

Heine, Michael; Herr, Hansjörg

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Keynes's ideas for a regulated economy: Inspiration for ecological transformation

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GLU Working Paper No. 70

KEYNES'S IDEAS FOR A REGULATED ECONOMY: INSPIRATION FOR ECOLOGICAL TRANSFORMATION

March 2026

Michael Heine and Hansjörg Herr



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Contact Address

Global Labour University - Freunde und Förderer e.V. - Prof. Dr. Christoph Scherrer; Prenzlauer Allee 186, 10405 Berlin, Germany

E-mail: scherrer@uni-kassel.de

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“From the “euthanasia of the rentier” to an international clearing union: Keynes’ long term reform agenda could provide the framework for a socio-ecological reorganization.”

-Michael Heine and Hansjörg Herr

Table of contents¹

1. <u>Introduction</u>	6
2. <u>Keynes' approach to a comprehensively regulated economy</u>	6
3. <u>Utilizing Keynes' considerations for economic transformation</u>	15
4. <u>Summary</u>	17
<u>References</u>	19
<u>About the Authors</u>	21

¹This article is an extended version of the publication by Michael Heine und Hansjörg Herr „[Keynes' regulierte Ökonomie: Anregungen für eine ökologische Transformation](#)“, Makroskop, February 2026.



Abstract

John Maynard Keynes clearly recognized the inherent crisis-proneness of capitalist economies and that, for the most part, they did not represent a meritocracy. The lion's share of non-labour income in the form of interest, dividends, or profit distributions is pocketed by households that do not contribute to any entrepreneurial activity. According to Keynes' idea, large corporations should be socialized to control investment. To guarantee sufficient consumer demand, a relatively equal distribution of income and wealth, as well as the elimination of income that is not backed by any performance in the form of work or entrepreneurial activity, is needed. Public utilities such as water supply and local public transportation should remain under the ownership of local authorities. Keynes saw balanced trade and current accounts as an element of fair globalization. International capital flows should be largely controlled. He provided important elements of an ecological transformation and the macroeconomic management of an ecologically and socially sustainable economy.

1. Introduction

Without a doubt, the Great Depression of the 1930s had a decisive influence on Keynes. His reflections on the importance of money, uncertain expectations, investment behaviour, and effective demand cannot be understood without the impact of this fundamental crisis. Many of his essays and polemics served the purpose of overcoming this crisis with appropriate government measures. This led to the prevailing view, particularly influenced by Hicks (1937) and later by Samuelson (1946), that Keynes' concern was active economic policy to stabilize the business cycle. Whenever, for a variety of exogenous reasons, there is a deviation from the general equilibrium path, as first modelled by Walras (1874) and later, for example, by Arrow/Debreu (1954), Keynesian economic policy can be used to counteract this. These considerations found their most famous expression in the well-known IS-LM model, the so-called Neoclassical Synthesis. New Keynesianism also follows this logic. According to this view, the Keynesian toolbox can be helpful in the short-term to overcome disturbances, but has nothing to offer in the long-term. In the long term, capitalism is stable and leads to prosperous development. Although this simplification was very early on labelled as bastard Keynesianism (Harcourt 2018), the view of "Keynes in the short term" embedded in the neoclassical paradigm in the long-term became firmly anchored in mainstream economics.

The second chapter presents Keynes' ideas of a regulated and fair economy. The third chapter then discusses what suggestions for an ecological transformation can be drawn from Keynes' ideas. The article concludes with a brief summary.

2. Keynes' approach to a comprehensively regulated economy

In fact, mainstream models do not even accurately reflect Keynes' economic analyses, as they do not take sufficient account of such fundamental aspects as uncertainty, expectations, the non-neutrality of money or the risks of inflation. Keynes' numerous comments on the long-term prospects of capitalist economies and the resulting economic policy requirements have largely been ignored. In the context of ecological transformation, three areas he addressed are of particular interest, even though he never devoted himself to ecological problems. Keynes' ideas go far beyond the structures and operating conditions of current variants of capitalism. They are devoted to a) comprehensive control of investment, b) a radical change in the distribution of wealth and the abolition of unearned income, c) regulated and decelerated globalization, and d) management of aggregate demand.

a) Comprehensive control of investment

Keynes was convinced that short-term economic corrections of market activity were not sufficient to prevent serious crises and periods of stagnation in capitalist economies. He therefore proposed (Keynes 1936: 378) that large parts of investment should be socialized. "I conceive, therefore, that a somewhat comprehensive

socialization of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and devices by which public authority will co-operate with private initiative.” Keynes was not concerned with controlling investment activity through a planned economy. Instead, he wanted “semi-autonomous bodies within the State ..., bodies which in the ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of the democracy expressed through Parliament” (Keynes 1926: 288f.).

