

KEYNES LECTURE

JOHN MAYNARD KEYNES: ECONOMIST
AUTHOR, STATESMAN

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THIS is an occasion which, for all of us here tonight who are economists, has a double importance. It is the first occasion on which a lecture is delivered in the new scheme of annual Keynes Lectures established by the British Academy; established, I think I may say, with much encouragement from our Chairman, Lord Robbins. It will, we hope, provide an annual opportunity for the survey of some branch of economics. It has a second importance in that today marks the publication of the first volumes in the new edition of the Collected Writings of John Maynard Keynes which forms the Royal Economic Society's memorial to one who during thirty-three years of very busy life was its Secretary and the Editor of its Journal. When he died, he had very lately resigned those offices to become President. Thus it is doubly appropriate, I think, that this first Keynes lecture should be devoted to Maynard Keynes as Economist, as Author, as Statesman.

The time is coming, I feel sure, when a reassessment of Maynard Keynes will be possible and will be needed. What some of us who were his friends wrote soon after his death, under the shadow of his loss, needs to be put into the longer perspective. I believe that within a very few years this will be much more possible than it is even today. In particular I believe that it is only when his second-war writings in the Treasury are all available that a balanced judgement will be possible.

We started work on the editing of Keynes's papers not long after his death. The work in the early stages went slowly. In retrospect I do not altogether regret this. For it has only been in the past five or six years that all that he wrote in the Treasury during 1915-18 and at Versailles in 1919 has been available in the Public Record Office under the old 50-year rule; it is only since 1968 that the material relating to some of the major events of the inter-war period in which he was involved has been available under the new 30-year rule; the 1939-45 material,

covering his work in the Treasury in the Second World War, will become available, with certain exceptions, next year; there will then remain only a small amount of further material, mostly relating to post-war problems, which will become available over the next five years or so. Thus over the next few years we shall be able to present, what we could not otherwise have presented, the whole body of his life's work.

I have spoken of the need for a new assessment. Let me make it clear what those of us who have been working on the new edition have and have not been attempting. We have made it our aim to let you judge Maynard Keynes for yourselves. We are trying to enable Keynes to speak to you with his own voice or his own pen. The bulk of what will be printed in the 25 Volumes that we shall be publishing will be of Maynard Keynes's own writing. But many of the household names of that generation are now forgotten. Elizabeth Johnson, who has edited two of the volumes published today, has provided a minimum of unobtrusive background information to enable you quickly to understand the circumstances in which something was written.

We are republishing in new format all the books that Keynes published in his lifetime. We are adding wherever they exist the very interesting special prefaces which he wrote for French and other translations. We are printing the full texts of his pamphlets rather than the abbreviated versions that he included in *Essays in Persuasion* and we are adding there and in *Essays in Biography* other essays that are of similar character. For the *Tract on Monetary Reform*, which drew heavily on articles which he had previously published in the series of special *Manchester Guardian Commercial Supplements* which he had edited, we are printing a variorum edition which will enable those interested to see the changes and additions that he made from the earlier to the later version. But it is the new material that is most interesting, and I suspect most exciting, to the majority of you. We are collecting in a group of four volumes for the convenience of scholars all his academic contributions scattered in a variety of journals. Very much of Maynard Keynes's most interesting and important writing was, however, of a more popular and ephemeral character: newspaper articles, letters to the Press, contributions to the work of various committees and commissions on which he served, memoranda while in the India Office or the Treasury, his economic correspondence. (For I must make it clear at once that this is Keynes as an economist; we are not attempting to cover all his wide interests in the arts, in the theatre or his

correspondence with his Bloomsbury friends.) All this we are collecting in a series of ten or eleven volumes concerned with his Activities and Associated Writings.

I think our objectives and the way in which we propose to handle them are well illustrated by the four volumes that are published today. Two of them represent his first two published works—*Indian Currency and Finance* and *The Economic Consequences of the Peace*, the latter with the English originals of its special prefaces. As companions to them are the first two of our *Activities* volumes. The first covers his early life as an economist, his short period in the India Office and his strenuous membership of the Austen Chamberlain Royal Commission on Indian Finance and Currency. The second covers his work and worries in the Treasury from 1915 to 1918, with heavy responsibilities for inter-Allied finance and for husbanding our too rapidly disappearing gold and foreign currency reserves, and covers also his contributions to early thinking in the Treasury on reparations, his work at Versailles, and, finally his progressive heart-break as Versailles descended from rationality and peace-making into political horse-trading.

