CHAPTER 1

KEYNES AND PERSUASION

MARIA CRISTINA MARCUZZO

Brilliant man as [Keynes] is, he is too brilliant to be persuasive with us Americans. Many Americans admire him... But, rightly or wrongly, how many trust him? How many will accept his sales talk? No one.

—R. Leffingwell, August 31, 1945

May it never fall to my lot to have to persuade anyone to do what I want, with so few cards in my hands.

—Maynard to Florence Keynes, November 21, 1945; quoted in Skidelsky 2000, 248

1. Introduction

In this chapter, I examine the central role persuasion—in the two-way sense of persuading and of being persuaded—played in Keynes’s work, for it is crucial to an understanding of his behavior in all of his multifarious endeavors. In the process of both elaborating and transmitting ideas, persuasion calls for ability in reasoning, the gift of arousing passions, and a particular flair in personal relationships—qualities that Keynes possessed to the utmost degree. But why was persuasion so important for him? Biography played a part, insofar as Keynes was embedded in the milieu of the highly educated British class, for which clubs, debating societies, and learned fellowships represented the bulk of social life. More fundamentally, however, persuasion was essential to his conception of

* I am grateful to Nario Naldi, Annalisa Roselli, Eleonora Sanfilippo, Anna Simonazzi, and Giordano Sivini for comments and suggestions. The usual disclaimers apply.
economics as a method of molding ideas and opinions in an exchange with others, as he explained in a celebrated passage of The General Theory of Employment, Interest and Money: "It is astonishing what foolish things one can temporarily believe if one thinks too long alone, particularly in economics (along with the other moral sciences), where it is often impossible to bring one's ideas to a conclusive test either formal or experimental" (CWK 7, xiii; emphasis added).

Keynes formed his ideas in the process of submitting them to others, and we have ample evidence of his style of work and reasoning intertwined in close personal relations. In order to be convinced himself and to persuade another of an argument, Keynes needed to engage in exchanges that had a strong emotional side (affection, trust, respect), affording a "meeting of minds" (one of Keynes's favorite expressions) that for him was conducive to fruitful interaction. In a collective work in which, by reviewing the correspondence, we examined extensively Keynes's relationship with his closer fellow economists, we concluded that "the group of Keynes's correspondents . . . seems to have been an extended community, membership of which depended not so much or not only on academic performance as on the capacity to encapsulate and convey understanding through discussion" (Marcuzzo and Rosselli 2005a, 9).

We found several examples of Keynes's style of working by forming and refining his argument vis-à-vis his interlocutors, with an ample range of cases in which the "meeting of minds" was thwarted, intermittent, or wholly successful. In the drafting of his two major books, Treatise on Money and The General Theory, his former students Denis Robertson and Richard Kahn played essential roles as critics and collaborators.3

In his activities as policy adviser, Keynes was in constant contact with ministers, civil servants, officers, politicians, bankers, and opinion makers. The extraordinary number of his correspondents testifies to the compelling need he felt to be keyed in with opinions and points of view coming from different quarters and the fundamental importance he attached to it. Those to be convinced, like those by whom he was convinced, were the well-intentioned and well-disposed, since he held that a particular state of mind was a prerequisite for persuasion to be successful.

In the preface to Essay in Persuasion (1931), Keynes attributed his failure in influencing "the course of events in time" to the "overwhelming weight of contemporary sentiment and opinion" (CWK 9, xvii). In the aftermath of the First World War, he compared the advice and unheeded premonitions contained in those essays to "the croakings of a Cassandra," emitted by someone who is "desperately anxious to convince his audience in time" (CWK 9, xviii).

In this chapter, I address the question of just how adept Keynes was at tuning in to "contemporary sentiment and opinion" and convincing his opponents when he was personally engaged in steering the wheel of history. I will look, in particular, into Keynes's success in reaping the fruits of persuasion as a negotiator in his missions to the United States in the 1940s, when he bore the responsibility of protecting his country's interests and shaping the new economic order emerging from the ruin of the Second World War while being confronted with the power of conflicting interests and the clash of cultures. In section 2, I give a brief overview of the purpose and scope of Keynes's missions to the United States; in section 3, I attempt an assessment of his achievements and shortcomings in the light of the literature; in section 4, I take a closer look at three of Keynes's tours de force in the art of persuasion, drawing some tentative conclusions in the final section.