He distinguished between two areas. First, companies responsible for public services, i.e., water supply, railway companies, ports, etc. Private companies should be excluded from these sectors.

Second, he advocated that large private-sector companies—especially stock corporations—be socialized: “One of the most interesting and unnoticed developments of recent decades has been the tendency of big enterprise to socialize itself. A point arrives in the growth of a big institution - particularly a big railway or big public utility enterprise, but also a big bank or a big insurance company - at which the owners of the capital, i.e. the shareholders, are almost entirely dissociated from the management.” (Keynes 1926: 289) Large corporations also include major banks and insurance companies. Joseph Schumpeter also assumed that the classic entrepreneur would largely disappear in modern capitalist economies. In the chapter “Crumbling Walls,” he noted that in joint-stock companies, the owner is usually replaced by management. Schumpeter, who repeatedly emphasized the role of the innovative entrepreneur in his works, assumed that the bourgeoisie would lose its function as an entrepreneurial class (Schumpeter 1942: 131ff.).

The socialization of public utilities and large stock corporations was intended to stabilize capitalist economies and guarantees prosperous long-term development. At the same time, the scope for entrepreneurial activity, especially among small and medium-sized enterprises, should not be unnecessarily restricted (Keynes 2025; 2026). Large socialized enterprises should continue to compete with each other in the marketplace.

b) Radical change in the distribution of wealth and abolition of unearned income

If the owners of stock companies no longer perform any entrepreneurial functions, then the “euthanasia of the rentier” and “the euthanasia of the cumulative oppressive power of the capitalist” follows as logical conclusion. For dividends and interest today are “no genuine sacrifice, any more than does the rent of land” (Keynes 1936: 376). Land rent, as well as interest and dividends that flow to wealth owners, are income which is received without personal effort. The owner of an inherited property in an attractive location, to give an example, receives land rent solely on the basis of the title to the property. Part of the tenant’s payment then includes the land rent. A different situation, of course, is the construction of apartments on the property and their rental.

In addition, the way joint-stock companies operate today is anything but efficient. Keynes still had the stakeholder type of capitalism in mind, in which management

seeks a compromise between the various stakeholders—owners, trade unions, local communities, etc. “When this stage is reached, the general stability and reputation of the institution are the more considered by management than the maximum of profits for shareholders.” (Keynes 1926: 289) At the end of the 1960s, John Kenneth Galbraiths (1967) analyzed in his book *The New Industrial State* precisely this stakeholder capitalism.

But times have changed. Particularly after the 1980s, domestic and global financial markets were deregulated, partly destabilising innovations in the financial sector became widespread, the non-bank financial system became more important, and players in the financial system became increasingly dominant towards the private sector and even governments. This development entered the debate under the term “financialization” (Epstein (2005).

Financialization led to a number of negative effects: a) The shareholder value principle became widespread in which management only has one master, the owners, and does not search for a compromise between different stakeholders (Herr 2010). b) Management became short-term oriented, with negative effects on economic development (Rappaport 1986). c) Debt quotas of all economic sectors increased, which made economic systems more fragile. d) There is a tendency to distribute more profits to shareholders. e) Finally, management remunerations became extremely high (Statista 2026).

Even Alfred Rappaport (2005), one of the fathers of the shareholder value system, later criticized the inefficiency of management focusing on the short-term share price of a company, which arose from linking management remuneration to the share price development of the own company. In addition, management in modern stock corporations shamelessly appropriates a large part of the value created by the companies.

Statista (2026) reports that the ratio between Chief Executive Officer (CEO) and average worker pay in 2018 was 265 in the United States, 229 in India, 201 in the United Kingdom (UK), 180 in South Africa, 171 in the Netherlands or 136 in Germany. In 2024, the highest-paid CEO in the US earned \$101.5 million, while the 100th highest-paid CEO still got \$6.6 million (Wilson 2025).