If, for a moment, I may look ahead, we hope towards the end of this year to have four more volumes, all of them reprintings of his published books, ready for publication. By the Summer of 1972, we hope to have a further four, and among those we hope to have something that all economists have for long been most anxious to have—a volume of his articles and his correspondence with Robertson, Harrod, Hawtrey, and others as he moved forward from the *Tract on Monetary Reform*, through the *Treatise on Money*, to the *General Theory*, which will itself be one of this third group.

Today I am anxious to be allowed to attempt what I have said that the edition deliberately refrains from doing—to look through the writings, back to Keynes the man: not indeed to reappraise him, but perhaps to provide a few signposts for those who may attempt it. And the difficulty in doing this is that Keynes was in fact two men. He was the economic statesman. He was the creative pioneer in economic theory. But in each capacity he was much the greater for being at the same time the other. And too much that has been written about him is concerned with only one of the two facets and forgets the other.

Keynes throughout his life—even when writing the *General Theory*—was essentially a political economist, essentially an applied economist. He was, I am convinced, immensely

influenced throughout his life by that initial short time in the India Office and by his four war-time years in the Treasury. As I visualize him from the early 1920s when I was first one of his pupils, he approached economics as one seeking always a rational economic statesmanship; as one who, like any working civil servant, has always to find not only an intellectual solution but also an administrative and practicable solution for the problem in hand. In those early days he was not, or was rather seldom, a theoretical innovator. He was a uniquely clear-headed civil servant, educated in and using the traditional Marshallian economics. Where, as in the case of post-1918 exchange rates or the transfer of reparations, current theory was inadequate, he did not hesitate to set out to improve it before using it. But on the whole those were the exceptions. He stood out in the early 1920s as one who resolutely faced facts in a world in which so many were running away from them; as one who believed that radical and politically difficult solutions were necessary in a world that could not return quickly and happily, as so many were hoping, to the world of pre-1914.

There is one other quality in Keynes as an applied economist which stands out: his tremendous capacity for mastery of detail. When you come to read or re-read the volumes that we are publishing, and particularly *Indian Currency and Finance* and the companion volume on his work in the India Office and on the Austen Chamberlain Royal Commission, this, I think, is the thing that will impress you. Though he was never, then or later, in India, he knew an immensity of detail about all the minor institutions and minor complexities of the Indian financial and monetary system, the seasonal flows in and out, the effects of crop variations on the flows, an infinity of minor other influences on the flows of money backwards and forwards between India and England. He was neither in this nor in any other case content with the sort of broad general impression of how things worked that contents so many macro-economists. He insisted on understanding the full detail of the micro-economics in all its ramifications.

This capacity for mastering detail and equally his interest in it emerged again and again in his Treasury work in both wars. It was seen also in his anxiety to improve national statistics; it is to him indirectly that we owe our official national income statistics and many of our financial statistics. It was seen also in the help he gave to developing serious work in applied economics in the National Institute, and in the Department of

Applied Economics at Cambridge, of both of which he was one of the most active progenitors.

In many respects the *Treatise on Money* is the most academic of Keynes's books. But going back to it in the process of re-printing I keep feeling Keynes, the monetary reformer, anxious to get the world monetary systems right in the same way that he had been anxious to get the Indian financial system right fifteen years earlier, dominating over the pure academic. Volume I, *The Pure Theory of Money*, creates the necessary tools for Volume II, *The Applied Theory of Money*, rather than forming the real objective, thereafter to be half-heartedly applied. One sees this even more vividly in the two Divisions of his earliest draft of the contents: Part I, *Principles of Thought*; Part II, *Principles of Action*. The very interesting special preface to the German and Japanese translations is more enlightening here than the more familiar one to the English and American editions. He makes clear in that special preface that his primary concern in writing the *Treatise* was to develop thinking about a gradual evolution of a managed world currency in conditions in which he was convinced that the traditional gold standard was likely to become increasingly unworkable. It was, that is to say, as a reformer, rather than a theorist, that he approached his tasks of authorship.

