

Review - The Economic Consequences of the Peace

Written by John Hawkins

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JOHN HAWKINS, DEC 13 2019

The Economic Consequences of the Peace **By John Maynard Keynes (with an introduction by Michael Cox** **Palgrave, 1919/2019**

A classic work is celebrating its centenary. John Maynard Keynes released *The Economic Consequences of the Peace* (ECP), his 60,000 word denunciation of the Versailles Treaty which followed World War I, on 12 December 1919. A new edition, featuring an excellent and comprehensive introduction by Michael Cox, Emeritus Professor of International Relations at the London School of Economics, is imminent.

Keynes was to become the most famous and most influential economist of the 20th century. But despite its title, ECP is at least as much a work on international relations as it is on economics. Keynes had an insider's view of the Versailles peace conference, attending it as the senior Treasury member of the British delegation. But he was not a happy participant. His Bloomsbury friend Virginia Woolf recorded him speaking of the 'dismal and degrading spectacle'. [1] Unable to stand it any longer, Keynes resigned from Treasury, headed off to the Sussex farmhouse of Virginia's sister Vanessa, and spent two months furiously writing. Drafts of ECP formed the basis for Keynes' lectures at Cambridge in Michaelmas term of 1919.. Robinson (1947, p.20) recalled 'the dense throng and the fight to find even standing room' as students skipped other classes to hear 'the burning sense of the world's stupidities which animated the lecturer'.

While hardly a 'stocking filler' ECP sold well in its pre-Christmas release. In the US it came out in 1920 and was the second best-selling non-fiction book that year. ECP was translated into twelve languages. Global sales soon exceeded 100,000 copies and it has never been out of print. William Beveridge (1924, p.2) suggested it had 'been read by – at a moderate computation – half a million people who never read an economic work before and probably will not read one again'. It made Keynes internationally famous.

Keynes pulled no punches. He described the Treaty as 'abhorrent and detestable' (p.173). He criticised the leaders for their indifference to suffering: 'the future life of Europe was not their concern; its means of livelihood was not their anxiety' (p.75). He lamented that life would not readily return to that globalised world of early 1914, at least for the elite, where 'the inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth...and reasonably expect their early delivery upon his doorstep' (p.50). He prophetically warned the Treaty was sowing the seeds of a future conflict by demanding a 'Carthaginian peace' (p.63) involving the 'destruction of highly organised economic life' in Germany (p.64). The reparations demands were simply beyond Germany's capacity to pay. Furthermore, Keynes argued the Treaty was morally wrong as well as being foolishly unrealistic; being inconsistent with the undertakings given to the German government when negotiating the ceasefire, which had promised no punitive damages.

International relations

In IR terms Markwell (2006, p.2, 109) classified Keynes as 'an idealist thinker about international relations in the sense identified by Hedley Bull'. Keynes' portrait of the key protagonists at Versailles cast it as a conflict between the idealist US president Woodrow Wilson, the realist French prime minister Clemenceau, and UK prime minister Lloyd

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George somewhere between. Keynes depicted Clemenceau as an archetypal IR realist:

His philosophy had, therefore, no place for “sentimentality” in international relations... the politics of power are inevitable... European history is to be a perpetual prize-fight (pp.62-63).

By contrast Wilson as ruled by an idealism which left him inflexible:

Although compromises were now necessary, he remained a man of principle and the Fourteen Points a contract absolutely binding upon him. He would do nothing that was not honourable; he would do nothing that was not just and right; he would do nothing that was contrary to his great profession of faith.... Thus began the weaving of that web of sophistry (p.71).

Keynes supported in principle the League of Nations, ‘which the wisdom of the world may yet transform into a powerful instrument of peace’ (p.195). But he identified a key weakness in its ability to do anything to fix the problems with the Treaty: its decisions needed to be unanimous, leading to ‘an almost fatal bias towards the *status quo*’ (p.195).