2. Keynes's Six Treasury Missions

Keynes carried out six missions to the United States on behalf of the British Treasury between May 1941 and March 1946 (Table 1.1); they add up to a year of his life—now coming to an end—spent outside his usual space and milieu whose boundaries were Cambridge, London, and Tilton.

Keynes had joined the Treasury in June 1940, in an unofficial position; he simply had a room there, was available for consultation, and drew no salary. In the autumn of 1940, Great Britain was facing its first dramatic ordeal: France had fallen, Britain was fighting the war alone, and the country's reserves were rapidly falling. Orders were placed for aircraft and tanks from the United States, although the British Treasury had

<table>
<thead>
<tr>
<th>Table 1.1 Keynes's Six Missions to the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. May–July 1941</td>
</tr>
<tr>
<td>II. September–October 1943</td>
</tr>
<tr>
<td>III. June–August 1944</td>
</tr>
<tr>
<td>IV. October–December 1944</td>
</tr>
<tr>
<td>V. September–December 1945</td>
</tr>
<tr>
<td>VI. March 1946</td>
</tr>
</tbody>
</table>
no financial resources left to pay for them. It was only with the re-election of Franklin Roosevelt in November and his announcement two weeks later that he was prepared to offer American aid to the British that the "worst financial perils" (Harrod 1951, 504) seemed to be over. This marked the beginning of Anglo-American reciprocal involvement in financing the Second World War effort, in which Keynes played a major role.

In the first mission, between May and July 1941, Keynes was to assist the British Treasury in application of the Lend-Lease Act, the U.S. program providing supplies to Britain "not in exchange for money but acknowledged by some "consideration" to be negotiated later" (Moggridge 1992, 652). Keynes was to assist in resolving some of the issues related to the scope and application of Lend-Lease, such as the financing of expenditures already incurred by Great Britain before 1941 and the liquidation of British assets overseas, which the Americans insisted upon as a condition for aid. In fact, the main purpose of Keynes' mission was to secure American financial help to increase Britain's reserves, which by then had slumped to a critical level.

In the second mission, between September and October 1943, Keynes was entrusted with the task of preliminary discussions on what was known as Article VII of the Lend-Lease agreement, that is, the terms ("consideration") under which aid was being given. The conditions required by the Americans amounted to Britain giving up her imperial preference system, in force of which the reciprocal tariff concessions between Britain and the Dominions implied de facto discrimination against products of countries outside the British Empire.

The third mission, between June and August 1944, was intended to finalize the criteria for the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development, and to link these criteria with principles to be incorporated in a commercial treaty that would see an end to both the imperial preference and the U.S. tariff systems. The Bretton Woods Conference (July 1-22), with 730 delegates from 44 countries (Skidelsky 2000, 446) witnessing the keen confrontation between the British and the American views, was the major arena for these antagonistic events.

In the fourth mission, between October and December 1944, Keynes' task was to negotiate an extension of Lend-Lease for the period between the collapse of Germany and the end of the Japanese war, known as Stage II. At stake, too, was Britain's plan to resume its basic export activities in order to boost its reserves; to this, the State Department was opposed, and it renewed its assault on imperial discrimination against American trade interests.

In the fifth mission, between September and December 1945, Keynes led the British delegation to negotiate the loan Britain desperately needed, given that Lend-Lease had been abruptly suspended as a result of Japan's surrender in August. The postwar international scenario involved negotiating financial and commercial arrangements for Great Britain and its relationship with both the United States and the Empire.

During the sixth mission, in March 1946, Keynes was involved in the final details of the design of the International Monetary Fund and the World Bank, whose inaugural meeting was held in Savannah, Georgia, and where, again, he did his best to oppose the American approach to the location and governance of the two institutions. Keynes died four weeks after he returned to Britain, on April 21.

Keynes' negotiating skills and abilities during his Treasury missions to the United States have been scrutinized in the literature under various aspects and with diverging conclusions; the overall assessment by Keynes' two major biographers is a striking example of these differences.

