are part of the very *modus operandi* of modern capitalism is not some idiosyncrasy on my part; on the contrary it was central to Keynes' analysis. And accordingly, those who argue that the crisis constitutes an aberration or a system failure, even though many of them advocate Keynesian remedies to get out of it in the present circumstances, are being at best "contingent Keynesians". There is of course nothing wrong with being a "contingent Keynesian". But this fact itself must be noted, as should the fact that Keynes' deep insights into the capitalist system have not yet been fully utilized for an understanding of the current crisis.

Having developed his short-period theory of employment, Keynes sought in *The General Theory* to insert it into a theory of the trade cycle, and in doing so he observed an important characteristic of the cycle. He wrote: "There is, however, another characteristic of what we call the Trade Cycle which our explanation must cover if it is to be adequate; namely, the phenomenon of the *crisis*- the fact that the substitution of a downward for an upward tendency often takes place suddenly and violently, whereas there is as a rule no such sharp turning point when an upward is substituted for a downward tendency" (1949, 314)¹. He saw the crisis as being endemic to the system, not an aberration in its

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Prabhat Patnaik, Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi 110067, India, Email: prabhatptnk@yahoo.co.in.