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Book review:

Gilles Dostaler, *Keynes and his battles*, Edgar Elgar, Cheltenham, UK, Northampton, MA, USA, 2007, 384 pages

Mircea T. Maniu

I first met with John Maynard Keynes sometime during the grim, ideology-plagued, '80s: definitely not the best of times for studies on the fundamentals of capitalism in a communist country like Romania. I got acquainted with the main ideas encompassed in his *General Theory of Employment, Interest and Money*, which had somehow got to be translated and printed during the slightly more liberal '70s, but my Keynesian knowledge was, still, evidently basic. During the same '80 I also encountered with various interpretations of Keynes' works, as could be found in Soviet books, the only kind of international literature available in Romanian libraries at the time, and even in a few Western texts, translated, in their turn, via the "Soviet connection", which turned a blind eye to copyright issues: such books were the expression of the newly acquired freedom emerging from *perestroika* and *glasnost*. But I truly discovered Keynes, in all his intellectual, professional, esthetical, and even *epicurean*, magnitude, in the "heaven" of the American free shelf academic libraries, in the early '90s, when I had the privilege to study advanced macroeconomics with one of the pillars of American post-Keynesianism: Paul Davidson, the Editor of the *Journal of Post Keynesian Economics*.

It is thus obvious that I started reading this great book with lots of dispersed information in my mind; perhaps I should even say stereotypes and conventionalisms, developed from my eclectic Keynesian background. But, in the early '90s, Romanian economy (and implicitly Economics) seemed so ripe for a major Keynesian approach that I lost no opportunity to grasp whatever I could get on Keynes and his followers throughout the world, especially in regard to governmental policies as derived from his vision of acting towards an "ideal" society grounded on a sound economy. A very strong question emerged and

persisted, even after the so called concept of "transition" had seemed to gradually vanish from the economists' current jargon: did we not in fact witness, within the former communist system, a switch towards capitalism that bore some relevant Keynesian marks, as opposed to the widespread opinion that we went through a stampede of wild liberalism? I would say that much of the answer will be found by the careful reader in the substance of this comprehensive and lively written book.

"Not only an economist", but also a "thinker", and, subjectively of course, (but what kind of subjectivism!), "the most intelligent person Bertrand Russell had ever known" could be the blueprint of this much more than a biography. Born in 1883, Keynes literally fought throughout his lifetime – using the weapon of his mind, of course – on several fronts: politics, economics, social life, and, though it may come as a surprise to many innocent observers of the world of wealth makers, the fine arts. Gilles Dostaler has a fabulous ability to encapsulate in his extremely easily readable book facts of life, emblematic figures of the 20th century, radical aspects of philosophy, controversial issues, all the contextual evidence that made possible the emergence of such a vividly present actor as Keynes turned out to be. It is probably not out of place to state that Keynes was, in this respect, a true *Leonardian* figure emerging from a typical *Victorian* milieu, fighting against its false morality and managing to impose his own ethical and aesthetical view on such a complex field as the realm of Economics. Notwithstanding, the fact that most Keynes scholars are economists (well, on a commonsense scale I should say: nobody's perfect – I am an economist myself!) is evidently a limitation, considering the great contributions Keynes made to politics, war-related issues, and money theory – from a philosophical perspective – and even to modern art.

Inspired from, but actually in many ways opposing, Bentham's utilitarian theory, Keynes started by trying to (self) impose a kind of "non-religious" morality, at a time when money had become a *totem* of veneration. In this respect he was, probably, a character that could be easily branded as both scientist and artist. It is extremely important to understand Keynes from this self-revealed perspective, because there are two traits that scholars and artists share: imagination and intuition. Keynes indeed felt throughout his lifetime that he possessed and succeeded in putting both at work, and these intellectual capital assets differentiated him from the bulk of 20th century economists more than the validation or invalidation of his theories. This *ars gratia artis* (art for art's sake) approach applied to an area such as Economics was definitely the side of Keynes'

work that was most often under attack, from the early stages (Hayek), through the neo-liberalism of the '70s (Friedman), and up to the present (the liberal *gurus* of post-communism). But, as Dostaler so pertinently observes, Keynes has become a symbol of the end of *laissez-faire* due to his abilities, rather than to the fact that the long reign of classical liberalism owes a lot to the lack of proper competition of ideas.