According to Skidelsky: "Keynes could never understand that American and British interests were not identical, attributing differences to deficiencies in the American political system, and thus over relying on logic and eloquence to overcome them" (Skidelsky 2000, 117; emphasis added). The point being made is that Keynes' logic and eloquence were powerless, since British and American interests could not be reconciled, and, indeed, his reliance on the art of persuasion actually impaired his negotiating capability.

On the other hand, Moggridge, while stressing that, on overseas issues, Keynes "became the dominant force in the Treasury, determining grand strategy and a high proportion of the tactics" (Moggridge 1992, 663), does not arrive at the same conclusions as Skidelsky. His only critical remark refers to the unfortunate negotiation on the 1945 loan, but, unlike Skidelsky, he places greater blame on the Treasury than on Keynes. Pressnell (2003, 603), for his part, argues that, in 1945, due to "his possible overconfidence," Keynes "underestimated the determination of the Americans."

In the next section, we briefly review Keynes' successes and failures during these six missions, not so much to measure his negotiating skills
as to delineate the background necessary for evaluation of his strategy of persuasion.

3. Envoy or Negotiator?

Lionel Robbins, who joined Keynes on three of the U.S. missions, wrote: "He was not always a good negotiator... But as an envoy he was supreme" (quoted in Skidelsky 2000, 110). According to the Oxford Dictionary, an envoy is "a messenger, especially one sent on a special mission," while a negotiator is "someone who confers in order to come to an agreement." Robbins's distinction seems, therefore, to suggest that Keynes showed greater ability in voicing the British point of view than in sealing agreements favoring British interests. Robbins's position appears closer to Skidelsky's than to Moggridge's, and it prompts a closer examination of Keynes's behavior during these six missions.

As we have seen, the purpose of the first mission was to make Britain not entirely dependent on Lend-Lease but to grant it financial and economic freedom of action; the means to achieve this was to increase the level of its gold and dollar reserves without stripping it of much of its foreign assets. On May 16, 1941, Keynes presented his plan, whereby the U.S. Treasury was to refund Great Britain one-third of the advances already paid on contracts outstanding before Lend-Lease and to employ Lend-Lease to eliminate Britain's current deficit with the United States. The proposal was firmly rejected by the U.S. Secretary of State, Henry Morgenthau, and Keynes was forced to change strategy; thus, while still endeavoring to put as many U.S. imports as possible on Lend-Lease, he proposed a commercial loan against collateral of British-owned activities. The U.S. Treasury accepted, on the condition that it receive a daily report on the Bank of England's level of reserves, which were not allowed to rise above a given figure.

As far as "consideration" was concerned, Keynes was confronted with two opposite views of what the United States should get in exchange for Lend-Lease: The U.S. Treasury, by controlling Britain's reserves, aimed to render the country financially dependent on the United States; the State Department, on the other hand, aimed to dismantle the imperial preference system.

Keynes had initially presented a draft in which reference was made to reducing trade barriers and trade discrimination in pursuit of a "free and healthy" flow of trade (CWK 23, 128–40), but it was vetoed in London by the Chancellor of the Exchequer, Kinsley Woods. Keynes then reluctantly drafted a second proposal, following Churchill's and Woods' guidelines, in which Britain's postwar commitments to changing its trade policy were deliberately left vague and undefined (CWK 13, 162–65). Eventually, the initiative was taken by the State Department, which produced a draft in which Article VII invoked measures that "shall provide against discrimination in either the United States of America or the United Kingdom against the importation of any produce originating in the other country" (CWK 23, 174). Against Keynes's protestation that no trade concessions should be made before the financial arrangements were cleared, the door was thus thrown wide open to American control over Britain's balance of payments.

