The Making of a Masterpiece: John Maynard Keynes and The Economic Consequences of the Peace

Michael Cox*

Keywords: etienne mantoux, reparations, germany, versailles, j m keynes

INTRODUCTION

In December 1919 a former British official who had been present in Paris during the long negotiations leading to the Versailles peace treaty published a sixty-thousand-word tract. In just under two hundred pages, he first explained why the European order before the First World War had been fundamentally unstable; he then went on to attack those on the allied side who, in his opinion, had failed so miserably to construct a genuine peace; and finally (and at much greater length) he argued, with a battery of economic facts, that treating Germany generously would be a far wiser course of action than—as in fact happened—treating it like a pariah. Vengeance may have played to the gallery, and keeping Germany down may have made sense to those who had suffered so profoundly as a result of its actions between 1914 and 1918. Yet as John Maynard Keynes pointed out in page after devastating page, revenge was a very poor guide to policy. But as he soon discovered himself, most people on the allied side (even those who may have agreed with much of what he had to say) were not about to take lessons in economics from this clever English "don" who, as one of his many critics pointed out at the time, may have been a fine academic but knew absolutely nothing about the real world.

Keynes, though, remained unrepentant. It was time, he felt, to "speak truth to power" and let the world know why the decisions that had been taken in Paris (if acted upon) might not only spell disaster for the future of the European civilization he so admired, but in economic terms would be almost impossible to implement anyway. Indeed, even while he was penning his attack, Keynes remained convinced that as time passed and as economic logic once again prevailed, a more balanced approach would prevail. 1

It is often remarked that if one wishes to have impact, it is wiser to write a short book than a long one; and certainly few short books have had such a big impact as John Maynard Keynes's The Economic Consequences of the Peace. Written in just under six months, and going on to become a publishing sensation, it is a volume that has been disputed and refuted, praised and celebrated, in equal measure ever since it was first published in December 1919. It may not have changed the course of history. But as the historian Adam Tooze (2015, 295) has reminded us, no single book did more to contribute to the "mood of disillusionment" following Versailles than The Economic Consequences of the Peace. It certainly did nothing to calm things down in an already unsettled Germany. Indeed, in Germany itself the book was not only warmly received by a desperate public looking for intellectual comfort (Keynes himself became something of a hero in Germany after having published his book) but also was read as a vindication of Germany's intense hostility to a "diktat" imposed on a once proud nation. Nor did the debate about his volume end there; in fact, a few have even tried to claim (wrongly) that his attack on the peace in 1919 may have helped Hitler come to power fourteen years later (see, recently, Tampke 2017). However, there is little doubt that Keynes’s earlier plea on behalf of Germany did help create a climate of opinion in which Germany's demands for a revision of borders after 1933 met with a sympathetic response in some Western circles. As one of his many admirers later conceded, Keynes was no apologist for Hitler. On the other hand, he did believe that the injustices inflicted on Germany in 1919 needed to be addressed and that conceding something to Germany in 1938 was the only way of avoiding another catastrophic war (Martin 1968, 241–42).