A risk-adjusted real rate of return of zero would also bring an additional advantage. As soon as a positive interest rate exists, a new cost element arises. Since the choice of technology in an investment decision depends on cost elements, i.e. the interest rate or the expected minimum rate of profit, a positive real interest rate means that the technically most efficient way to produce is no longer chosen for an investment, but rather a physically less efficient one. “If the rate of investment were zero, there would be an optimal interval for any given article between the average date of input and date of consumption.... - a shorter process of production would be less efficient technically, whilst a longer process would also be less efficient by reason of storage costs and deterioration. If, however, the rate of interest exceeds zero, a new element of cost is introduced which increases with the length of the process, so that the

optimum interval will be shortened.” (Keynes 1936: 216). This aspect is important for ecological transformation, which should select the most efficient technology².

The amount of investment income a household receives naturally depends on its assets. This aspect leads directly to inheritance. For Keynes, inheritance was a relic of feudalism that contradicted the logic of a meritocracy and has a negative effect. “Nothing will cause a social institution to decay with more certainty than its attachment to the hereditary principle. It is an illustration of this that by far the oldest of our institutions, the Church, is the one which has always kept itself free from the hereditary taint.” (Keynes 1925: 327) And in the General Theory, he elaborated on the argument. „For there are certain justifications for inequality of income which do not apply equally to inequality of inheritances.“ (Keynes 1936: 373f.) Through inheritances and the concentration of wealth, a separate class of wealthy people develops, who, similar to the nobility in the Middle Ages, are born into this class.

Inheritance has led to an enormous concentration of net wealth (the total value of non-financial and financial assets (housing, land, deposits, bonds, equities, etc.) held by households, minus their debts). In 2023, the richest 10% (1%) of the population held 71.2% (35.5%) of net wealth in the United States, 59.3% (25.0%) in the EU, 58.5% (27.8%) in Germany or 57.1% (21.3%) in the UK. In emerging countries, wealth concentration can be even higher. In 2023 the richest 10% (1%) held 85.8% (55,3%) of net wealth in South Africa, 77.8% (44.4%) in Brazil, 76.8% (43.5%) in Chile, 66.8% (32.8%) in Uganda, 62.8% (28.6%) in Kenia or 68.0% (30.4%) in China (Our World Data 2026).

c) Controlled globalization

Throughout his academic career, Keynes placed great importance on the analysis of monetary and credit issues. This is reflected in his role as head of the British delegation at the Bretton Woods conference. At this conference in 1944, an agreement was reached on the monetary order after the Second World War. A system of fixed but politically adjustable exchange rates was established with the aim of achieving balanced current accounts in the medium term. The International Monetary Fund was also created to support countries that had to defend their exchange rates, and the World Bank was established to promote developing countries. Keynes' (1943) ideas went far beyond the Bretton Woods system that was ultimately established. However, the UK and the European countries as a whole were unable to prevail against the US with his comprehensive ideas.

At the heart of his proposal was an international Clearing Union in which all central banks would hold an account. The Clearing Union would create its own currency, the Bancor, which could only be used by central banks. The Bancor would be created similar to the money creation of national central banks. This would have made the US

² Let's take an example. We assume two techniques for producing a product. With the first technique, the production volume generates a return of €1,000 after one year. With the second technique, the return is €1,400 after five years. The investment costs today are $I = €890$. At an interest rate of 10%, the rounded asset value (V) of future cash flows is $V1 = €1000/(1+0.1) = €909$ for the first technique and $V2 = €1400/(1 + 0.1)^5 = €869$ for the second technique. At an interest rate of 10%, the first technique is chosen ($V1 > I$ and $V2 < I$), while at an interest rate of 0%, the second technique is chosen ($V1 = €1000$ and $V2 = €1400$), which is more efficient for the firm and society in terms of permanent production of the good.

dollar, as a national currency, superfluous as an international reserve currency for central banks.