Discussion of Article VII was the core issue of Keynes's second mission, which, in fact, revolved around the future of the international monetary system. Keynes went to America with the hope of reaching a compromise between Harry White's plan (Stabilization Fund) and his own (Clearing Union), which were simultaneously published in Washington and New York on April 7, 1943. Each was the product of different visions of the banking function of the new institution and expressions of the contrasting interests of the United States and Great Britain. Most of the negotiations were conducted in a series of eight meetings of the Anglo-American delegations in September 1943, and the balance turned out to be very much on the side of the U.S. proposals, which eventually prevailed. Skidelsky argues that, in those meetings, "the British proposed, the Americans disposed" (2000, 310), while Moggridge maintains that those discussions were "fruitful," since, "of points where there was an Anglo-American difference, six were solved, while another seven would be solved in the months that followed" (Moggridge 1992, 728). The Joint Statement by Experts, signed in Washington on October 13, 1943, embodied the agreement that had been so laboriously reached. On May 23, 1944, Keynes defended it in the House of Lords.

The third mission was almost entirely taken up with the preparation for and subsequent proceedings of the Bretton Woods Conference. Keynes, as usual, was bargaining hard to get the Americans to agree with the British point of view over the delicate issues of postwar sterling convertibility and of eligibility for and terms of borrowing from the international bank. Once more, the results were mixed.

About the conference, Kahn aptly wrote, "An appreciation of the development of Keynes's attitude presents the difficulty that while Keynes was obviously fighting a rearguard action, constantly being
forced to yield ground to the Americans, he was claiming from time to
time that his concessions on points to which he had attached importance
were not after all of serious consequence. He was terrified of failing to
secure agreement with the Americans, and, at the same time, he had to
maintain the morale of the U.K. Delegation, of officials and Ministers in

The Final Act, which Keynes came to accept on the last day of the
conference, was to be ratified by the governments involved. It was obvi-
ous that alterations would have been almost impossible to make. As
Moggridge points out, "The only alternative to rejecting the whole agree-
ment was to join the new institutions and seek an amendment or an
interpretation from the Executive Directors, after the organisation came
into operation" (1992, 748). How to persuade Parliament and how to
pave the way to "interpretations" favorable to his vision of the working of
the fund became one of Keynes's main concerns in the following months.

The central issue in the fourth mission was the checks America was
imposing on Britain's gold and foreign exchange reserves, which the UK
was intent on holding against the sterling balances of various countries
(mainly India and the Middle East) accumulating in London as a result
of the heavy military expenses incurred by Britain in those parts of the
world. As Keynes was at pains to explain to Morgenthau: "For five years
we, and we alone, have been responsible for practically the whole cash
outgoings for the war over the vast territories from North Africa to
Burma" (CWK 23, 166).

The United States insisted that, if British reserves rose above a given
level, it was proof that Lend-Lease was excessive. Keynes's position, on
the contrary, was that an increase in dollar reserves resulting from U.S.
financial help was the only way to offset the growth of the sterling lia-


multilateralism in international trade and payments. Without financial
aid by the United States—the direst prospect, which Keynes dubbed
Starvation Corner—Great Britain would plunge into severe economic
recession and rationing, and it would be forced to rely on commercial
and financial bilateralism with the same countries with which it had
incurred a huge level of indebtedness. The middle ground, which
Keynes dubbed Temptation, was a loan on more or less commercial
terms, which would have, however, placed a crippling burden on Great
Britain, preventing it from fully exploiting the gains from free trade and
full employment policies. However, the reasons for rejecting Temptation
went beyond Britain's ability to pay, since, in Keynes's view, it was
"not as the result of some statistical calculation about what we may be
able to manage, that the mind revolts from accepting the counsels of
Temptation. The fundamental reasons for rejection are incommensu-
urable in terms of cash" (CWK 24, 278). It was a matter of principles and
of preservation of Britain's financial independence and hegemony in the
postwar international order.

By the end of November 1945, the negotiations had come to a dead
end, with Whitehall resisting those concessions that Keynes himself had
originally advised rejecting but now no longer could be. At the last
minute, the British Government decided to send A. T. K. Grant and E.
Bridge to carry out what eventually amounted to capitulation to the
terms imposed by the U.S. delegation. It was left to Keynes to defend the
loan and the Bretton Woods agreements in the House of Lords on
December 18, 1945, in a speech that Skidelsky describes as "the most
courageous and skilful public speech of his life" (2000, 448).

