A Keynes-Durkheim Approach to Fighting Business Slump
(A Working Paper)

Fighting a slump is like fighting a war. It requires strong morale and identification with the community. But excessive inequality weakens communalism and makes it difficult to use animal spirits to regain confidence.

1. Preliminaries

There are two arguments to this thesis. The first is a background argument, and the second, on economic rituals, is the main point. The first one, now rather well known (Wilkinson and Pickett, 2009), is that the rich do not spend as high a proportion of their income as the classes below them.

Instead of consuming, the rich devote a higher percentage than the other classes to investment and saving. Consumption of a society’s economic product requires a fairly high proportion of the national income in the hands of classes more prone to spending and consumption. The more income the rich have, the worse the underconsumption problem and the more the tendency toward economic slump, as evidenced by the Great Depression of the 1930s and the severe recession of 2008 ff.
There is a second argument connecting inequality and slump, centering on economic rituals, and this is the one I want to elaborate in some detail. This argument is subtle and not well known. It is also controversial, since everything about inequality is controversial. To explain this argument I will discuss the sociological aspects of John Maynard Keynes, especially his relationship to Emile Durkheim. I showed the similarity between Keynes and Max Weber in an earlier paper (Wiley, 1983), but Keynes’s resemblance to Durkheim is also quite striking. Together these comparisons show that Keynes was a figure in classical social theory as well as being a highly original economic theorist. They also show my point that inequality de-ritualizes a society just when it needs rituals of confidence and solidarity.

2. Keynes Approach Viewed Sociologically

Unlike most economic theorists, Keynes had a distinctly sociological approach to his field. One feature of this approach was his unorthodox version of “economic man.” The model of the self that most economists use is that of the calculating maximizer of economic benefits. This is Adam Smith’s human tendency to “trade, truck and barter,” and it is quite contrary to the less narrowly rational self usually used in sociology.

Keynes’s economic self has a variety of motives as well as the economic one. Keynes followed G. E. Moore’s expansion of utilitarianism. For Moore, not only was pleasure a major human end, but beauty and human love were also important ends (Moore, 1903, pp. 189-205). These threw a monkey wrench into the rational calculation of utility. This enlarged human being resembles Weber’s multi-rational person and Durkheim’s seeker after social attachment. Keynes also refers to the self-fulfilling prophecy as operating
in economic affairs, which further complicates his model of the human being. (1931, pp. vii-viii) The self-fulfilling prophecy suggests how cultural factors shape human goals along with the related notion that humans create, to some extent, social reality.

A similar point is that Keynes allowed for non-economic forces and elements in the social structure as well as in the personality. Many economists, including both Marx and the classical economists, distinguished between a foundational or infra-structural level of purely economic reality and a superstructural or second order layer of non-economic realities, with the first level being more or less the cause of the second. In other words economic determinism in the social order is an assertion of both classical and Marxist economists, although they differ in how this process works. In contrast Keynes has a much broader approach to the economic level, one that includes many other social factors mixed with the economic one. A phrase for this approach is that the economy is “socially embedded.” This means, among other things, that there is no narrow economic determinism in the social order.

In other words Keynes denied the narrowly economic interpretation of the human self and also that of the social structure. For him, as for much of sociology generally, both the self and society are mixtures of economic and non-economic forces. These two beliefs separate Keynes from most of economic theory and connect him to much of social theory.

Keynes and Durkheim

To get more specific about Keynes’s sociological side, let me turn to his
relation to Durkheim. Table 1 introduces some general comparisons between the two thinkers. These commonalities will create a groundwork on which my point about confidence rituals will make the most sense.

The table shows five similarities between the two thinkers. These similarities are not exact; they are not identities. Instead they are only resemblances. But together they show that the two theorists are using closely related concepts and a similar explanatory style.

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<tr>
<th>Durkheim</th>
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<td>Cognitive Failure</td>
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Table 1. Durkheim and Keynes: Some Resemblances

The first trait I look at is the limits in a society’s cognitive powers, which I refer to as cognitive failure. In Durkheim’s book on Suicide he treats anomic suicide as one of his types (Durkheim, 1951, pp. 241-276). He defines anomie as normlessness or absence of law. This is a cognitive weakness in the sense that the community has not defined the appropriate action for a particular problem. During times of rapid social change there are often
areas of action where the problems are too new to have accepted social definitions. These ambiguities are usually solved by trial and error and also sometimes by new laws.