When one thinks of Keynes as the innovator in economic theory it is almost wholly of his work embodied in the *Treatise* and the *General Theory* and his writings related to them that one is thinking. Of his earlier drafts of the *Treatise*, belonging to the period 1924-5, nothing now survives beyond numerous and changing drafts of intended contents and a single draft introductory chapter summarizing his current thought and dated November 1924. What does survive of this period, and will be published, is his 1925 correspondence with Dennis Robertson concerning Robertson's *Banking Policy and the Price Level* and concerning his own drafts. We shall never, I fear, know any more clearly than did they from which of them originated some of the path-breaking ideas about saving and investment in their two very different books. But not many months ahead you will have all the evidence that exists in your hands in the fascinating volume that Donald Moggridge is now editing.

May I turn then more generally to Keynes as a creative economic theorist? How did he work? How did ideas come to him? I am sure that they did not come to him initially by a process of conscious, conscientious, and painstaking model-making,

by an effort of detailed mathematical analysis. He once said to me that all his best ideas came to him from messing about with figures and seeing what they must mean. But I believe we have his own guidance here if we know where to look for it. He was deeply interested in the creative processes of other great writers, and more than ever so when he had lately been through a similar creative process. What he saw and recognized in others was, I feel convinced, what he saw and recognized in his own processes of creation. May I quote—because I believe he was writing partly from introspection—what he said about Malthus and what he said about Newton?

About Malthus he wrote in 1935, when the shape of the *General Theory* was complete but he was still wrestling with the detail,

Malthus approached the central problems of economic theory by the best of all routes. He began to be interested as a philosopher and moral scientist, one who had been brought up in the Cambridge of Paley, applying the a priori method of the political philosopher. He then immersed himself for several years in the facts of economic history and of the contemporary world, applying the methods of historical induction and filling his mind with a mass of the material of experience. And then finally he returned to a priori thought, but this time to the pure theory of the economist proper, and sought, being one of the very first to seek, to impose the methods of formal thought on the material presented by events, so as to penetrate these events with understanding by a mixture of intuitive selection and formal principle and thus to interpret the problem and propose the remedy. In short, from being a caterpillar of a moral scientist and a chrysalis of an historian, he could at last spread the wings of his thought and survey the world as an economist!

About Newton he wrote about 1938–9, also after his own work on the *General Theory*.

I believe that the clue to his mind can be found in his unusual powers of continuous concentrated introspection. . . . His peculiar gift was the power of holding continuously in his mind a purely mental problem until he had seen straight through it. I fancy his pre-eminence is due to his muscles of intuition being the strongest and most enduring with which a man has ever been gifted. Anyone who has ever attempted pure scientific or philosophical thought knows how one can hold a problem momentarily in one's mind and apply all one's powers of concentration to piercing through it, and how it will dissolve and escape and you find that what you are surveying is a blank. I believe that Newton could hold a problem in his mind for hours and days and weeks until it surrendered to him its secret. Then being a supreme mathematical

technician he could dress it up, how you will, for purposes of exposition, but it was his intuition that was predominantly extraordinary.

And then Keynes goes on to tell the story of Newton and Halley, with Newton's reply, 'Why I have known it for years. If you'll give me a few days, I'll certainly find a proof for it.' Nothing could better describe life in Cambridge in those years of the 1930s when there was no doubt about the truth but a good deal of trouble about the proof.

I had at first thought that Keynes became interested in this only at the time of the *General Theory*. But one finds him writing in the same vein already in 1924 when he said of Alfred Marshall:

It was an essential truth to which he held firmly that those individuals who are endowed with a special genius for the subject and have a powerful economic intuition will often be more right in their conclusions and implicit presumptions than in their explanation and explicit statements. That is to say, their intuitions will be in advance of their analysis and their terminology. Great respect, therefore, is due to their general scheme of thought, and it is a poor thing to pester their memories with criticism which is really verbal.

Once again I find myself wondering how many of the criticisms directed in recent years at passages in the *General Theory* which, admittedly, are ill-formulated are in truth as destructive as their authors suppose, or are really verbal in the sense of which he was thinking.

But if the first stage in Keynes's own creative process was intuitive, that does not mean that the whole process of creation stopped there and is to be criticized by applying rigorous methods of criticism to a completely unrigorous vision. I think that one of the most interesting things that will come out of our forthcoming volumes is the very strenuous work of the following three or four years to subject the vision to rigorous criticism and to see whether it was internally consistent. And in the process I think you will discover that, within the limits of the essentials of the system he was trying to create, Keynes was not inflexible. He was inflexible only when some of his chosen critics—I have Pigou particularly in mind—seemed to him in the final stages to be failing to appreciate what he, and by that time, others also of his closest collaborators, believed to be not only essential to the system but also sufficiently tested to be safely incorporated in it. With Robertson he never lost hope that they might reach agreement. Let me stress also that in this process Keynes

himself was not merely an observer. He was more anxious and more active than anyone to get the work right.