The last mission was the shortest—less than four weeks—during
which Keynes again had to give in to the American delegation on many
important institutional features of the fund and the bank, such as its
location, governance, and even remuneration of its appointed managers
and directors. According to Kahn, "The Savannah Conference . . . had in
a brutal manner revealed—especially . . . to Keynes—that the Americans
were not going to prove so easy to deal with as, over a short phase of a few
months, Keynes may conceivably have become lulled into believing"
(Kahn 1976, 9).

When it came to reporting to the Chancellor of the Exchequer the
results of his last mission, Keynes was apparently bewildered as to what
to do. According to Kahn, he was persuaded to change the tone, if not
the substance, of the memorandum he had drafted on the Queen Mary
on the return trip, by two traveling companions who were scared that it "might have resulted in a revolt in favour of withdrawal by the UK from the IMF" (Kahn 1976, 28). Moggridge disputes the importance of the episode, arguing that it simply shows that, while Keynes was obviously disappointed with the results of Savannah" (Moggridge 1992, 834), he would never have suggested withdrawal. Skidelsky dismisses Kahn’s interpretation, that “anything Keynes wrote was bound to have a decisive effect on the policy of the British government,” as “symptomatic of the veneration in which Keynes was held for many years after his death, which was far from being complete while he was still alive” (Skidelsky 2000, 469).

There is no consensus in the literature on how far and to what extent Keynes’s art of persuasion was constrained by circumstances or, rather, was jeopardized by his scarce negotiating skills. It is a matter that cannot be settled by any evidence, but we can nevertheless try to get a better idea of his style of rhetoric and strategy of communication by looking more closely into three of the most striking of his *tours de force* in persuasion.

4. The Rhetoric of Responsibility

If judged against the declared objectives, Keynes’s missions can hardly be described as successful. However, in all contemporary records, as in most of the subsequent literature, Keynes is portrayed as a master in eloquence and superb in his overall and far-reaching vision, with a full understanding of the minute details and implications of the arrangements that were being negotiated and displaying real rhetorical skill in pleading the British case, although there are reservations about his handling of the American opponents. Moreover, when it came to persuading the Treasury or the House of Lords to accept what he had negotiated, there is almost unanimous consensus that Keynes’s art was unrivaled.

Keynes’s eloquence won the day in three notable instances: defending the Joint Statement by Experts with the Treasury and in Parliament in April–May 1944, bringing Whitehall around to his strategy for Stage III in a memorandum of March–May 1945, and pledging acceptance of the loan and the Bretton Woods agreements in the House of Lords in December 1946.

The logic of his defense of the Joint Statement rested on the necessary connection between Britain’s domestic policy and its external position: the importance of avoiding the interwar experience with beggar-my-neighbor measures, which had resulted in unemployment and disruption of trade. As Keynes stated in the House of Lords on May 16, 1944, “The policy of full employment to which His Majesty’s Government are committed would be immensely easier in practice if we could have a concerted policy with other countries, and if we all moved altogether and did not allow what is sometimes called the export of unemployment from one country to another” (CWK 26, 4–5).

In his speech to the House of Lords of May 23, 1944, Keynes’s rhetorical pledge to the Lords to endorse the Joint Statement by Experts rested on two pillars. The first was to argue that it was a case of “a voluntary undertaking, genuinely offered in the spirit both of a good neighbour and, I should add, of enlightened self-interest, not to allow a repetition of a chain of events which between the wars did more than any other single factor to destroy the world’s economic balance and to prepare a seed-bed for foul growths” (CWK 26, 4).

The second, and more important, pillar was that there was no viable choice: “What alternative is open to us which gives comparable aid, or better, more hopeful opportunities for the future? I have considerable confidence that something very like this plan will be in fact adopted, if only on account of the plain demerits of the alternative of rejection” (CWK 26, 15).

A year later, addressing again the alternatives facing Great Britain in the postwar period in a memorandum written between March and May 1945, Keynes bluntly depicted a bleak scenario, in which he insisted that an appeal to justice was the first and the best option. His approach was commented upon extensively by Bob Brand, who was at the time one of Keynes’s most important interlocutors and correspondents on Anglo-American relationships. Brand’s reaction and Keynes’s response are worth quoting at length: “What you propose the United States should do, is, taken as a whole, something like Justice to us, and that as for the part we assign to the United States we ask it from her not because it is just but because she is rich and well able to do so, and because it is very much in her interest. My point in saying all this is that I doubt whether it will be wise to stress to the American people that what we propose is not only Justice to us, but for them” (R. H. Brand to J. M. Keynes, April 5, 1945, in CWK 24, 307).