In the event of imbalances in current accounts, deficit and surplus countries would have to use their economic policies to help balance the current accounts. Countries with deficits on their accounts with the Clearing Union, as well as countries with surpluses, would have had to pay interest, partly in order to reduce the incentive for mercantilist strategies with permanently high current account surpluses. In the event of long-term imbalances, such as a permanent current account deficit or surplus, the exchange rate would have to be adjusted. According to Keynes' ideas, the Clearing Union would have to approve exchange rate changes, but also initiate them itself.

For Keynes (1943: 31), it was clear that such a system would only work with international capital controls: "For these reasons it is widely held that control of capital movements, both inward and outward, should be a permanent feature of the post-war system." In order for capital controls to be effective, both countries should control capital movements: countries with capital outflows and countries with capital inflows.

In the crisis-ridden and unstable global economy of the 1930s, following the collapse of the Gold Standard reestablished after World War I in 1931, Keynes (1933: II) went one step further: "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." Keynes thus made the intensity of globalization dependent on the historical situation. In the case of unregulated, unstable globalization, he advocated national self-sufficiency. However, he preferred regulated globalization, which also creates space for intensive trade. It is noteworthy that knowledge should be international. In this case, patent rights would only play a subordinate role.

If Keynes' proposals had been implemented at the time, or if at least the Bretton Woods system, which finally collapsed in 1973, had been maintained, the potential scope for democratic rights and national freedom of action would have been significantly greater. Dani Rodrik (2011: 200f.) has rightly emphasized that a high degree of globalization, especially in the financial sector, amounts to a "golden straitjacket." This is because if policies are introduced that run counter to the interests of the wealthy in a country, they can respond with capital flight and/or refusing to invest, thereby imposing negative sanctions on the country. Against this backdrop, Rodrik proposes a return to a newly designed Bretton Woods system in order to strengthen democratic structures and scope for domestic economic policy.

d) Controlled globalization

Keynes (1936: 260) writes: "The volume of employment is uniquely correlated with the volume of effective demand." In fact, macroeconomic demand determines the volume of production and, given a certain level of productivity, the volume of employment. Of course, labour and spare capacity must be available so that increasing demand can be met. Both are generally present in capitalist economies, so that aggregate demand plays a central role in the development of an economy.

Macroeconomic demand consists of four components: investment demand, consumer demand, government demand and net foreign demand.

Investment demand is particularly important because it is not only a demand for newly produced goods and thus employment, but also the only demand that can create and change production capacities and implement new technologies. According to Keynes, investment demand should be controlled by communal ownership of public utilities and non-private ownership of various forms of large joint-stock companies (cp. above). Investment demand is essential for ecological transformation in terms of both volume and structure. Only through new technologies and a radical restructuring of production can ecological problems be tackled. For an ecological transformation, both demand and supply conditions must be radically changed. The macroeconomic control of investments is also necessary if a certain growth rate of GDP should be adapted to ecological requirements. For example, in managing a zero-growth economy, net investments must be zero, just as national savings must be.

Consumer demand depends on a variety of factors, including income and wealth distribution as important factors. This is because households with high incomes have a lower propensity to consume than those with low incomes. High inequality dampens consumption demand. Keynes emphasized that controlling investments must go hand in hand with a relatively balanced distribution of income. “Whilst aiming at a socially controlled rate of investment ... I should support at the same time all sorts of policies for increasing the propensity to consume.” (Keynes 1936: 325) Empirical evidence clearly shows that high inequality negatively impacts consumer demand despite the excessive consumption of the super-rich. Here are two examples. The lowest third of Germans consume all of their income, whereas the richest 10% consume only 80% of their income (Späth / Schmid 2016)³. Emmanuel Saez and Gabriel Zucman (2014: 42) calculated that between 1986 and 2012, the average savings rate (share of savings in income) of the top 10% of income earners was 22%, and that of the top 1% of income earners was 36%. In the period from 1929 to 1986, the value for the top 1% was 24%, reflecting a lower level of income inequality. A working paper from the Federal Reserve Bank of Boston discusses that in the US high-income households have a lower propensity to consume than low-income households and that high inequality reduces aggregate demand. It also became clear that “low-wealth households cannot smooth consumption as much as other households do, which further implies that increasing wealth inequality likely reduces aggregate consumption and limits economic growth” (Fisher et al. 2019). High income inequality leads to insufficient domestic demand, resulting in underutilized capacity. If both the current and the expected capacity utilization are insufficient, investment activity collapses.