As has often been remarked, The Economic Consequences of the Peace is almost certainly Keynes's most accessible book, one that has been read for pleasure by non-economists as much as by economists themselves. The same cannot be said of all his books. Thus his earlier work on Indian Currency and Finance (Keynes 1915) really appeals only to the specialist. His more theoretical studies on probability theory (Keynes 1921) and money (Keynes 1930) have been of interest only to econ historians. Even his prize-winning study The General Theory of Employment, Interest and Money (Keynes 1936) can hardly be characterized as an easy read. In many ways, The Economic Consequences of the Peace is a standout volume in Keynes's wider oeuvre. For this reason, no doubt, it has also been one of his most read and most criticized books—and nobody took Keynes to task more savagely than the French writer Etienne Mantoux. Mantoux was in little doubt: Keynes, he argued in 1946, had written a dangerously inaccurate account of what had gone on in Paris in 1919. But even Mantoux (1946, 6) had to accept that The Economic Consequences of the Peace was a truly remarkable work, even comparing it at one point to Edmund Burke's much earlier attack on the French Revolution. Others have been a little less generous, including a whole phalanx of modern historians. They all agree that Keynes wrote a persuasive book—if anything, too persuasive. Still, Keynes, in their view, just got a lot wrong. Thus he was far too unsympathetic to the French, much too soft...
on Germany, and plainly unfair to the main statesmen trying to do their best in Paris. He even got some of his economic facts wrong as well. Yet in spite of this broadside, his latter-day opponents have never quite managed to deliver the coup de grâce. As one of the great doyens of international history has confessed, the book has been regularly attacked from several different angles; but sadly, it continues to seduce people into thinking that Versailles was a total failure (Steiner 2001, 13–35). Margaret Macmillan (2018) expressed this sense of frustration vividly in a piece for the New Statesman. Keynes, she argues, "dashed off" an insubstantial volume "with a very dry title" without much evidence to back up his claims. Yet this "little book" (as she refers to it) authored by a "self-assured young economist" (as she characterized Keynes) continues to mesmerize the unsuspecting. It is all very frustrating.

A great deal has already been written about The Economic Consequences of the Peace. Symposia have been organized to discuss its merits (Holscher and Klaes 2014). Careers have been made attacking it. And historians of economic history continue to debate its argument concerning reparations (see Gomes 2010). Some believe that it was perhaps Keynes's best book, others his worst. One or two even claim that Keynes himself later wished he had never written the volume in the first place.2 And so the debate goes on. But there is a consensus on at least one thing: that the book effectively launched his long career as a major public figure. Before the publication of the volume, Keynes was very much the insider's insider, admired for his brilliance in Cambridge and highly regarded by the English political class, but virtually unknown outside the very narrow circles in which he moved. The Economic Consequences of the Peace changed all that almost overnight. Not only did the book make him a substantial amount of money, much of which he then went on to lose in currency speculation; after its publication, he could, in the words of one of his biographers, lay "claim" to a great deal of "attention" (Skidelsky 2004, 249). There are very few people who become household names by virtue of writing one short book. But as another writer on Keynes has noted, The Economic Consequences of the Peace did precisely that by bringing the young economist (he was only in his mid-thirties at the time) "fame, brief affluence, much correspondence, public involvement and new opportunity" in equal measure (quoted in Johnson 1977, 133). Keynes had arrived.

ORIGINS

But how and why did Keynes come to write the kind of book he did in the first place? Keynes, after all, was very much an establishment man with connections throughout the British ruling class. Yet he penned a polemic that caused a great degree of embarrassment to many of the same people with whom he had long been associated. Not that everybody disagreed with his overall analysis. Indeed, in private letters written to Keynes at the time, many senior figures expressed admiration for what he had said. But there was a problem, the most immediate being that Keynes had decided to say things in public that civil servants should not be saying at all—and to say them in such a way as to cause the British all sorts of diplomatic difficulties with their former allies (the United States and France), whose leaders Keynes had attacked in no uncertain terms. Nor was this all. To many conservatives in Britain, Keynes's open attack on a peace it had taken policymakers six months to construct after a war of terrifying intensity against an enemy like Germany smacked of a distinct lack of patriotism. Having "batted" for the country during the war (as Keynes had done through his important work in the Treasury), it was a bit rich now, according to his critics, to turn around and bite the hand that had been feeding him for so long. Yet Keynes remained unmoved. His purpose, as he made clear at the time, was not to be diplomatic or to fly the flag for Britain, but instead to "speak truth to power" and ensure that his message about a deeply flawed peace—which, in his view, would only throw further oil onto the fire that was Europe—got out to as many people as possible.

