

REVIEW OF ZACHARY D. CARTER, *THE PRICE OF PEACE:
MONEY, DEMOCRACY AND THE LIFE OF JOHN MAYNARD KEYNES*,
NEW YORK: RANDOM HOUSE, 2020

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Zachary D. Carter's book presents both a biography of John Maynard Keynes and a history of the reception and influence of his thought in the US political and intellectual life from the New Deal to the response to the 2007-2008 Great Crisis: Keynesianism is assessed in its ideal dimension, as a philosophical and political enterprise to secure international peace, domestic prosperity and the enjoyment of the good life for everybody, as well as in its concrete and historical deployment as a tool of macroeconomic stabilization in a context of growing military expenses and interventions, of widespread economic inequality and even of economic deregulation. The tension between, on the one hand, Keynes' economic theory and political vision and, on the other hand, its piecemeal adoption by almost every US administration and its reception within the boundaries of the neoclassical synthesis is thoughtfully examined, resisting the opposite temptations of seeing the latter either as a mere betrayal or as the consequent adoption of the former.

Twelve chapters out of seventeen are dedicated to Keynes' life and to the development of his thought. The first two chapters deal with the beliefs held by Keynes during the Gilded Age and with his activities as an advisor to the Treasury during the First World War, particularly in Britain's decision to withdraw from the gold standard in August 1914, securing convertibility only for foreign payments. While at the Treasury, Keynes developed for the first time the insight that the stability of the markets relies not on automatic adjustment between demand and supply, but rather on a climate of confidence which must be secured by policy making. Great relevance is given to Keynes' membership to the Apostles

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in Cambridge and to his lifetime participation in the Bloomsbury Group. From his acquaintance with the philosopher G.E. Moore and his friendship with, among the others, Virginia and Leonard Woolf, Vanessa Bell, Lytton Strachey and Duncan Grant, Keynes inherits the anti-utilitarian persuasion that the highest goal in life lies in the enjoyment of the arts: politics and economics have as their ultimate task to secure the material conditions for such an enjoyment to the widest number of people. Keynes is confident in the cosmopolitan order of the Gilded Age, which, under the aegis of the British Empire, seems to secure peace, international integration and a sustained economic growth which benefits all the social classes. Carter further makes the point that Keynes, while acknowledging, at least since *The Economic Consequences of the Peace*, that such an abundance relied on quite exceptional circumstances, will devote the rest of his life to investigate the way to restore it: if the means employed by *laissez-faire* capitalism have been made obsolete, the same could not be said for the aims of the liberal civilization he grew up with.

The following two chapters document Keynes' participation in the Versailles Conference and the critique to the Treaty he delivered shortly thereafter. Carter documents Keynes' role in lifting the blockade against the German ports and his unfruitful call for writing down war debts, which could jeopardize both recovery and social stability. The author brings into light the conservative undertones of *The Economic Consequences of the Peace*. Heavy debt load could lead the governments to promote inflation, which, in turn, will damage the propertied classes and foster revolutionary upheavals. A return to the pre-war political cooperation could instead restore the confidence in progress on which both investments (on the capitalist' side) and discipline (on the workers' side) relied.

Chapters V and VI follow Keynes' career in journalism (as a contributor to the *Manchester Guardian* and then as owner of *The Nation and Atheneum*) and as a member of the Liberal Party in the 1920s. Keynes' endorsement of monetarism in *A Tract on the Monetary Reform* is seen by Carter as a denounce of the destabilizing effects brought up by fixed exchange rates and as a step in the development of the idea that capitalism can be restored to its full efficiency through money management. Keynes' running of *The Nation* is scrutinized also in respect to the support of his Bloomsbury friends, many of them were hired as contributors. Stress is given to his effort to bend the Liberal Party to the left and to secure an alliance with the Labour Party. Keynes' political thought is then explored by analyzing *The End of the Laissez-Faire*. Neither *laissez-faire* capitalism and State socialism are seen as adequate answers to the problem of securing efficiency and social justice. These goals can instead be secured by the emergence of semi-autonomous corporations, which are oriented not only by the profit criterium but also

by the public interest. Despite Keynes' naïve expectations that big business was going to be compelled by society to acquire this form, Carter sees in this model the anticipation of the government agencies which, starting from the New Deal, will secure the implementation of public policies. The book then details Keynes' stance against Churchill's restoration of the gold standard in 1925 and the relevance given for the first time to expansionary fiscal policy through public works in order to secure full employment in *Can Lloyd Do It?*, written for the 1929 elections.

Chapters VI and VII deal with Keynes' works and activities in the early 1930s. In *A Treatise on Money*, Keynes realizes that markets, rather than arising spontaneously, are constantly shaped by political power. Money itself is a creation of the State to account for debits and credits. Crises and depressions are due to savings exceeding investments due to their lack of coordination and can be managed by lowering interest rates and increasing public spending. Carter remarks that Keynes did not want to subvert the notion of equilibrium, but to show that it does not occur spontaneously. In *Economic Possibilities for our Grandchildren*, Keynes sets out his social utopia: an ever-greater technical progress will result in abundance not only of material wealth but also of free time which could be employed for a full development of human capabilities and for a full enjoyment of higher pleasures, a picture Carter likens to the future society described by Marx in his 1844 economic notebooks. Carter documents Keynes' U-turn on protectionism, his renewed call for settling down international debts in the following of the 1931 banking crisis as well as his role as advisor for the Macmillan government, and his contacts with F.D. Roosevelt and with some of the most prominent New Dealers, which Keynes exhorted to pursue bolder fiscal deficits.