³ Let us consider the results of a large-scale study from 2013 on consumption and saving behaviour in Germany. Forty thousand households were surveyed. The results showed that the savings rate was even negative for those private households whose net income was in the lowest 30%. For the next fourth decile, the savings rate was 0.8%. This was followed, in ten-point increments, by savings rates of 2.9%, 3.6%, 5.4%, and 10.8%. The ten percent of the population with the highest incomes had a savings rate of 21.3% (Späth / Schmid 2016: 8).

With the currently existing inequality in income and wealth distribution, a sustainable economy is also, from an ecological perspective, hardly conceivable. Take, for example, the rapidly increasing use of private jets. In 2023, these jets collectively emitted more greenhouse gas than all flights departing from Heathrow Airport, which is the busiest airport in Europe. Private jets were the last decade 2013-2023 responsible for 2% to 4% of total annual greenhouse gas emissions from aviation (Sitompul / Ruthersford 2025). A person from the world's richest 0.1% emits over 800 kg of CO₂ every day, whereas someone from the poorest 50% of the world emits an average of only 2 kg of CO₂ per day (Oxfam 2025). Ecological justice is therefore inconceivable without economic justice.

Let us come to government demand. In the interpretation of Keynes as an economist who analyses and helps to manage short-term disruptions in economic development, as mentioned in the introduction, fiscal policy in the form of deficit spending during an economic downturn and the reduction of public budget deficits during periods of expansion plays a central role. It was assumed that counter-cyclical fiscal policy would sufficiently stabilize capitalist economies. Keynes did not believe that such fiscal policy alone is sufficient to guarantee a prosperous economy. For him, a stronger intervention in the economy was necessary, including the control and regulation of investment activity. However, in addition to controlling investment activity, he supported counter-cyclical fiscal policy of public finances. This naturally includes that in deep crises, aggregate demand should be strengthened through credit-financed public spending. Keynes supported in the 1930s Roosevelt's expansionary fiscal policy in the USA as part of the New Deal to overcome the Great Depression with collapsing production and falling prices in an open letter. "But in a slump governmental loan expenditure is the only sure means of securing quickly a rising output at rising prices. ... In the past orthodox finance has regarded a war as the only legitimate excuse for creating employment by governmental expenditure. You, Mr. President, having cast off such fetters, are free to engage in the interests of peace and prosperity the technique which hitherto has only been allowed to serve the purposes of war and destruction." (Keynes 1933a: no page) It is worth noting that he considered the effects of fiscal policy to be particularly strong when it was combined with a policy of more balanced income distribution. "If fiscal policy is used as a deliberate instrument for the more equal distribution of incomes, its effect in increasing the propensity to consume is, of course, all the greater." (Keynes 1936: 94f.) Keynes did not discuss countercyclical fiscal policy extensively in his writings - unlike the Neoclassical Synthesis after World War II. Discretionary monetary policy played a far more important role in his writings (Keynes 1930; 1936). Overall, he considered monetary and fiscal policy to be insufficient to stabilize capitalist economies and for this reason proposed the socialization of investment.

In his 1940 essay "How to Pay for the War," Keynes distinguished between a current budget and a capital budget. The current budget, he argued, should be financed entirely through taxes, while the capital budget should be financed through credit. This would align with the golden rule of fiscal policy, which aims to finance countercyclical consumption through taxes and other means, and government investment through credit. This idea corresponds to the golden rule of fiscal policy, which Keynes, however, never formulated in this way. It states that the government's

consumption expenditures over the economic cycle should be financed through taxes, etc., while government investments should be financed through credit. Of course, as a rule, this only applies to government investments that finance themselves through future revenues. From our perspective, the golden rule of fiscal policy is a sensible guideline for the fiscal actions of states. For this purpose, it is necessary to precisely define what falls under public investments and what is consumption (see also Truger 2016).

Regarding net foreign demand, that is, in the case of imbalances in the trade and services balance, Keynes had a clear position (see above). No country should be allowed to pursue a mercantilist policy with permanently high trade surpluses to stimulate domestic demand. Trade and current accounts should tend to be balanced in the medium term.