To me this material has a second interest. It shows vividly under the floodlight the day-by-day and week-by-week development of their individual and collective thinking and the gradual eradication of error as some of the ablest of British economists grappled with some of the unsolved problems of economics. Nowhere else, save in the Ricardo/Malthus correspondence, do we have anything comparable.

I hope that when all this material and Keynes's drafts and redrafts are available to you it will give a final quietus to the canard passed on from one author to another who never knew Keynes that he was careless and slapdash over his theoretical work. It is the more pity that Schumpeter in his perceptive essay in *Ten Economists* saw fit to argue that, because Keynes did much else, he gave too little time to revising his own writings. To those of us near him at that time that is the complete antithesis of the truth. What he did not do was to embody his theory in the now fashionable Austro-Swedish school of capital theory and the theoretical system of Walras rather than in the then dominant Marshallian tradition of Cambridge and England generally. But that is not a matter of carelessness nor even of ignorance. There were, I have no doubt, minor excrescences of the theory of value that Keynes thought unimportant and irrelevant to real applied economics and took no trouble to master in detail. (How many of us do not adopt a similar attitude to some more recent elaborations?) But that was never the case over the branches in which he was himself working. This, as you will soon see for yourselves, is nowhere better exhibited than in the extreme care with which, as editor, he argued with Harrod the detail of the latter's very important 1939 'Essay in Dynamic Theory'.

Where does Keynes stand today as a creative economist? I have phrased my question deliberately. For I do not find it very profitable to ask the question that is more commonly asked—How much of the General Theory survives intact after thirty-five years? I find this latter question as antipathetic as I think Keynes would himself have done. Remember what he wrote about Alfred Marshall:

He was too little willing to cast his half-baked bread on the waters, to trust in the efficacy of the co-operation of many minds, and to let the big world draw from him what sustenance it could. . . . Perhaps we require one treatise, as a *pièce de résistance*, for each generation. . . .

Economists must leave to Adam Smith the glory of the quarto, must pluck the day, fling pamphlets to the wind, write always *sub specie temporis*, and achieve immortality by accident if at all.

The current school of criticism seems to me to challenge Keynes exactly where Keynes had challenged Marshall. Ought Keynes in 1936 to have protracted the period of criticism? This had already been going on for four years. Ought he to have kept his ideas to the narrow circle of his chosen critics while he hammered it all out further and rewrote the *General Theory*? Or was he right to trust in the collaboration of many minds? To put it to the world as it was?

Here I think one needs to contrast Keynes and Marshall not only as persons but also as persons living in different generations of economics: Marshall the lonely economist in a world in which economists of his stature could be counted on the fingers of a hand; Keynes the creative economist in a generation in which competent critics could be counted in hundreds, with his work surviving into a generation in which they can be counted in their thousands. Among Keynes's papers there survives what must have been part of one of his early drafts of an introduction to the *General Theory*. It is so fascinatingly apposite that I hope I may be forgiven for quoting it in full (those who know the preface to the French edition will recognize the echoes):

In some respects this is a very controversial book. There are many passages in which I attack with vehemence the views of others, and it is unlikely that I shall escape reprisals. I should, therefore, like to say a little of what experience and reflection have led me to feel about controversy between economists.

It is notorious that controversy in economics is peculiarly provocative of irritation. The two teachers under whom I was first brought up in the subject, Marshall and Pigou, have both held that controversy in our subject is unsatisfactory and distasteful and should be strongly deprecated. Marshall himself would practise elaborate arts of composition to avoid it, and, being not less easily provoked than other men, then needful self-control would bring him near to bursting point when he was, nevertheless, subjected to criticism. On the other hand, controversy may assist progress and be healthy in spite of being disagreeable; whilst the avoidance of it may allow the charlatan, who is commoner in economics than in the exact or natural sciences, to flourish unrebuted. Are Marshall and Pigou right? Should we compose our books as though we were the only students of the subject in the world and remain as silent under criticism as if we were deaf? Or should we go at it hammer and tongs? My own answer is equivocal.