To which Keynes reacted, “You must remember that the present document is primarily addressed to critical members of the Cabinet here and is putting the case primarily from our point of view. I contemplate that a different sort of paper would be prepared and used for U.S.A. . . . One
should give more attention to emphasising the advantages to U.S.A than I have given in this paper as compared with the advantage to the UK" (J. M. Keynes to R. H. Brand, April 24, 1945, in CWK 24, 312–13).

Here Keynes's persuasion strategy relied on two levers. The first was selecting the arguments that would appeal to the self-interest of the party that he was addressing at the time. The second was searching for a framework in which each side's interests could be made to coincide as parts of the same general interest. As he explained to Wilfrid Eady,29 who was also unconvinced of Keynes's strategy in negotiating postwar American financial assistance: "[The appeal to Justice] is wider conception about the way in which the financial consequences of the war should be liquidated" (J. M. Keynes to W. Eady, June 13, 1945, in CWK 24, 360).

Keynes's appeal to justice to persuade the Americans to share the burden of the cost of the war was a rhetorical device to present as a mutual interest that which, in the minds of the two parties involved in defending the U.S. and U.K. viewpoints, appeared to be conflicting interests. The substantive reason for putting forward his proposal of a "free gift" from the United States stemmed, however, from a firm belief that settling the British external debt by the application of a strictly commercial point of view, as the Americans were determined to do, would have a worldwide deflationary effect. This position is similar to the one Keynes took with regard to German reparations in the aftermath of the First World War. Ironically, the Marshall Plan, which the Americans introduced after the end of the war to inflate the European economy, was a Keynesian remedy; but, to American politicians, it had the virtue of not being geared to British interests. The literature is divided on this issue. Skidelsky endorses the view that Keynes was fighting against the U.S. intention to destroy Britain as a great power, while American economic historian Brad DeLong rejects the idea that Britain could ever have remained a great power, no matter how much Keynes might have been able to extract in terms of financial aid from the United States.30

Finally, we come to Keynes's address to the House of Lords on December 18, 1945 (CWK 24, 605–28), delivered barely twenty-four hours after he had disembarked from the Queen Elizabeth at Southampton to seek Parliamentary ratification of the loan and the Bretton Woods agreements. Here his persuasion strategy was geared to appealing to a sense of responsibility. While conceding "to his regret that this is not an interest free loan," Keynes expressed sympathy for his American negotiators and their difficulties, arguing that relying on a sterling area bloc was not a viable alternative to Anglo-American collaboration, and he enumerated all of the advantages that multilateralism held for Great Britain in terms of short-term recovery and long-term growth.

However, he also recanted his strategy of appealing to a sense of justice, devised in March 1944: "In no phase of human experience does the past operate so directly and arithmetically as we were trying to contend. Men's sympathies and less calculated impulses are drawn from their memories of comradeship, but their contemporary acts are generally directed towards influencing the future and not towards pensioning the past. . . . We soon discovered, therefore, that it was not our past performance or our present weakness but our future prospects of recovery and our intention to face the world boldly that we had to demonstrate" (CWK 24, 610–11).

Skidelsky argues that "the magic of Keynes's words is still potent more than half a century later" (Skidelsky 2000, 449; emphasis added). Moggridge describes Keynes's speech as "a powerful, frank description of the arrangements" (Moggridge 1992, 816; emphasis added). The choice of adjectives reflects the contrasting evaluation of his two biographers, the former stressing the eloquence, the latter the logic, of Keynes's defense of his own doings. Harrod (1951, 618) takes a middle course, describing the address as a "graceful and persuasive speech . . . compounded of penetrating analysis, tact and sagacity."

Once again, we see here different evaluations of Keynes's role in the various agreements that sealed the final act in Anglo-American financial negotiations during the Second World War. Skidelsky, together with Robbins, takes the view that Keynes was more a "master of words" (in Harrod's definition) than a successful negotiator, while Moggridge, together with Kahn, presents him as painfully aware that this was the best the British could achieve against the Americans' refusal to consider the alternative option.