Keynes, as we know, began work on The Economic Consequences of the Peace three days before the Treaty of Versailles was finally signed on June 28, 1919. However, like any author setting out to write a book, he did wonder initially whether it would be worth the bother. As he remarked in one of his many letters to his mother at the time, he "might not persevere with it." Three weeks later, on July 17, he was even asking himself whether such a book was "real beyond" his "powers." Yet, typically, he persevered, encouraged along the way, no doubt, by his many admirers and supporters, including, interestingly, Sidney and Beatrice Webb, who were then desperately trying to recruit Keynes to the London School of Economics.3 Others, too, egged him on. Several of them even read early versions of some of the chapters, including those in his inner circle such as Duncan Grant, Goldsworthy Lowes Dickinson, and Leonard Woolf. They all loved the book. Woolf thought it "first rate" but, like many others, advised Keynes to tone down some of the purpler passages, particularly those relating to Lloyd George (the complete version of his portrait of Lloyd George only appeared several years later).4 His mother agreed. "I would modify the attacks on the 'Chief' (Lloyd George)," she advised. Even the acerbic Lytton Strachey thought it wise to lower the temperature; indeed, later, after having read the final manuscript, which he had "gulped down" in one, he congratulated Keynes for having done so (Mogridge 2002).

But Keynes did not just rely on his close friends for feedback. He also decided to test his ideas in public and gave a series of lectures on the "economic consequences" of the Treaty of Versailles in Cambridge, where, Austin Robinson (1947) recalls, there was standing room only. He also shared his early written thoughts with friends in the wider liberal establishment, including, among others, Margot Asquith, Robert Cecil, and Austen Chamberlain. Keynes may have written the book at high speed. But he took enormous care in ironing out any possible glitches before publication. He

---

2 The (unverified) story of Keynes recanting is recounted in Wiskeman 1968, 3.
3 In the spring of 1919, when still in Paris, Keynes wrote to his mother that he had just received a letter from Sidney Webb of the LSE asking him whether he wished to be considered as a "candidate for the Directorship of the London School of Economics." He declined the offer. (See Johnson YEAR, 458).
4 The full portrait of Lloyd George was finally published in 1953, under the title "Mr Lloyd George: A Fragment," in Keynes 1961.
5 For Strachey's relationship with Keynes more generally, see Holroyd 2005.
also took great care to make sure that anybody of importance—and he was acquainted with lots of very important people—knew a book of some significance was on its way. Impact is what Keynes was looking for, and as we know, that is precisely what the book had when it was finally published by his old Etonian and Cambridge friend Daniel Macmillan, in December 1919 (Moggridge 2002, especially 220–21).

**AUDIENCE**

But for whom, exactly, did Keynes think he was writing the book? It is easy to say the powerful and the influential: people like Keynes himself, in other words. But the book aimed at a much wider audience. Influencing the “influentials” was one thing; but it was equally important, if not more so, to shape the ideas of the wider thinking public. This is why Keynes made every effort to ensure that the book got into the hands of as many people as possible; he even sent out several copies to colleagues and friends himself. He was also active in making sure the book got translated into as many foreign languages as possible and, just as importantly, received reviews from as many quarters as possible, many of which turned out to be decidedly positive.

Harold Laski, for instance, called it a “very great book”; R. W. Seton-Watson thought the picture Keynes painted of the “fetid intrigue” in Paris absolutely spot on; while yet another reviewer called it a very good book that showed that Keynes was a “hard-headed but benevolent realist.” Others were altogether less impressed. Thus one critic attacked Keynes for having written a “very angry book”; another stated that Keynes appeared to know about everything except the art of politics; and yet one more claimed that he had slurred all those who had helped Britain “win this war.” Nor did the reviews end there. They just kept pouring in: some decidedly hostile (especially if they were written in France), and others extraordinarily laudatory (even the young Austrian, Hayek, praised the book). If Keynes had intended his book to cause a stir—and he clearly had—then he had succeeded quite brilliantly.

As the great Austrian economist Joseph Schumpeter (1946, 499) later remarked, the immediate reception afforded *The Economic Consequences of the Peace* made the “word success sound commonplace and insipid.”

But what was it about the book itself that made it such a huge success and led to its being so widely read? Several things, no doubt. One, ironically, was that in spite of its title, it did not read like a treatise on economics at all. As one of Keynes’s admirers confessed (in confidence) soon after publication, there was nothing stodgy or technical about the book. As he put it, it was as easy to read as “the best novel.” It also happened to be mercifully brief with an “I was there immediacy” about it (Clarke 2009). It also addressed the biggest question of the day. And in spite of its serious subject matter, it was, in the end, a rather uplifting read guided by Keynes’s sense of fair play and insistence that one should not kick a man (in this case, Germany) when he was down. Indeed, what appealed to many about the book, one suspects, was not its detailed discussion of finance or economics but its humanity and high moral purpose.