There is a great deal to be said in favour of the attitude of Marshall and Pigou. When we write economic theory, we write in a quasi-formal style; and there can be no doubt, in spite of the disadvantages, that this is our best available means of conveying our thoughts to one another. But when an economist writes in a quasi-formal style, he is composing neither a document verbally complete and exact so as to be capable of a strict legal interpretation, nor a logically complete proof. Whilst it is his duty to make his premises and his use of terms as clear as he can, he never states all his premises and his definitions are not perfectly clear-cut. He never mentions all the qualifications necessary to his conclusions. He has no means of stating, once and for all, the precise level of abstraction on which he is moving, and he does not move on the same level all the time. It is, I think, of the essential nature of economic exposition that it gives, not a complete statement, which, even if it were possible, would be prolix and complicated to the point of obscurity but a sample statement, so to speak, out of all the things which could be said, intended to suggest to the reader the whole bundle of associated ideas, so that, if he catches the bundle, he will not in the least be confused or impeded by the technical incompleteness of the mere words which the author has written down, taken by themselves.

This means, on the one hand, that an economic writer requires from his reader much goodwill and intelligence and a large measure of co-operation; and, on the other hand, that there are a thousand futile, yet verbally legitimate, objections which an objector can raise. In economics you cannot *convict* your opponent of error—you can only *convince* him of it. And, even if you are right, you cannot convince him, if there is a defect in your own powers of persuasion and exposition or if his head is already so filled with contrary notions that he cannot catch the clues to your thought which you are trying to throw to him.

The result is that much criticism, which has verbal justification in what the author has written, is nevertheless altogether futile and maddeningly irritating; for it merely indicates that the minds of author and reader have failed to meet. This is the type of controversy, common enough even amongst the most distinguished exponents of the subject, which merits the full disfavour of Marshall and Pigou. But, of course, this does not mean that all criticism is futile, and it is dangerous, I think, to be too wary of it. Moreover a candid author surely enjoys criticism which comes from a thorough understanding of his thesis. There is no greater satisfaction than in the exchanging of ideas between minds which have truly met, leading to further discoveries and a shift of view in response to difficulties and objections.

I ask forgiveness, therefore, if I have failed in the necessary goodwill and intellectual sympathy when I criticise; and to those minds to which, for whatever reasons, my ideas do not find an easy entry, I offer the assurance in advance that they will not find it difficult, where the country to be traversed is so extensive and complicated, to discover

reasons which will seem to them adequate, for refusing to follow. Time rather than controversy (I agree with my mentors) will sort out the true from the false.

Keynes would, I feel certain, have hated to be judged, as he so frequently is, *sub specie aeternitatis*, as if he had sought to write an economic bible, to survive as the verbally inspired truth for all time. He was seeking, in the *General Theory*, as always, 'to trust in the efficacy of the co-operation of many minds'. Thus I think one's judgement on how much has survived very much depends on what one has expected to survive. No one, least of all Keynes himself, thought for one moment in 1936 that the last word was being said in economics. It was an interim report from one who was himself expecting to move on. And already in 1936 he was preparing to do so. We have an early draft, dating from that year, of a table of contents for another book to be called *Footnotes on the General Theory*. It is difficult to guess its probable character from the list of contents, and we have enough similar lists for other books to know how often he changed his mind. It looks as though it were intended to be a simpler, more direct, and possibly more popular exposition of the ideas of the *General Theory*. We cannot know what might have come out of that book. There is no clearer evidence than what can be gleaned from his last articles of how his thinking might have developed. But Keynes's thought never stood still. It is relevant in thinking of his writing from 1936 to the end of his life to remember that from 1937 to 1939 he was a very seriously sick man whom most of us despaired of ever seeing back again in full work and that from 1940 to 1946 he was deeply involved in heavy work in the Treasury.

And very clearly with the great growth of economics since 1936, the subject has not stood still. With the development of growth theory, descending in some important respects from the Keynesian thinking but not integrated into it in 1936, a new aspect has emerged and a new set of doubts about what one means by some of the concepts of short period equilibrium.

At the same time, with an economic environment which has itself been changed by Keynes's influence on policies new problems have forced themselves upon us—not least of them the problem of reconciling full-employment policies with the avoidance of inflation. It has sometimes been said that he did not foresee this. That is not wholly true. He wrote in 1944 to an author who had submitted an over-formalistic analysis of the problem:

I do not doubt that a serious problem will arise as to how wages are to be restrained when we have a combination of collective bargaining and full employment. But I am not sure how much light the kind of analytical method you apply can throw on this essentially political problem.

