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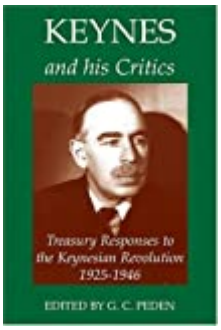

G. C. Peden, ed. *Keynes and His Critics: Treasury Responses to the Keynesian Revolution 1925-1946.* Oxford: Oxford University Press, 2004. xv + 372 pp. $85.00 (cloth), ISBN 978-0-19-726322-8.

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Critiquing Keynes: The Treasury Insider Perspectives

John Maynard Keynes was the most significant economist of the twentieth century. His ideas provided a fundamental challenge to the extant classical economic orthodoxy of the 1920s and 1930s. Moreover, so compelling was this alternative that after a relatively short time it became the new orthodoxy in much of the western world. Keynesianism, and its offshoots, became the hegemonic economic ideologies of the second half of the twentieth century.

Much has been written about Keynes himself, with several worthy biographies, and about his revolutionary economic ideas. Yet inevitably there is more than a single side to any story. Here, in readily accessible form, we see the other side of the coin. Documentary evidence, from those in Keynes's milieu as well as the world of practical economic advice and application, demonstrates that his ideas were not unchallenged nor supinely endorsed. The volume, skillfully and eruditely edited by G. C. Peden, proceeds from the return to the gold standard in 1925 on a twenty-year odyssey, via the General Theory, to the nadir of Britain's economic fortunes in the "financial Dunkirk" of the Attlee government at Christmas 1945.

As well as being an academic thinker, Keynes was a practitioner who had worked in the Treasury, in the British economic and finance ministry. The documents in this volume reveal the Treasury's counter-arguments, in the period when Keynes was thrashing out the ideas that would eventually lead to the Keynesian economic revolution.

Keynes was determined to persuade the Treasury, its ministers, civil service mandarins and advisers, to embrace policy proposals that purposely sought to increase levels of employment. Moreover, he sought to convince Britain's oldest and most powerful department of state that this could be done whilst providing price stability. If this were not novel enough, he located these policy changes within an international context, proposing the establishment of a new international monetary system predicated upon these aims.

These ideas along with Keynes's perspective and arguments are more than comprehensively presented in the

Royal Economic Society's thirty volume series of *The Collected Writings of John Maynard Keynes* (1971-89). However, in direct contrast, the perspective, ideas and arguments of Keynes's Treasury critics were, until now, much more difficult to access and relatively neglected. Since his ideas were developed, formulated and reformulated over time and refined often in the light of critiques, we must examine much more closely the view of his critics to know and understand Keynes.

The majority of economists and economic historians, understandably given the disparity in evidence and sources, have exhibited a marked tendency to assume that Keynes was correct and the Treasury incorrect. This book sets out to put that record straight, and largely succeeds, demonstrating that the Treasury frequently anticipated the political and economic impediments that would be encountered and that would need to be overcome, in order to translate his ideas into practice.

Keynes's published work reflected his air of intellectual superiority. He was a controversial and thought-provoking polemicist. The gray mandarins of the Treasury, the faceless bureaucrats of Whitehall were easy targets for his barbs. But the Treasury regarded itself as the elite within an elite. Contrary to their portrayal by Keynes, they were an intellectually rigorous group with a relatively intricate understanding of public finance.

The volume covers a period of turbulent political and economic history. The Treasury's political masters were well aware of the nefarious uses to which their opponents could put Keynes's ideas, particularly at a time of international crisis. Treasury officials necessarily had to counter Keynes's arguments and, in so doing, they divulged a great deal of their own outlook on public economics and finance. Within a year of the outbreak of the Second World War, Keynes established himself as adviser to the Chancellor of the Exchequer. From thereon, the debate was internalized and became an intellectual battle within the Ministry.

Peden graphically documents the Treasury's response to Keynes on a broad spectrum of key economic policies and issues. To that extent and more, this is a much-needed addition to the corpus of evidence on the period and provides an important contribution to our knowledge and understanding. The book covers all the salient economic issues of the twenty-year period, including the return to the gold standard, the use of public expenditure to cure unemployment in the interwar period, how to avoid wartime inflation, planning for the postwar international economy, and the landmark 1944 white paper on employment policy.

Though often arid and relatively inaccessible for the layperson, the book is a mine of intellectual nuggets and an important piece in the jigsaw of twentieth-century economic history. Moreover, it provides a fundamental contribution to one of the most important economic and political debates of the twentieth century.

What emerges is that the Treasury had a lucid appreciation of the complexities of public finance, if somewhat less of an appreciation of economics. Moreover, they were wary of oversimplified solutions and, despite his intellectual dismissal of some, there were a number of officials who shone even in Keynes's lofty view. That in itself is significant, given that the context to this period–one of mass unemployment along with the rise of Nazism and fascism on the continental mainland–meant that politicians were more receptive to advice than might otherwise have been the case.

Keynes was the most brilliant, original and voluble economist of his time, and during the second world conflict he became preeminent within the Treasury. Nevertheless, the Treasury never became the supine recipients of his thought, but continued to challenge and probe. This volume of primary Treasury sources on responses to Keynes is no mean accomplishment. G. C. Peden should be congratulated for his judicious editorship and illuminating commentary.

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