That said, Keynes still took very great care in getting his (many) economic facts right. Indeed, for a volume often described as a polemic, it is worth recalling that it contains page after somewhat tedious page on such nitty-gritty questions as “transport and tariff systems” in Germany, coal and iron ore production in Upper Silesia, and, of course, “reparation” (the long chapter 5). But this was crucial in helping Keynes make his key points: namely, that reparations could never work economically; that by holding Germany down, the allies would be hurting only themselves; and that by failing to look at European reconstruction as a whole, Europe had little long-term chance of fully recovering. To add political insult to economic injury, by then focusing on the territorial settlement while promoting the idea of self-determination (something for which he held Wilson responsible), the treaty only made economic recovery even less likely.

But it was, in the end, Keynes’s insider tell-all story of the conference and its key personae (interestingly, he more or less ignored Orlando, the prime minister of Italy) that really helped sell the book. As Austen Chamberlain put it in a note to Keynes only a few days after having read it, the book may create all manner of problems for “our international course”; nonetheless, he had still managed to read his “description of the conference with malicious pleasure.” Others agreed, and even though the chapter on the conference may have been the shortest in the book (a mere twenty-eight pages), it was Keynes’s description of what went on behind closed doors that readers seemed to delight in.

Keynes, of course, took some care not to reveal any secrets; and as we know, he pulled his punches when it came to Lloyd George. However, he pulled few when it came to the French leader, Clemenceau. However, Keynes never let his criticism of Clemenceau cloud his assessment of the man himself. Clemenceau was, of course, the true villain of the piece, the mordant Carthaginian sitting at the table working out how to render Germany incapable. Yet in spite of that, Clemenceau was, in Keynes’s view, “by far the most

---

6 The very great success of *The Economic Consequences of the Peace* in the United Kingdom was in no small part attributable to a publishing deal Keynes did with the Labour Research Department, which brought out and sold a cheap version of the book. Total sales of this edition nearly topped ten thousand copies.

7 By the end of 1920, the book had already been translated into eleven languages, including all of the main European languages as well as Chinese and Russian. A very successful American edition was published in 1920. By 1922 Macmillan, the publisher, recorded that all editions in all languages of the book had sold 140,000 copies. See Keynes 1922.

8 Some of the very early reviews of the book (twenty-four in all) can be found at the back of Keynes 1922, 5–8. See also McCann 1996: here one can find more than thirty reviews.

9 Quotes from a letter sent by Churchill’s personal secretary only a few days after the book was published in early December.

10 David Reynolds (2013, 155) has argued that the impact of *The Economic Consequences of the Peace* was down to three factors: its “polemical urgency . . . its devastating character sketches,” and the “book’s brevity.”

11 In 1922 Keynes returned to attack what he termed “the Wilsonian dogma,” which, in his view, “exalts and dignifies the divisions of race and nationality above the bonds of trade and culture, and guarantees frontiers but not happiness, is deeply embedded in the conception of the League of Nations as at present constituted. It yields us the paradox that the first experiment in international government should exert its influence in the direction of intensifying nationalism” (Keynes 1922, 11).
eminent member of the Council of Four," who, by virtue of "his age, his character, his wit and his appearance," had the clearest idea of what needed to be done, at least in the interests of France. Wilson, on the other hand, is presented as being both confused and inadequate. Not only did he betray his own liberal principles in Paris; this naive and uncultured product of the New World quite simply did not have the "intellectual equipment" to deal with that spellbinder Lloyd George or that Pericles of Paris, George Clemenceau! Little wonder that Wilson's enemies back in the United States lapped up Keynes's book while his supporters berated him for having stabbed the only hope for liberalism worldwide in the back.12