In the United States the rising divorce and remarriage rates after about 1960 presented a number of dilemmas. These concerned how to regulate the new kinds of families that these trends produced. There was, one might say, uncertainty about how to normativize sexuality, authority, loyalty and communalism in these hybrid relationships and families. Eventually this uncertainty was reduced but perhaps never completely eliminated.

Keynes distinguished between statistical uncertainty, such as coin flipping, and fundamental uncertainty, in which there are no possible statistical predictions. As he put it

The sense in which I am using the term (uncertainty) is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest twenty years hence, or the obsolescence of a new invention, or the position of private wealth owners in the social system in 1970. About these matters there is no scientific basis on which to form any calculable probability whatsoever. We simply do not know, (Keynes, 1937, p. 113)

Durkheim’s anomie is sometimes solvable in a long-term manner, and Kenyes’s uncertainty is usually solved only in a more short-term, capricious manner. Still my point is merely that these two thinkers worked with similar,
not identical, ideas.

A second pair of concepts in which the two theorists converge is Durkheim’s mana and Keynes’s animal spirits. For Durkheim mana is the key totemic principle or force. (Durkheim 1995, pp. 197-200). Possession of mana permits humans to act in special or extraordinary ways. Sometimes Durkheim makes mana sound somewhat supernatural, like magic. At other times mana seems to be the solidarity that rituals bring to the community. And, derivative of this solidarity, mana sometimes seems to enable humans to have meaning, language and symbolicity. He uses this term somewhat loosely in a way that makes it both a natural and a supernatural, or a secular and religious, force. When Durkheim talks of mana as a natural force he seems close to what George Herbert Mead regarded as the distinctively human powers of role-taking and reflexivity.

Keynes is similarly imprecise in his use of “animal spirits.” He asks how investors can act in the face of fundamental uncertainty, i.e. complete ignorance of consequences. He thinks these actions respond to a non-rational or emotional force, which acts as a substitute for knowledge. As he puts it

Even apart from the instability due to speculation, there is the instability due to the characteristic of human nature that a large proportion of our positive activities depend on spontaneous optimism rather than mathematical expectations, whether moral or hedonistic or economic. Most, probably, of our decisions to do something positive, the full consequences of
which will be drawn out over many days to come, can only be taken as the result of animal spirits - a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities (Keynes, 1936, p. 161; Akerlof and Shiller, 2009).

Keynes says so little about animal spirits that commentators have interpreted them in a variety of ways, some widely and others narrowly, some as a diffuse cultural force and others as a more systematic and even measureable process.

In my opinion animal spirits are quite loose and evanescent. They have to be, to tame fundamental uncertainty. In fact they sound a lot like Durkheim’s mana, for they come out of nowhere and they work the miracle of giving confidence and certainty where these traits cannot be attained in any other way.

Both also have the two moral extremes, good and evil. Mana can serve humans, but it can also, under some circumstances, be used to harm people. Animal spirits can also go both ways. They can energize investment to produce prosperity, but they can also craze a people to pursue an economic bubble until it crashes and brings disaster. In relation to slumps, animal spirits can create the problem but they can also solve it.

Turning to the two thinkers ideas of communalism, Durkheim speaks of mechanical solidarity and Keynes of confidence. For Durkheim the hunting
and gathering societies, particularly those of the Australian interior which he wrote about, were united primarily by shared beliefs and values. When these societies got too big, let us say over three dozen members, they would sometimes split into two, independent societies. They could still function in a normal way, even though half of the population was gone. For this reason Durkheim gave their mode of integration the somewhat awkward name of “mechanical.”

He thought that as societies developed and became industrial their fundamental mode of integration was no longer mechanical. Instead it became based on the division of labor, which Durkheim referred to as “organic” solidarity. He thought that as organic solidarity became more important, mechanical solidarity became less important and eventually almost disappeared. He also thought that the division of labor would automatically create justice in a society, and therefore there was no longer a need for mechanical solidarity, i.e. shared values and beliefs.

I think Durkheim was over-optimistic about the automatic generation of social justice (1964, pp. 360-366) This belief made his theory more elegant, but a moment’s thought shows that the division of labor can, and usually does, coincide with what large portions of a population regard as social injustice. Much of crime, class conflict and alienation seem to be generated by the excessive and growing inequality of industrial societies. Therefore mechanical solidarity, as a moral compass, continues to be needed. This form of solidarity does operate in industrial societies but not to a great enough extent. To have the optimum mechanical solidarity in an industrial society there must also be a reasonably equal distribution of income. Otherwise shared beliefs and values will be ground under by the negative
effects of inequality

As this paper proceeds it will become clear that mechanical solidarity is the force behind Durkheim’s sacred self as well as behind what Robert Bellah referred to as civil religion (1970). Civil rituals, I will argue, and the mechanical solidarity on which they ride, are a necessary condition for breaking out of a severe recession, including the one we are in today. Excessive inequality makes it impossible to perform these rituals.