When, as I have said, we are able to publish in a year or two all of his Treasury work in the second war, his thinking about the problems of overfull employment will be much better documented than it is today. But so far as we can judge for the moment, he did not foresee a protracted period of overloading of the economy and was foreseeing a return by degrees to an underloaded state after a transition period of five years or so which he assumed to be handled by a continuation of the sort of controls we had been using in war-time. In this, let me hasten to say, he was accepting the predictions of the economists then working in the Cabinet Office. He, like the rest of us, failed to foresee that the combination of fuller employment, the change in the share of labour in the national income, and the extension of the welfare state were likely to result in expectations of a more rapid and more continuous growth of demand, a higher level of investment based on these expectations, and a more continuing pressure on resources, extending far beyond any transition period or any period over which controls were regarded as acceptable.

There are a number of elements of the General Theory which over these thirty-five years have not become the accepted orthodoxy of economics—his theory of the determination of the rate of interest for example. But if one picks up a dozen or more introductory text-books, one quickly finds that it is not that Keynes has been replaced by another and better orthodoxy, but rather that there is at present no universally accepted orthodoxy. And this I find equally in the writings of some of those who have attempted in recent years to reassess Keynes. Very often they are dissatisfied with one or other element in the system of the *General Theory*, or even in the case of the monetary revivalists with its whole system and whole approach. But can one confidently say that they have as yet created a new and better orthodoxy? In many cases their solutions are as open to challenge and as far from being an accepted orthodoxy as those of Keynes himself. This is the way, surely, that economics has always made progress. But the fact that this is where the argument still lies emphasizes to my mind that the question that Keynes posed is still a question, even if his answer is not generally accepted.

This seems to me Keynes's important contribution to economics: that he asked a number of very fundamental new questions. He asked what determined the level of employment. He asked whether the economy was inherently stable at the level of full employment, automatically returning to it when disturbed. He asked, as I say, how the rate of interest is determined. These questions remain with us, and will and must remain, central to all economics. This asking of new questions has been the hallmark of the great economist, through Adam Smith, Ricardo, Marshall, Pigou, Robertson. With all of them we associate particular questions in economics. And in this sense Keynes stands pre-eminent. If his own answers were all proved to be wrong (and I do not think they have been or will be) I would still regard the *General Theory* as one of the great milestones of all times in our subject. It was, perhaps, not very unusual that Keynes should dominate the economics of his lifetime—that it was he who asked the questions and that the rest of us were struggling to answer them. It is very much more remarkable that now, just twenty-five years after his death, he still dominates; it is his questions that we are still struggling to answer.

How much survives of Keynesian economics very much depends, as I see it, on what one regards as the essentials of it. As I have tried to say elsewhere, it seems to me that there are now two images of Keynesian economics. The first image sees Keynesian economics as a set of panaceas for the economic diseases of the 1930s applied uncritically to the entirely different world of the 1960s and 1970s—a belief that government policies should in all cases be expansionist and never disinflationary. In that sense I, and I believe many others who were his pupils and admirers, am no Keynesian. Nor do I believe that Keynes himself would have been a Keynesian. After an evening spent discussing the prospects of the post-war world with economists in Washington in the fall of 1944, he commented to Lydia and myself at breakfast the next morning: 'I found myself the only non-Keynesian present'. Remember his definition of the perfectly consistent man: 'the man who has his umbrella up whether it rains or not'. He of all people did not believe in inappropriate cures for inappropriate diseases. A word of caution here, however; Keynes did consistently believe in the virtue of the highest practicable level of employment. He would always seek an alternative, if there were one, to economic adjustment by unemployment.

The second image of Keynesian economics, the one which I myself hold, is that of a system of thought in which one tries to see what are the factors influencing the propensities to consume and to save, to invest, to expand government expenditure; to see what factors are influencing and likely to influence the rate of interest; to see what is the current or expected loading of the economy and how far the elasticity of supply of output as a whole will permit expansion without more inflation than is regarded as tolerable. In that sense almost all economists today are Keynesians—even some of Keynes's sternest critics. Am I claiming too much for Keynes if I call this system of thought Keynesian? I think not. Today too many of his critics fail to remember, or never had the opportunity to know, the way in which we tackled these problems before 1930. Much of what Keynes first taught our generation has now become so completely absorbed into the orthodoxy of economics that it is forgotten how great was the revolution in our whole method of thought that he pioneered and others have continued to develop. When I re-read, for example, Samuelson's familiar text I find myself, through very much of the book, regarding him as Keynesian. I want to applaud when I find him saying, for example, 'experience since 1932 and careful logical reasoning, suggest that money and aggregate . . . spending will not manage themselves'. For the working applied economist or short-term policy-maker the area of controversy is in practice now small. The area over which theoretical controversy still remains seems to me to slowly be narrowing, but to be becoming more astringent as it narrows. It is focused today largely on the links between money and output. And what is happening, as was to be expected, is surely that the Keynesians themselves are moving on and dividing and re-coalescing as they move on. This, let me again insist, is the essence of progress in economics. The development of growth theory and the argument about it has brought new angles and aspects to the problems debated in the 1930s. Thus the frontier of economics is in a different place from where it was in the 1930s and one finds discussion not so much about what Keynes did think as about what Keynes would have thought.