EUROPE

One section of The Economic Consequences of the Peace that has perhaps received less attention than it deserves is the one in which Keynes reflects on the structure of Europe more generally. Here, in bold, imaginative brushstrokes, Keynes outlines the conditions of Europe's success and the fragile basis on which that success rested. It is a brilliant piece of synthesis with powerful observations about class relations, the accumulation of capital, the relationship between the Old and the New World, and, interestingly, population and why Europe would face a Malthusian crisis sooner rather than later (Keynes, incidentally, was a great admirer of Malthus). Nineteenth-century Europe was thus not some economic or political utopia but rather a continent facing some really fundamental challenges, which were then rendered all the more critical by a four-year war that, in Keynes's words, threatened "the life of Europe altogether." This is why the peacemakers had to act decisively and courageously to address the underlying danger facing the continent and civilization as a whole. But as Keynes made clear in no uncertain terms, they failed completely; indeed, they made the situation far worse by failing even to understand that there was a problem to be addressed.

This, in turn, raises the question of the underlying driver behind the book itself. The book was, in the short term, occasioned by what Keynes saw as the failure of the peace treaty. Yet this was clearly a work that had been in gestation for a long time. It may have only been written in 1919. But it is clear that Keynes had been in a state of nervous tension ever since the start of a war he fundamentally disapproved of, whose costs he saw as being disastrously high (already in 1916 he was looking for a peace without victory), and which was fast rendering Great Britain—a country he loved—increasingly dependent on a country across the Atlantic for which he had little time. As Charles Maier once observed, Keynes authored a very great book in 1919: "brilliant, unfair, wrong-headed" and "destructive in its consequences." But as he went on to point out, even though Keynes had written a book that was ostensibly about the peace, basically it was about "a topic that he did not acknowledge in his title": namely, the impact that the First World War had had on the fabric of Europe (see Maier 2009).

The war also influenced the writing of The Economic Consequences of the Peace in another important way: by driving something of a wedge between Keynes and his close circle of intimates in Bloomsbury. They, of course, were nearly all vociferous critics of the war; indeed, a number of them went on to become conscientious objectors. It was hardly surprising, therefore, that many of them—almost all old Cambridge friends of very long standing—could never quite come to terms with Keynes's being involved in the war effort. Strachey himself had famously asked as early as 1916 why he—"Maynard"—was still working for the war. Keynes wondered why, too, and at one point was even contemplating resignation from a government that he despised and whose "ends" he believed to be "criminal." No doubt he had other, more important reasons for writing The Economic Consequences of the Peace. But by so doing, he did help repair relations with a group of intimates upon whom he had hitherto depended emotionally and whose disapproval had hurt him grievously.

But if the book bore the strong imprint of Bloomsbury, it also carried with it a very clear warning from Keynes: that what he had written in 1919 should not be taken as his final word on the subject. It was the first approximate shot in what Keynes always felt would be a long war. Thus, even though the question of reparations may have been debated in almost painful detail during 1919, no figure in the end was agreed upon. Nor was the toxic and punitive atmosphere that then prevailed in Paris likely to last forever. Indeed, it was Keynes's closest confidant in Paris—the South African J. C. Smuts—who probably understood this situation better than most. As he made clear to Keynes at the time, he would not, and in fact could not, openly agitate against the treaty given his official position. On the other hand, he was fairly certain that as the world settled and the mood began to change (if not in France, then at least in the rest of Europe), punishing Germany would increasingly look less like an attractive option. History, in other words, was on the side of the economic moderates. Keynes could not have agreed more. As he had made clear in The Economic Consequences of the Peace itself, reparations were not merely ethically questionable but economically "impossible," and the chance of reparations ever being collected in any significant amount was slim, to say the least. Best therefore to wait and keep up the public agitation against the treaty in the near sure knowledge that Germany would not—as he had earlier predicted—have the "capacity to pay."