The parallel idea in Keynes is his notion of confidence, hope, optimism and morale. Keynes thinks a society can be energized to fight a business downturn if it believes success is probable.

And it happens that there is a subtle reason drawn from economic analysis why, in this case faith may work. For if we consistently act on the optimistic hypothesis, this hypothesis will tend to be realized; whilst by acting on the pessimistic hypothesis we can keep ourselves forever in the pit of want. (Keynes, 1931, pp. vii-viii)

Again, Keynes notion of confidence is not the same as Durkheim’s mechanical solidarity, but it performs a similar role.

Finally, before coming to ritual itself, there are the two notions of social effectiveness, organic solidarity and prosperity. I pointed out that Durkheim expected too much from organic solidarity. He thought an industrial system
“cleaned up after itself,” i.e. generated an equitable distribution of income in addition to giving people fulfillment in their jobs. The critique of capitalism sees exploitation and alienation rather than justice and self-realization. Durkheim may have thought he was answering these criticisms in his optimistic description of organic solidarity. But regardless of the weaknesses in Durkheim’s idea it still runs somewhat parallel to Keynes’s notion of prosperity.

Keynes was clearly not a socialist. He believed in capitalism, although not unfettered, unregulated capitalism. In particular he thought some economic redistribution, from rich to poor, would be necessary to keep capitalism functioning successfully. He also thought at one point that, under appropriate regulation, capitalist industrialization would be so successful that it would gradually eliminate the economic problem and the scarcity that underlies it (1930). He expected this to happen in about a hundred years. At that time he thought there might be a fifteen hour a week work, just to keep people busy and not too bored with plenitude (1930, p. 369). These were his views early in the Depression, though he may have been singing the optimistic tune merely to help it come true.

assuming no important wars and no important increased 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. (1930, p. 366)
Keynes is perhaps even more optimistic than Durkheim about the future of industrial capitalism, although he assumed the avoidance of World War II. Being an economist he attributed the expected progress to compound interest and not, as Durkheim does, to the division of labor. Keynes also assumed a variety of controls and regulations, these coming from the moral sense or mechanical solidarity of the people. He did not think capitalism will automatically regulate itself, as Durkheim seems to have thought.

This brings us to how the two theorists used the notion of ritual. First a point of definition. Durkheim treated ritual in relation to religious rites, and Keynes to the pump-priming measures he wanted government to use to fight slump. These measures, which were meant to increase economic demand, were primarily lowering interest rates, lowering taxes and increasing public spending. Keynes also had a second kind of economic ritual. He thought ritual could be used to evoke confidence and animal spirits in an ordinary population, not just one of investors. We might say pump priming measures were investor rituals, and optimism rites for the consuming population were consumer rituals.

The definition of ritual has to cover both Durkheim and Keynes. Ritual in general seems to be the use of symbolic means to reach ends. Some people think ritual is non-empirical and more or less superstitious in human affairs. It is only true, they think, in the same way that supernatural entities, such as God, are true. Others think ritual is quite empirical, but only in the same way that culture is empirical. We construct socio-cultural entities, such as language, money and law, and these exist because we think they exist. Still they are clearly not supernatural. They are prerequisites of a working society.
Perhaps there are two kinds of rituals, non-empirical and empirical. A rain dance, we can assume, does not actually cause rain. It is a non-empirical ritual. Similarly a religious ritual that is intended to bring about a supernatural effect, such as divine grace or salvation, can be called non-empirical, even though it might be important in people’s lives. In contrast other rituals have relatively empirical purposes and seem to have tangible effects. If Thanksgiving dinner, with all its celebratory trimmings, strengthens family bonds it seems empirical. If Winston Churchill’s “blood, sweat and tears” speech gave determination and optimism to the British population during World War II, it qualifies as an empirical ritual. If saying “I love you” sustains love between sweethearts, it is a solid fact. The Thomas Theorem says “If men define situations as real, they are real in their consequences.” (Thomas and Thomas, 1928. Pp. 571-572) This constructionist idea seems to be the dynamic behind empirical rituals.

Obviously there are loose ends to defining ritual, but all I want to show is the “slide” between rituals that transcend everyday life and those that are constitutive of everyday life. Durkheim’s rituals seem to tend toward the relatively non-empirical, religious end, and Keynes’ economic rituals seem to be at the more empirical, secular end.