There are some who believe that they have learned to think like Keynes and can interpret what Keynes would have thought. I hope I may be forgiven if I express a little scepticism about this process. I, with a much more pedestrian and less radical mind, lived under his shadow for twenty-four years. I hardly

ever saw for myself in advance what he was going to say about the crises through which we lived. I do not think that his solution to the problem of reconciling high employment with reasonable monetary stability in the 1970s can be predicted from any pedestrian extrapolation of his views of the 1930s. For Keynes, though he was astonishingly consistent in his objectives, never stood still as an economist. This is nowhere better shown than in the fourth of the volumes that we are publishing today—the volume on his work in the Treasury in 1915–19. All of you who know his *How to Pay for the War* and the essentials of our 1939–45 war economy will be fascinated to contrast his analysis, in very monetary terms, of the war finance of the first war.

Time presses, and I must not devote as much of it as I could wish to Keynes as author. It is a tragedy that one who, better than almost any of his generation, could convey difficult ideas with perfect lucidity and rigorous economy of words should be fated to be read and remembered for the one book in which, from much writing and rewriting, he fell far below his own austere standards. He felt, I know, as the months slipped by, very much the same about the *General Theory* as he had about the *Treatise*:

As I read through the page proofs of this book I am acutely conscious of its defects. . . . There are many skins that I have sloughed still littering these pages. It follows that I could do it better and much shorter if I were to start over again. . . . Nevertheless I expect that I shall do well to offer my book to the world for what it is worth at the stage it has reached.

He believed always, as I have stressed, that progress in economics comes from the collaboration of many minds.

Keynes, as an author, was happiest, as so many of us are, in the things that he wrote at white heat, at a sitting, with a clear unity of thinking running through the whole thing. I have found his skill and clarity in formulating ideas in words emerging vividly in the short things he wrote—in memoranda in both wars, in the Treasury, in his ephemeral contributions to the newspapers, not least in his biographies of the economists. Who, having read them, will ever forget ‘Melchior, the Defeated Enemy’ or ‘Mary Marshall’? I feel glad that it will now be easier for economists to have on their shelves the things by which one would like him to be remembered as an author.

May I turn finally to Maynard Keynes as statesman? I have deliberately described him as statesman rather than as politician. Keynes was never in the normal sense of that word

a politician. He was brought up and remained a Liberal in a Cambridge and in a family in which it would have been difficult for him to be anything else but a follower of Adam Smith and Ricardo. But he never believed in his party wrong or right. If he played an important part in the writing of the *Liberal Yellow Book* of 1924, it was as one who wished to harness the energies of the Liberal Party to the achievement of national objectives to which he as well as Layton, Henderson, and others of his co-authors were attracted not on political but on economic grounds. He savaged equally Lloyd George and Winston Churchill when they departed from his standards of rational conduct. He worked in his two periods in the Treasury with equal devotion for McKenna and Bonar Law, for Kingsley Wood, Anderson, and Dalton.

He was never, I suggest, in the true sense a politician. From 1919 to 1939 he was constantly in opposition, he was constantly a critic. But it was never a politician's opposition for opposition's sake. Keynes was a critic in the fundamentally different and unpolitical sense that he believed that he saw, within the objectives of the government in power and within their grasp, a better answer to their problems, an answer that would bring greater benefit to themselves and to the world if only they had the courage to attempt it. He was, as I see him, throughout life a civil servant in the very best sense of those words; one who was anxious to help those whose immediate responsibility it was to govern his country to make the best use of their opportunities.