The writings and reception of the *General Theory* are presented in the chapters VII and IX. According to Carter, Keynes realized that his policies could become influential only by winning consensus among professional economists. The *General Theory* was deliberately written in a more obscure fashion to confer it a prestige among the élite of commentators he could not have achieved otherwise. For this same reason he endorsed Hick's mathematical presentation of his argument, despite it being at odds with the centrality played in his theory by uncertainty. Precisely uncertainty is seen by which Keynes as the main reason for the lack of the incentive to invest and which must be fought by public policies, which can restore confidence in the future state of the aggregate demand. Carter then reconstructs Keynes' influence on the later Roosevelt administration thanks to the role played by the Keynesians of the first hour like Bryce, Tarshis, Sweezy, Salant and Galbraith. Even more fiscally conservative authors like Walter Lippmann feel compelled to dress their worldview in a Keynesian fashion.

Chapter X and XII deal with Keynes' role in the Second World War and in the Bretton Woods Conference. Carter documents Keynes' trip to the US to negotiate the Lend-Lease Act and the enthusiasm he expresses for Roosevelt's newly adopted interventionist foreign policy in defense of human rights, which Carter likens to the benevolent imperialism advocated by Keynes in his youth. The author then details Keynes's anti-inflationist program as presented in *How to Pay for the War*, which entails a mandatory savings program enforced on the working class, whose sacrifice in term of present consumption would have been compensated by a greater share of the future wealth. The exchange of letters between Keynes and Hayek after the publication of the *Road to Serfdom* reveals that, despite their shared commitment to liberalism and their nostalgia to the pre-WWI order, Keynes, unlike Hayek, believed that liberal civilization could be preserved only by securing plenty to the masses, a task that could have curbed the charm exerted by totalitarian regimes and which necessarily required an expansion of state intervention. At Bretton Woods, Keynes' plan for a fairer international economic order is opposed by the US' hegemonic ambitions. Keynes' patronage for the fine arts and for their widest availability to the public is then documented in the institution and management of the Arts Council of Great Britain.

Chapters XIII to XV chronicle the reception of Keynes in the US from the late 1940s to the 1960s. Carter registers the almost immediate adoption of aggregate demand management by the Truman and Eisenhower administration, despite the persecution, on the wave of McCarthyism, of the Keynesian New Dealers. Carter carefully reconstructs the ostracism against Tarshis' textbook and the enforced exile of Lauchlin Currie. Keynesianism survives either by presenting itself in continuity with neoclassical economics, as in Paul Samuelson's 1948 standard textbook, or as the embodiment of the spirit of American Capitalism as in the case of G.K. Galbraith. A more reformist stance is later assumed by Galbraith in *The Affluent Society* (1958), which calls for investment in education, infrastructure, and the fight against pollution. Kennedy and Johnson's presidencies are portrayed, notwithstanding their mild attempts at social reforms, as progressively repurposing Keynesianism to the exigencies of imperialism and of the capitalist class with the mix of military deficit spending and fiscal cuts.

Chapters XVI and XVII document the crisis and apparent dismissal of Keynesianism after the stagflation of the 1970s. Carter presents the critique made to 'reactionary Keynesianism', still endorsed by the Nixon administration, both on the left side by Joan Robinson, because of its lack of social reforms, and on the right side by Milton Friedman, who denounces its inflationary tendencies. An anti-Keynesian turn is adopted

by Jimmy Carter, who endorses economic deregulation. Deregulation is deepened by the Reagan administration, which adopts monetarism and restrictive monetary policies to curb inflation, at huge social and industrial costs. Balance deficits for military purposes are however preserved: only the Clinton administration attempts at fiscal consolidation, further reducing welfare expenditure. Clinton's repeal of the 1933 Glass-Steagall Act is traced as sowing the seeds of the 2007-2008 subprime crisis. The Bush and Obama presidencies resume the practice of fiscal deficit, also in response to the crisis. Keynesianism as fiscal therapy, Carter argues, is never dead, whereas as social philosophy for securing domestic prosperity and international peace has never been truly adopted.

The book's conclusion revolves around the reasons behind the failure of Keynes' political project. His belief in the power of rational persuasion led him to underestimate the power of vested interests, as well as the irreducibility of class antagonisms. Rather than resulting in a leisure-oriented social utopia, the huge increase in productivity has been followed by ever-growing inequality. Even a moderately reformist program as the one advocated by Keynes could perhaps be enforced only in consequence of a great scale mass mobilization.

To this reconstruction, which carefully presents the complexity of Keynes' intermingling of conservatism and progressivism as well as the ideological and political reception of his thought, we could add a further element, detected by Robert Skidelsky in his three-volume monumental biography of Keynes (1983-2000) and further explored by Geoff Mann in *In the Long Run We Are All Dead: Keynesianism, Political Economy, and Revolution* (2019): Keynes' technocratic faith in the intellectual élite in achieving social goals benefitting all the classes and his disbelief in the capacity of the masses to govern themselves. The masses must be emancipated and enlightened, but not empowered. Keynes' nostalgia for the XIXth century includes a defense of a hierarchical order, a point which reapproches him to his conservative interpreters and critics alike.