This gap was somewhat bridged however in Robert Bellah’s notion of civil religion. (Bellah, 1970). Bellah singled out value-laden political statements such as the equality clause of the American Declaration of Independence and Lincoln’s Gettysburg Address as key examples. Bellah modeled his interpretation of these rituals after Durkheim, although his analysis was intended to explain mechanical solidarity, the category Durkheim thought had
disappeared with industrialization. I think civil rituals make the most sense if they are visualized, not as invoking a deity of some kind but as addressing Durkheim’s sacred self. Durkheim thought the supernatural sacredness of God and related entities was declining in modern times, and the sacredness of the individual was replacing these as a focus for ritual. Along with this shift he saw a move from the supernatural to the natural. The individual person is a natural entity, and its quasi-sacred attributes are a result of the natural semiotic powers of humans, even though these powers seem to transcend the rest of nature. If God is demoted, humans come next on the ladder of awe and sacredness. Also the historical drift of law is increasingly for the protection of the rights of individuals. The human person is, as Kant said, becoming the one inviolable thing in life.

Bellah’s examples are clearly meant to elevate the self. Both Jefferson and Lincoln ceremonialized the equality of all human beings. Their declarations not only described human equality. They were also “performatives” in the sense that they created what they said. That is, they brought about the very equality of which they spoke. (Austin, 1976) It is in the performative factor that rituals most realize their creativity and punch. The egalitarian statements of Jefferson and Lincoln not only united a people, they also gave a mystique or mysterious quality to the people. They did this because they gave mana to the people and thereby enriched their power of agency. These leaders had in mind empowering people for war, but the same model can be used for fighting slump.

Civil rituals therefore can be used to build confidence and animal spirits during a bad business downturn. When Franklin Delano Roosevelt gave his first inaugural address and said “you have nothing to fear but fear itself” he
was giving hope and strength to the citizens. This is what Herbert Hoover had been unable to do during his two years of Depression. Hoover was an engineer, and Roosevelt was a genius in the practice of charisma. Many of Roosevelt’s programs, such as the W.P.A. also gave dignity to the suffering population. Even his construction programs, such as the Tennessee Valley Association, gave confidence along with material benefit to an entire region of the country.

F.D.R’s economic rituals often emphasized equality and the value of the ordinary person. Many of his speeches also attacked the rich, referring to them as “money changers in the temple.” Roosevelt emphasized the inviolability and sacredness of every single person in the country. He was perfecting civil religion well before Bellah called attention to this process.

In FDR’s first and most important fireside chat, the one explaining his bank holiday, he showed the respect he had for the average American. (Kiewe, 2007) His fireside chats are excellent examples of Durkheim’s solidarity rituals. He ended the first chat as follows.

After all there is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of our people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faith; you must not be stampeded by rumours and guesses. Let us unite in banishing fear. We have provided the machinery to restore our financial system. It is up to you to support and
make it work.

It is your problem no less than it is mine. Together we cannot fail (FDR’s first fireside chat, 3-12-33)

Roosevelt had a highly democratic, or let us say dialogical, way of speaking to his radio listeners. Hoover had been monological, in Bakhtin’s sense of talking down to an audience (Bakhtin, 1984, pp. 202-206). Roosevelt had a give-and-take which invited response. The letters that poured into the White House after his chats, in addition to breaking all the records, showed how intense his dialogicality had been. He created social solidarity under the most untoward of circumstances.

Roosevelt also worked hard to bring the population closer to economic equality. His main weapon was a sharply graduated income tax. This had a substantial effect on income distribution. But his support of labor unions and farm associations, among other things, also had this effect.

Keynesian economic ritual is different from that of Roosevelt, for it is tied to Keynes’s own economic theories, but it is similar in attempting to embolden economic actors. It is an attempt to build confidence in a slump population so that they will have endurance as well as taking economic risks. It is the investors in particular who need to take risks, but the entire consuming population also needs to take risks with its resources. If no one is emboldened to take risks, then the slump will settle into a steady state, and recovery will be postponed indefinitely.

In Table 2 I picture the phases of a slump, proceeding from Pre-Bubble
Normalcy to Building a Bubble, to the Break in the Bubble, to Rebuilding the Economy and finally to the return to Post-Bubble Normalcy. The Table also shows the states of confidence or animal spirits in each stage. The difficult stage, which is the topic of this paper, is that of climbing out or “restoring confidence.”