To understand the relative importance of the individual demand components, some country examples are presented. In the USA, in the year 2025, the demand elements that make up gross domestic product (GDP) were as follows: private consumption demand 68.0%, private investment demand 17.7%, government investment (excluding defense) 2.8%, government consumption demand (excluding defense) 10.6%, government defense expenditures 3.7% and net foreign trade in goods and services - 3.0% (Bureau of Economic Analysis 2026).

In 2024, the situation in Germany was as follows: consumer demand 52.9%, private investment demand 15.5%, government investment demand 3.1%, government consumption demand 22.1%, and net foreign trade in goods and services 3.9% (Statistisches Bundesamt 2026; Scheuermeyer 2025). Defense spending, which is included in government expenditures in Germany, amounted to 1.9% of GDP (Statista 2026). In Brazil (South Africa) in 2024, private consumption was 64% (65%), private and public investment was 17% (14%), government consumption was 18.8% (19.2%), and the net foreign trade balance was 0.3% (1.9%) (World Bank 2026).

These country examples show the high importance of consumer demand for overall demand in virtually all countries in the world. This puts income distribution at the center of any sustainable development. The USA have a deficit in its trade balance, which annoys Donald Trump, whereas Germany, for instance, has a surplus. Germany thus stabilizes its aggregate demand through export surpluses, which in many cases reduces growth in other countries. Although investment activity is not quantitatively dominant, its structure and volume are, as noted, of decisive importance for the development of an economy.

In 2024, National economic investment activity is divided into corporate investments, private residential construction and government investments. In 2024, for example, in Germany corporate investments was 55% of all investments, private residential construction was 30% and government investments 15% (Scheuermeyer 2025). All three areas are central to an ecological transformation. Corporate investments can reshape technology in the production process in an ecological direction; in construction investments, the focus is on insulating residential buildings and heating systems; and government investments can create infrastructure for ecological transportation systems, for example.

Stable development of the nominal wage level

Neoclassical economics sees falling real wages as a crucial tool to combat unemployment and stimulate the economy. Keynes (1936: 13), however, had a completely different view on this. Arguing against the Neoclassic, he noted: “There may exist no expedient by which labour as a whole can reduce its real wage to a given figure by making revised money bargains with entrepreneurs.” The argument is that falling nominal wages lower costs for companies. If this is the case for all companies, then prices will fall and real wages will not change significantly. The 1930s or Japan after 1990 provide good examples of this situation (Fisher 1933; Herr / Kazandziska 2011). Keynes (1936: 266f.) elaborates further: “There is, therefore, no ground for the belief that a flexible wage policy is capable of maintain a state of continuous full employment. ... It is more expedient to aim at a rigid money-wage policy than at a flexible policy responding by easy stages to changes in the amount of unemployment.”

Keynes proposed two nominal anchors to keep the price level stable. First, the nominal exchange rate, which according to his ideas for the proposals of the Bretton Woods system should only be changed discretionarily after a decision by the Clearing Union. And second, stable growth of nominal wage levels in an economy. A nominal wage anchor is linked to a version of productivity-oriented wage development.

The nominal wage anchor should take into account the target inflation rate of the central bank and trend productivity growth of the whole economy. The officially targeted medium-term rate of price level change is for example 2% in the European Monetary Union, in the USA, in the UK, in Canada, and in Japan; it is often slightly higher in some countries of the Global South. If labor productivity increases, production costs decrease; if nominal wages rise, production costs increase. Both affect the price level of an economy. Consequently, from a macroeconomic perspective, the nominal wage level should increase in line with the trend productivity growth of the economy plus the central bank's target inflation rate. If the nominal wage level increases by 4% and trend productivity is 2%, the price level and real wage level will increase, given no other factors influencing the price level, by 2% each. Of course, there are many other causes of price level changes, such as energy prices, taxes or increasing oligopolistic power of companies. However, this does not change the fact that developments in the nominal wage level affect the price level (for a theoretical analysis and case studies of inflationary processes, see Heine / Herr 2024).