One cannot deny that Keynes made a difference at a time when liberal Economics as a theoretical expression of British expansionism was at its heights. It makes sense to remind the reader that Keynes actually defined himself as a "new liberal", by which he understood exactly the opposite of what is called today *neo-liberalism*. Nevertheless, paradoxically enough, throughout his lifetime he was perceived (in British politics) as a conservative by the right and as a liberal by the strong leftist movements of the '30s. Still, beyond this political "ambiguity", there was another element that made Keynes stand out, so to say, *avant la lettre*, his proposed diagnosis of, and remedies to, the consequences of World War I. Besides bringing him world fame and the reputation of an excellent economist (Hayek himself praised him at the time!), *The Economic Consequences of the Peace* (1919) also revealed Keynes' ability to theorize, and accordingly formalize, policies that would change the landscape of economics forever. From this viewpoint, evaluating the inter-war years' heritage, one can say that Keynes was only wrong in one respect: he overestimated the governments' ability to cope with the major regulatory tasks that his radical vision involved.

It was a radical vision indeed, leading to what would be later known as the "Keynesian revolution", because his *General Theory* (1936) changed the world of Economics just as Adam Smith's *Wealth of the Nations* or Karl Marx's *Das Kapital* had done before. This, in fact, makes the objective core of Dostaler's investigation: money and labor represented the quintessence of Keynes' Economics and he interpreted these issues in such an innovative manner that soon his work became the most cited, interpreted, praised, but also criticized, book in the history of economic writing. Keynes started by placing money in the economic equation according to his moral conviction: money should be nothing but an economic motor, a tool subordinated to nobler tasks than simpler accumulation of wealth, inevitably generating "social pathology". Though skeptical about the quantitative theory of money (Fischer), Keynes built a very plausible short run case: money, production, liquidity preference and the virtuous cycle of balanced economy, with

lesser and lesser unemployment. Critics of the time implied that the pattern would not stand in the long run, which generated one of the best known Keynes replies: "in the long run we are all dead!" Later critics suggested that the rather archaic monetary system of the '30s could not foresee the changes in the propensity to spend or save induced by the contemporary credit system, and the further extreme sophistication of financial instruments.

Less controversial in the epoch was his labor approach, but this might be attributed to the obvious success of the *New Deal* policies in the USA, a step that was somehow "empirically concocted" in the early '30s, while Keynes formalization came in the second half of the decade. But in the aftermath of World War II, in fact unto this day, successful cases in public spending were the exception rather than the rule across the world. That is probably why many sources reveal, as Dostaler points out, that Keynes could be easier (if not better) understood using critical texts. And there has been no lack of attacks in this area, especially as regards public spending, which gradually became the workhorse of criticism of the Keynesian vision. The most virulent critics suggested that Keynes simply did not understand that investment was nothing but a postponed spending and this invariably led to the controversial aspect of long run self-regulation of the system. Contemporary critics are even harsher, taking into consideration the experience of most post-communist governments' erratic contribution to the economic stability of their economies, via the public sector and public investment. One could therefore draw the conclusion that Keynes was a visionary as regards the importance of labor, but we should wonder more than ever whether he had good grounds to forge his state-interventionism theory, instead of assessing the market's virtues and observe the evident liabilities of any governmental involvement, as Mises, for instance, pointed out in such a relevant manner.

Last but not least, the book vividly depicts Keynes' peculiar role in forging the post-World War II international monetary system and world scale macro-institutions such as the *International Monetary Fund* and the *International Bank for Reconstruction and Development*. Though his world prestige and influence were unchallenged in 1944 and the following years, one should see that the final outcomes in this respect were far from pleasing his strong personality. In fact, some observers even think that, instead of becoming a sort of "crowning" of his career, and an acknowledgment of the validity of the old European tradition in Economics, the finality of *Bretton Woods* turned in his eyes into his only "lost

battle", and since he could not cope with defeat, this led to his early death in 1946. In any case, not a single major economist would dare deny Keynes' influence and impact over the vision of this type of global institutions of the 20th century.

After all, what is it that remains today of Keynes' work? This seems a quite reasonable question nowadays, and Gilles Dostaler does his best to underline this capital thinker's influence on the world of economists, regardless of the school of thought they belong to. A typical early 20th century intellectual, educated in British top schools such as Eton and Cambridge, Keynes became less typical as an individual and public figure. His extra-professional interests (he was a true patron of the arts – among other things Chairman of the *Council for the Encouragement of Music and Arts*) were also vividly publicly present, sometime against his scientific work, which turned him more "human", more comprehensible to a larger category of public than the sophistication of his methodology and the deepness of his analysis would normally allow.

It is beyond doubt that in a global world strongly influenced (whether objectively or not) by various *isms*, with liberalism as the most prominent, returning to Keynes means nothing but solidly benchmarking our path towards a reasonable future. Gilles Dostaler's book vigorously elaborates on several layers of investigation: the plain life, the political, academic and social involvement of this "warrior of ideas", probably one of the greatest in history, who went through so many types of battles during his life. Some of these are still fought today and, knowingly or not, we are part of them.

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