<table>
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<tr>
<th>Phase</th>
<th>Confidence</th>
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<tr>
<td>Pre-Bubble Normalcy</td>
<td>Accelerating</td>
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<tr>
<td>Building a Bubble</td>
<td>Over-Confidence</td>
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<tr>
<td>Broken Bubble</td>
<td>Under-Confidence</td>
</tr>
<tr>
<td>Rebuilding Economy</td>
<td>Restoring Confidence</td>
</tr>
<tr>
<td>Post-Bubble Normalcy</td>
<td>High Confidence</td>
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Table Two: Animal Spirits by Phases of Depression Cycle

I have inserted an animal spirits condition in each of the five stages. These statements are merely meant to be approximations, and their purpose is to better define the “rebuilding” stage. I am not claiming to have an accurate reading of animal spirits for each of the five stages. Still this description of the cycle does highlight the question of timing. This crisis is,
as I write, one of the year 2011. Each economic crisis is different, and the two main ones in the United States, the great Depression of the 1930s and the severe recession beginning in 2007, are no exception. The Great Depression went deeper, most people believed it was caused by big business, and the President of that time had much more favorable congresses than Obama has today.

The distinctive feature of the current slump is that, even though finance and big business has largely recovered, this recovery has not brought many jobs. Keynes’s words of 1936 are still true today.

The outstanding faults of the economic society in which we live are its failure to provide for full employment and its artbitrary and inequitable distribution of incomes. (1936, p 372)

Perhaps I should re-phrase my question. Why was FDF able to do successful confidence rituals during the Depression when the present President of the United States, Barak Obama, is unable to do them during the current recession? I have been answering this question implicitly throughout this paper. Let me state my point more formally.

The argument is that (a) successful communal or civic rituals celebrate, among other things, Durkheim’s “sacred individual,” (b) these rituals can promote a society’s morale and confidence, (c) slumps can be fought by confidence rituals as well as by governmental economic measures, (d) but rituals of the sacred self only work well when there is reasonable economic equality, (e) and therefore substantial inequality closes off communal rituals
for taming a slump.

According to this argument one reason Obama cannot do confidence rituals is that inequality in the present recession is considerably greater than during the Great Depression. The income of the top 1 percent, to mention a major indicator, dropped rapidly and steeply after the 1929 crash, This did not happen after the 2008 crash. (Reich, 2010, Pp. 21-24) for cite) To identify with a country, with one’s fellow citizens, one has to find a similarity between them and you. They must be within reach, economically. If many of them live a vastly better life than you, and also probably look down on you, it is not easy to visualize them as allies -- or incorporate with them into some larger community. Instead the ordinary ritual self will be deadened, and the community will be without moral bonds.

**Conclusion**

This paper has been an attempt to link some of Durkheim’s power to Keynes. I compared the two thinkers on several social dimensions, and found them to be rather similar in their views. I emphasized ritual because here as where Durkheim’s insights might have the most good for Keynesian policy. In particular Durkheim showed how communal rituals presume an egalitarian population. He does this indirectly in centering modern ritual around the sacred individual. To ceremonialize the sacred individual is to see the same value in everyone. It cannot be too big a stretch. But class differences generate Max Weber’s status cultures and these cultures are inherently hierarchical. They are based on one’s standing in the hierarchy.
My argument is that the two hierarchies, one steep and the other relatively flat, collide. The socio-economic hierarchy has its own firmness and legitimation. The ritual order of civil religion, in contrast, has a different legitimation, deriving from its variety of mana. Rituals of the sacred self are based on the idea that all humans are equal, precisely because they all have the same sacred selves. My argument assumes that this hierarchy problem, created largely by excessive unemployment, is why Obama cannot enact civil ritual successfully. To achieve this end there needs to be less conflict between the economic and the ritual orders.

This condition has rendered Obama stripped of weapons. He has already used up all the government economic moves. The heavy expenditures in his program have reached their limit, and now he cannot afford additional expensive moves.

The other tool kit is the socio-psychological one. The one in which a population might be given hope and confidence by way of civil ritual. This is the route turned off by excessive economic inequality. The only way Obama can enliven these rituals is to move toward more egalitarian social programs and tax systems, those that will make prosperity more widely shared in the population.

To sum up, inequality has two effects on the economy. Excessive inequality has brought about the two most severe business downturns in American history. And this same inequality is making it difficult to build a shared confidence and generate productive animal spirits for recovery.


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Kiewe, Amos. 2007. *FDR’s First Fireside Chat: Public Confidence and the Banking Crisis.* College Station, TX: Texas A. & M. University Press.