S. Conclusions

Success in persuasion requires the thorough grasp of public feelings and sentiment which, by the end of his life, Keynes had fully acquired, above all in the context of his intellectual and political milieu. In the 1940s he was no longer—as in the 1920s—an outcast on the political scene. He was the most influential advisor to the Treasury, a director of the Bank of England, and a member of the House of Lords addressing his peers. He
knew the right strings to pull, and he pulled them. It was not only his prestige at stake but the postwar economic and political system he had helped design.

By assuming responsibility for what had been achieved, Keynes forced Parliament and the Government—by then accustomed to the idea that he was one of them—to share in it. A similar point was made by Harrod in his comment on the speech of December 18, 1945, when he asked what lay behind Keynes's success in persuasion in this particular instance: "The speech in December 1945 was excellent, but no more excellent than his utterances for twenty-seven long years. Were the mighty ones in the land merely indifferent to wisdom, or were they incapable of detecting it, except when it was adorned with a coronet?" (Harrod 1951, 618).

Keynes's appeal to overcome self-interest as the sole guide to action and to transcend situations that take the form of zero-sum games was made in the context of both internal and external economic problems. As far as full-employment policy was concerned, he endeavored to persuade his "countrymen and the world at large to change their traditional doctrines and, by taking better thought, to remove the curse of unemployment" (CWK 26, 16). In the case of postwar international economics, he fought to persuade governments that "only by a more comprehensive settlement, which attempts to offer everyone what is reasonable, and so far as we can make it fair, can the financial consequences of the war . . . be liquidated" (CWK 24, 291–92).

His persuasion strategy was not always successful, but to the extent that it was—as the experience of employment policies and international financial stability in the postwar years has amply shown it to have been—much was gained in terms of creation and allocation of resources.

Robbins (1932) claimed that arguments pertaining to ethics and political philosophy should be banned from economics. His message was that, while moral sciences deal with what ought to be, economics is concerned with what is; Keynes fought for the opposite view, for investigation "into problems which seek to bring about defined or desired end states (or solutions) and clarify values" (see Marcuzzo 2004). His message was to change the environment within which individuals operate, so that moral and rational motives become the spring of action of the collective as a whole (CWK 17, 453). The role of persuasion was precisely that of inducing behavior to conform to goals that were attainable only by moving beyond individualistic motivation or utilitarian calculation. Zero-sum games were more the results of a vision of society and of a conception of economics based on the principle of scarcity and self-interest than on a true representation of reality.

As Skidelsky aptly put it: "[H]is intuition persuades, not so much because it corresponds to our own intuition of reality, but because we are very susceptible to persuasive language. To the extent that we are persuaded, and modify our behaviour, there is a new reality" (1992, 415).

Notes

1. Quoted in Skidelsky 2000, 407. Richard Leffingwell, an American lawyer, was at the time director of J. P. Morgan.

2. For instance, Keynes wrote to Robertson: "I certainly date all my emancipation from the discussion between us which preceded your Banking Policy and the Price Level" (JMKB 20, 1936, CWK 14, 94). And he wrote of Kahn that "he is a marvellous critic and suggester and improver—there never was anyone in the history of the world to whom it was so helpful to submit one's stuff" (JMKB 23, 1934, CWK 13, 422). On the collaboration with Kahn, see Marcuzzo 2002; on the collaboration with Robertson, see Sanfilippo 2005.

3. Keynes's own arguments were set out in a memorandum of October 27, 1940, drawn to assist British Treasury official Frederick Philipps in preparation for his visit to Washington (CWK 23, 13–26).


5. "[K]eine's hold fast to the illusion that what Britain deserved could be made to happen . . . infected the labour government with his optimism" (Skidelsky 2000, 386).

6. "London had also made a serious tactical mistake in not including commercial specialists in the original team, although they had attached a Board of Trade official to the team at the last moment . . . . Keynes saw trade and aid as being linked but thought that they could be kept separate in the initial stages of financial talks" (Moggridge 1992, 802).