3. Utilizing Keynes' considerations for economic transformation

Keynes was, unsurprisingly, a child of his time. He witnessed two world wars, hyperinflation in several industrialized nations, and, above all, the Great Depression with its upheavals in the labour markets and the accompanying social and political catastrophes. Consequently, he focused his theoretical work on the question of how to ensure high levels of employment without inflationary processes and social hardship in the short and long term, both nationally and internationally. He did not pursue ecological issues. Nevertheless, his ideas can also be usefully applied to ecological transformation. This is especially true since he paved the way for a new economic paradigm and developed a realistic vision of a regulated economy.

It is now common knowledge among informed contemporaries that the ecological consequences of the capitalist-shaped relationship between humans and nature are completely out of control. The continuing rise in greenhouse gas emissions internationally is leading to ever new temperature records with the familiar climatic disasters such as floods, storms, and droughts, or the reaching of so-called tipping points. The unbridled extraction of raw materials, which are finite by nature, is already forcing mining companies to use less efficient deposits and incurring rising costs. Securing and accessing scarce resources has the potential to cause geopolitical conflicts. Finally, biodiversity is declining at an alarming rate. All of this is well known, but there are no effective national or international countermeasures in sight.

In view of this situation, numerous scientists, ecological research institutes, and civil initiatives are calling for radical technological changes, which is only possible with a specific level and structure of investment activity, and a limitation of economic growth in the developed countries of the Global North, partly in order to preserve room for growth in less developed countries. Unlimited growth that does not adhere to the natural limits of Spaceship Earth is not possible, at least until humanity gains access to other planets, which is not in sight at present. In addition to investment activity, consumer demand must also be controlled in a regulated, ecologically oriented economy. A generally satisfactory level of consumption with limited growth will realistically only be possible with a more balanced distribution of income and wealth.

Without a doubt, the current national and international political balance of power does not allow for the short-term implementation of the Keynesian ideas outlined above. Nevertheless, policies can be identified that are already heading in the right direction. (Heine/Herr 2025). This thesis can be specified in six points:

Firstly, for ecological and social reasons, society's infrastructure, including transportation, energy and water supply, waste management, educational institutions, and social security systems, should be publicly owned. Privatizations in these sectors should be reversed, and sustainable financing through prices, fees, and government tax revenue should be guaranteed. This also includes ensuring sufficient housing for low-income households through state-run and/or cooperative housing programs.

Secondly, the financial market must finally be regulated much more strongly. This includes the strict regulation of the shadow financial system, from non-bank financial intermediaries to cryptocurrencies and other highly speculative markets. Capital controls should no longer be taboo. In the European Monetary Union, this includes, for example, the completion of a European financial market with Eurobonds issued by the European Commission. State-owned banks and cooperative banks should be strengthened. Stock markets as well as foreign exchange markets can be slowed down through transaction taxes.

Thirdly, market-based, ecologically oriented instruments such as eco-taxes or environmental certificates must be implemented in a binding manner and their level must be used to control structural changes. However, measures of this kind generally lead to a disproportionate burden on socially disadvantaged households. Therefore, poorer households must be financially relieved of this burden. If this is neglected, the political backlash is likely to become so strong that the environmental goals will be weakened. All relevant experience confirms this. For example, the internalization of environmental costs in freight transport, particularly in shipping but also in civil aviation, must play a central role in interventions in the price system.

Fourthly, market-based instruments alone are insufficient for an ecological transformation. Comprehensive and proactive industrial policy must play a central role here. State-owned enterprises can play an important role in the ecological transformation. A key aspect of comprehensive industrial policy is a political debate about the vision of ecological transformation, as well as the creation of institutions that enable rational implementation and control of industrial policy.

Fifthly, it must be possible to exert public influence on investment activity via the financial system. In addition to public investment, national development banks, also refinanced through the central bank, can play an important role in the structure and volume of investment activity. In this way, the macroeconomic growth rate and the structure of growth could be adjusted in line with ecological requirements.

Sixthly, large, market-dominating (listed) companies must align their investments with ecological parameters. This can only be fully achieved if the logic of profit maximization is broken by public regulation. For example, government aid such as that granted during the major financial crisis of 2008/09 or the COVID-19 crisis could be distributed as government shares in companies. Subsidies within the framework of industrial policy can lead to mixed ownership. In this context, the co-determination rights of trade unions must be strengthened.