LEGACY

Finally, in thinking about The Economic Consequences of the Peace, one is bound to ask how it has fared when compared to all the other books written by those who happened to be "present at creation" in 1919. The answer very much depends on what one thinks of Keynes's original intervention. As we have already indicated, Keynes clearly had his admirers and camp followers. On the other hand, there was an equally vociferous group of influential people—a large number of whom had been present in Paris—who regarded the book as being at best one-sided and at worst propaganda. Yet in spite of the best efforts of some fairly distinguished people to present what they believed to be a more balanced account in the years following Versailles, in the vast majority of cases, their various attempts to present a different picture not only failed to find a mass audience—quite unlike Keynes—but tended to sink without

12 For a discussion of the American responses to The Economic Consequences of the Peace, as well as Keynes's response to his US critics, see the relevant sections in Johnson 1977, especially pp. 24–50.
trace soon after publication. Everybody came to hear of, and possibly even read, *The Economic Consequences of the Peace*. But few, one suspects, have ever read (or still read) the works of other senior officials who put pen to paper. This may be unfair; and it may well have led to Keynes’s version of events being accepted far too easily. But a hundred years after the publication of his original book, people are still discussing it, whereas few today (except the specialist scholar) read the works of Bernard Baruch (1920), James Shotwell (1957), Andre Tardieu (1921), Jacques Bainville (1920), or David Hunter Miller (1924). There are several reasons why.

One clearly is that unlike his many contemporaries in Paris, Keynes went on to become the most famous economist of the twentieth century. No doubt there are many flaws in his original analysis of 1919. But such is the spell that Keynes has cast over later generations by virtue of revolutionizing the study of economics in the 1930s—not to mention the part he played in helping establish the new economic order after World War II—that his earlier work (warts and all) has assumed greater importance than it might have done otherwise. There are also clues contained in *The Economic Consequences of the Peace* that point to what he was to say and do much later in life. In 1919 Keynes was not advocating a complete rejection of laissez-faire economics. On the other hand, his book does suggest that unless governments acted and acted together—which they all palpably failed to do at the time—then disaster could easily follow. Keynes also points to a threat to the international economic order in 1919 that became only too obvious a decade on: namely, that posed by intense nationalism. Fortunately, in the end, the world as a whole got a second chance after World War II to get it right; the world was also fortunate that one of the key players in helping policymakers rethink the future at the time was none other than Keynes. In 1919 much of what Keynes had urged on leaders was more or less ignored. A quarter century later, much, if not all, of what Keynes had had to say in a previous time about treating the European economy as a whole while urging generosity upon the Americans now found a much more receptive audience. Of course, by then, the international system looked a whole lot different than how it had looked in 1919. Germany was now under occupation. The United States was in a very different, far more powerful position. And after 1947, the USSR appeared to be a serious threat to Western Europe, which demanded a serious response from policymakers in Washington, DC. Keynes’s time had finally come.

This paper is based on a talk given at the Economic Consequences of the Peace Conference, King’s College, Cambridge, September 9–10, 2019. It also draws upon the author’s much longer introduction to the centenary edition of J. M. Keynes’s *The Economic Consequences of the Peace*, published by Palgrave Macmillan in 2019.

**AUTHOR BIOGRAPHY**

Professor Michael Cox was appointed to a Chair at the LSE in 2002, having previously held positions in the UK at The Queen’s University of Belfast and the Department of International Politics, Aberystwyth. He helped establish the Cold War Studies Centre at the LSE in 2004 and later co-founded LSE IDEAS in 2008.

His most recent books include a new edition of E.H. Carr’s, *The Twenty Years’ Crisis* (Palgrave, 2016), a 3rd edition (with Doug Stokes) of his best selling volume *US Foreign Policy* (Oxford University Press, 2018), and a collection of his essays *The Post-Cold War World* (Routledge 2019).

He has just brought out a new edition of John Maynard Keynes’s, *The Economic Consequences of the Peace* (Palgrave 2019) and is now working on a new edition of E.H. Carr’s *Nationalism and After* which will appear in 2020.

He is also completing a new history of the LSE entitled "The School": LSE and the shaping of the modern world to appear in 2021 to mark the LSE’s 125th anniversary.
REFERENCES


Miller, David Hunter. 1924. "My Diary at the Conference."


Shotwell, James T. 1957. At the Paris Peace Conference.


London: Collins.