Character sketches

ECP was renowned for its memorable character sketches of the key protagonists. Keynes was obviously influenced by his Bloomsbury friend Lytton Strachey’s iconoclastic *Eminent Victorians* published the previous year. Keynes paints Clemenceau as having ‘the aspect of a very old man conserving his strength for important occasions’ (p.61). Keynes described Wilson as not having thought through his plans:

his ideas were nebulous and incomplete. He had no plan, no scheme, no constructive ideas whatever for clothing with the flesh of life the commandments which he had thundered from the White House... he was in many respects, perhaps inevitably, ill-informed... the President was capable of digging his toes in and refusing to budge...but he had no other mode of defence...the President was far too slow-minded and bewildered...he did not remedy these defects by seeking aid from the collective wisdom of his lieutenants. He had gathered round him ... a very able group of businessmen; but they were inexperienced in public affairs...and they were only called in irregularly (pp.67-68). (Remind you of someone?)

British prime minister Lloyd George was characterised by Keynes as equipped ‘with six or seven senses not available to ordinary men, judging character, motive and subconscious impulse’ (p.66). (He had dropped from ECP his description of him in an earlier draft as ‘this syren, this goat-footed bard, this half-human visitor to our age from the hag-ridden magic and enchanted woods of Celtic antiquity’.[2])

Reviews and reception

ECP was well regarded by his Bloomsbury friends, many of whom had disapproved of Keynes’ contribution to the war effort. Lytton Strachey admired its style (p.vii), probably because it was patterned on his own. Its gloomy conclusions led Leonard Woolf to dub the author ‘Keynessandra’ (Nasar 2011, p.256)., aptly as it turned out for Keynes was both unheeded and proved right. Chancellor of the Exchequer Austen Chamberlain regretted that the book had been written and feared ‘our international course will not be made easier by such comments’, but still wrote that he was ‘full of admiration for a brilliant piece of work’ which gave him some ‘malicious pleasure’ (p.viii).

Outside Keynes’ immediate circle, both in its immediate reception, and in the longer term, ECP’s reputation has generally held up well with economists, but less so with some historians and international relations scholars. Dennis Robertson (1920, p.77) lauded it as a ‘very powerful and important book’ (p. viii). The review in *The Economist* (27 December 1919) stated ‘his case against the Treaty in its economic aspects is unanswerable: it is brilliantly presented, and closely and lucidly argued in great detail’. But while Robertson (1920, p.78) compared it to Thucydides, Day (1920, p.311) was more reminded of the less reliable Herodotus. The American historian Charles Seymour (1920, p.857) called it a ‘missed opportunity’, with some valid arguments] ‘nullified by the bilious,

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contentious tone which he adopts...unpleasantly like an echo from Berlin'.

Unsurprisingly, the book was unpopular in France. Mantoux (1946, p.5) claimed that Keynes' predictions were wrong and that the strength of the German economy in the inter-war period demonstrated that it could have met the demands for reparations in full. By the time Mantoux's book was published, both he and Keynes were dead, so no debate was possible. But the key weakness of Mantoux's argument is that Keynes was writing of the consequences were the treaty to be fully implemented and of course it was not. Mantoux's view still has influence: Canadian historian, and great-granddaughter of Lloyd George, Margaret MacMillan (2001, p.192) implied Keynes had exaggerated; 'historians are increasingly coming to the conclusion the burden was never as great as Germany and its sympathizers claimed'.

Conclusion

Unlike most books a century old, ECP is still worth reading today. Its memorable character sketches can still be enjoyed. It still provides insights into how the flaws in the treaty after the first world war sowed the seeds for the second. There are important lessons here for how the aftermath of wars should be resolved. Indeed Keynes himself drew on lessons from it when involved in 'key aspects of reconstruction after World War II' (p.41). For the IR student the clash between the realism of Clemenceau and the idealism of Wilson is instructive, particularly as it is being provided by someone who had been 'in the room'.

This new edition's introductory essay, which runs for over forty pages, adds to its value by placing it all in context. As Cox puts it, he seeks to 'explain how Keynes came to write the kind of book he did' and 'why it provoked the different reactions it did' (p.7). He concludes that Keynes 'got something very right by insisting that until and when Europe could find a way of reconciling its differences and working together it really did not have a future' (p.44).

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[1] Virginia Woolf, diary entry 8 July 1919, reprinted in Woolf (1977, p 288). See also pp 1-2 of this edition.

[2] Keynes (1931, p 22-23) later revived this passage in his *Essays in Biography*.

About the author:

Dr John Hawkins is an assistant professor at the University of Canberra. He holds a PhD from the School of Politics and International Relations at the Australian National University. John currently mainly researches in Macroeconomics (especially central banking) and Australian political history and teaches in Economics, International Political Economy, Behavioral Economics and International Relations.