Keynes's claims to fame as a statesman were in part the analogue of his claims as a political economist. He, more than anyone, brought the world to rethink the Carthaginian peace of 1919. He more than anyone helped to make the world rethink its unemployment policies, against powerful entrenched resistance, in the 1930s. But when one thinks of Keynes as statesman, one is thinking primarily of his four years of intensive work as a sick man in the years 1939-46. He was, first, the architect of our war finance, in a much wider sense than came immediately under his eye in the Treasury; the whole of our system of control through manpower and resource allocations was essentially Keynesian. He was, second, the inspiration of the full-employment White Paper which, oversimplified as it may have been, has done much in the past twenty-five years to mitigate the horrors of the world of unemployment. He was, third, the person who animated all our war-time thinking about the post-war problems of the balance of payments.

But it was as one of the protagonists in Bretton Woods and in the creation of those two instruments of the international economy—the International Monetary Fund and the World Bank—that he made his greatest contribution to the world. We may many of us have criticisms of how both those organizations have conducted their business at particular moments of the past twenty-five years. It remains that they have each in their way provided an instrument which has prevented the insularity and self-interest of individual nations from doing damage to the world economy and has helped to make possible the continuity of world expansion. Finally, it was on Keynes, throughout the war but especially in those last months of his life in Washington, that fell the heaviest load of responsibility for interpreting our problems to the leaders of the United States and for persuading them to give us the necessary minimum of help through the almost overwhelming difficulties of the first year after the war. Just because he was not a politician he was freer to search flexibly for the possible as well as the desirable. These are contributions to his country and to the world which would assure Keynes an important place in our history if he had never written a word of theoretical economics.

I began by saying that Keynes would need reappraisal by another generation. But I believe that any process of reappraisal, if it is honest and not merely a vainglorious attempt to pull the great down to the level of the self-appointed reappraiser, will recognize Keynes's greatness. Why do I think him a great man? How does one know who is a great man? I believe myself that any generation really knows its great men better than any succeeding generation can know them. In any generation there are the few who changed things: of whom it can be truly said that the world was a different place because they lived in it. Their number is surprisingly few. There are many who helped things to happen: without whom, perhaps, things would not have happened quite as they did; but who did not change what happened.

Like others who are here tonight, I was privileged in the war years to live on the fringe of those who were the great men of Keynes's generation. I think we know who really changed things and just how few they really were. We knew who were those who could and did dominate events, and those who merely accepted and followed. We knew where the new ideas, the new concepts, the new ways of breaking out of seemingly unbreakable constraints were coming from. I believe that in that sense a generation knows its own great men.

I would confidently put Keynes among those few. To my mind it is wholly irrelevant whether he possessed or did not possess the more sombre Victorian trappings of greatness: pomposity, an image compounded of Queen Victoria's picture of the Prince Consort and the quintessence of an archbishop. There is surely room in the make-up of the great for gaiety, for the human frivolities and affections. If a permissive generation believes that it can deny greatness by showing the possession of the qualities that it most claims for itself, something will surely have gone wrong with its criteria of greatness.

The truly great men, as I see it, are those who have been endowed with four gifts, all rare, all necessary to the achievement of true greatness: the gift of seeing the problems and tasks of their generation with a clarity and detachment given to few men; the gift of perceiving how to break through the constraints imposed by politics and public opinion; the power to dominate their contemporaries and to change public opinion sufficiently to make things happen; the gift of being animated not by lust for personal power or personal aggrandisement but by desire to benefit the nation and humanity.

All these gifts Maynard Keynes, I believe, possessed, in a measure given to few men. On his clarity of mind I need not dwell further. Of his fertility in devising ways of breaking out of our constraints I have already spoken. He could dominate his contemporaries equally with his voice and his pen. But he dominated always by persuasion and not by brutality. One has seen those who have dominated by ruthlessness, by fear, those whom it needed courage to contradict. It was not that that made one of my seniors fearful of attending a meeting with Keynes. It was because he feared that the magic of Keynes's voice and the cogency of his argument would convince him that he was wrong where he did not want to be proved wrong. And I think I would claim for Keynes a true altruism. Were there greater objectives than those he set himself? To create a world monetary and financial system that could achieve adjustment without disaster to one of the parties to the adjustment; to create a world economy in which all countries all the time might be better able to use to the full their manpower and their resources. Almost all that he did, almost all that he wrote throughout his life, was devoted to those two ends. If in the process of re-appraisal Keynes does not emerge as a truly great man, something, let me repeat, will have gone sadly wrong with the criteria of greatness.