Seventh, ecological problems are global in nature and must be addressed globally. The populations of less economically developed countries naturally have different priorities than those in industrialized nations. When fighting for daily survival, ecological problems tend to recede into the background. Therefore, combating global ecological crises must be linked to massive support, especially for countries with low per capita incomes. Gigantic capital flows from more developed to less developed countries to support the ecological transformation and development are not a solution. They would only lead to further debt crises and dependencies. Therefore, ecologically oriented aid should not primarily take the form of loans and direct

investments, but rather non-repayable grants. Support should consist primarily of technical assistance such as the deployment of experts, the free delivery of technical equipment, or the relaxation of patent protection. At the same time, these countries must be granted the right to introduce protectionist measures, comprehensive industrial policies, and capital controls. Erratic fluctuations in exchange rates should be avoided through central bank policies that are coordinated as internationally as possible.

Eighthly, measures of the kind outlined above cost money. Sufficient government revenue through taxes (and fees) is necessary to prevent national debt from spiralling out of control. The golden rule of fiscal policy should apply, which states that over the business cycle government consumption expenditures should be covered by revenues and that loans should be reserved for public investment (see above). The transfer of large, unearned Inheritances and gifts, in particular, should be significantly limited through inheritance tax. In addition, a wealth tax should be reintroduced, and incomes should be taxed much more progressively than they are currently.

4. Summary

John Maynard Keynes was the most famous British economist of his time and played a central role in economic policy debates. He broke away from the then-dominant neoclassical thinking, placing money, uncertainties and expectations, as well as the role of aggregate demand, at the forefront of his analysis of capitalist economies. He clearly recognized the inherent crisis-proneness of capitalist economies and the fact that, for the most part, they did not represent a meritocracy. While there are innovative entrepreneurs who generate profits, the lion's share of non-labour income in the form of interest, dividends, or profit distributions is pocketed by households that do not contribute to any entrepreneurial activity. In his academic work, Keynes developed a vision of a regulated economy that could emerge from existing capitalism. According to his idea, the investment activities of large corporations should be socially controlled. To achieve this, they would need to be socialized. This argument is even more important today than in the times of Keynes, as powerful oligopolies with significant political influence have formed in many industries, and under the logic of the shareholder management regime, the investment activity of companies is suboptimal. Sufficient scope for entrepreneurial activity would remain in small and medium-sized enterprises and start-ups, thus preserving the undeniable innovative power of the market mechanism.

Consumer demand should be sufficiently high to enable a prosperous economy. In Keynes's view, this is only possible with a relatively equal distribution of income and wealth as well as the elimination of income that is not backed by any performance in the form of work or entrepreneurial function. Inheritance taxes and higher taxation of high incomes of private households play an important role in this context.

A relatively large public sector, financed through a broad tax base, has a stabilizing effect on the economy. Of course, counter-cyclical fiscal policy should be practiced as

well under the general golden rule of fiscal policy. Public utilities such as water supply and local public transportation should remain under the ownership of local authorities.

Keynes saw balanced trade and current accounts as an element of a fair globalization. Mercantilist strategies of countries should be prevented within the framework of regulated globalization. Capital flows should be largely controlled, and exchange rates should be adjustable, but only at the discretion of political decision-makers.

With these proposals for a regulated economy that can evolve beyond the current capitalist system, he provided important elements of an ecological transformation. He developed structures and instruments relevant for sustainable and fair economy. Of course, his proposals cannot simply be adopted and given a "green" makeover. However, Keynes's proposals provide impetus for a debate on what a sustainable economy could look like and how its macroeconomic management could be structured.

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About the authors

Hansjörg Herr is Professor Emeritus for “Supranational Integration” at the Berlin School of Economics (HWR). He is an expert in development economics including trade, global value chains and financial systems. He is one of the founders of the Global Labour University (GLU), and has been teaching in many universities around the world.

Michael Heine is Professor Emeritus at the HTW Berlin, University of Applied Sciences. His research focuses on macroeconomics, with a particular emphasis on monetary theory. From 2006 until his retirement, he held the position of president of the university.

Global Labour University - Freunde und Förderer e.V.
Prenzlauer Allee 186, Berlin 10405, Germany
www.global-labour-university.org
scherrer@uni-kassel.de