7. "Keynes's grand scheme depended on first securing a financial deal, and he was confident of being able to handle commercial policy, if it arose, in general terms; much later, perhaps a trade official or two, even a team, might join the negotiations" (Pressnell 2003, 683).

8. On the vital importance of the United States gaining access to British-controlled markets, see De Cere 1979.

9. According to DeLong 2002, 160: "When Keynes disagreed with White, he usually lost the point because of the greater power of the United States . . . . But compared to the common view of the institutions to be built and of the goals to be accomplished, the differences between Keynes and White, while important, are orders of magnitude less important than the broad areas on which they agreed." Skidelsky 2000, 253 takes the opposite
view, going so far as to suggest that White was a Soviet spy who "wanted to cripple Britain in order to clear the ground for a post-war American-Soviet alliance." The evidence of the charges against White has been questioned by Boughton (2001).

10. Points agreed upon were the form of the ultimate statement, the size of the International Monetary Fund, the scarce currency clause, the mechanisms for altering the gold value of the units of account (Unitas), withdrawals from the fund, and selection of the currencies to be drawn from the fund. Points still to be agreed upon were the size of the initial gold subscriptions to the fund, its role in the event of exchange rate changes and in members' capital account transactions, terms of repurchase of a member's own currency, and the monetization of Unitas.

11. "It is only by a more comprehensive settlement, which attempts to offer everyone what is reasonable, and so far as we can make it, fair, that the financial consequences of the war can be liquidated. This is the aim, namely, that as between the partners to the war, its financial consequences, in so far as they affect future economic intercourse between them, should be so far as possible liquidated" (CWK 24, 291–92).

12. "A policy of economic isolationism and of economic rupture with the United States and Canada (and with a large part of the rest of the world also) could only be practicable if we had regained the financial reserves we have lost, and if we were prepared to live for several years after the war with rigid domestic controls and strict rationing of consumption, and with an organisation of foreign trade after the Russian model" (CWK 24, 256).

13. "We cannot be sure of achieving such a burden with success, and we might find ourselves in a chronic condition of having to make humiliating and embarrassing pleas for mercy and postponement" (CWK 24, 278).


15. The Permanent Secretary of the Treasury.


17. See, for instance, Harrod (1951, 496): "In the course of years he had made himself a supreme master of debate. That fine command of prose, manifested in his writings, was no less evident in oral discussion. . . . As a master of words Keynes was without peer in Washington or Breton Woods." See also Robert Bryce (1988, 150). "In 1944 [Keynes] came twice to Ottawa as a representative of the British Treasury . . . he was a very skilled negotiator, a very persuasive and fluent exposer; indeed his exercise of fluency and charm was so powerful that the Canadian ministers preferred to take their decisions after they had met with him rather than while they were still under his spell." I am grateful to Robert Dimand for drawing my attention to Bryce's account.


19. Explanatory Notes by United Kingdom Experts on the Proposal for an International Monetary Fund, CWK 25, 437–42. Keynes justified the need for these in a letter to the Chancellor of the Exchequer: "The experts, who are publicly stated to have agreed this paper as being satisfactory, are surely entitled to offer some explanation why" (J. M. Keynes to J. Anderson, April 16, 1944, in CWK 25, 436).


21. At the time, Treasury representative in Washington.

22. Since 1942, the Second Secretary of the British Treasury.

23. "Britain imported seventeen billion pounds' worth of goods during World War II, of which America paid in Lend-Lease and in post-World War II Marshall Plan and MSA [Mutual Security Agency] aid for seven billion. Had America paid for all seventeen billion pounds, then Britain would have had an extra ten billion pounds' worth of overseas assets at the end of World War II. At a 5 percent real return on overseas investments, this would have boosted post-World War II British GNP by 4 percent. Would Britain with 4 percent more GNP have been a truly 'great' power, the post-World War II leader of the western alliance? No. . . . It would have had no more workers and factories more productive than Britain did in reality" (DeLong 2002, 162).

References


CWK 7, The general theory of employment, interest and money.

CWK 8, Essays in persuasion.


CWK 14, The General Theory and after. Part II: Defence and development.

CWK 17, Activities 1920–1922: Treaty revision and reconstruction.


