



Review of John Maynard Keynes,

The Economic Consequences of the Peace

by Thorstein Veblen
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It is now something like a year since this book was written. And much of its argument is in the nature of forecast which has in great part been overtaken by the precipitate run of events during these past months. Therefore it would scarcely be fair to read the author's argument as a presentation of client fact. It is rather to be taken as a presentation of the diplomatic potentialities of the Treaty and the League, as seen beforehand, and of the further consequences which may be expected to follow in the course of a statesman-like management of things under the powers conferred by the Treaty and by the Covenant of the League. It is an altogether sober and admirably candid and facile argument, by a man familiar with diplomatic usage and trained in the details of large financial policy; and the wide vogue and earnest consideration which have been given to this volume reflect its very substantial merit. At the same time the same facts go to show how faithfully its point of view and its line of argument fall in with the prevailing attitude of thoughtful men toward the same range of questions. It is the attitude of men accustomed to take political documents at their face value.

Writing at about the date of its formulation and before its effectual working had been demonstrated, Mr Keynes accepts the Treaty as a definitive formulation of the terms of peace, as a conclusive settlement rather than a strategic point of departure for further negotiations and a con-



tinuation of warlike enterprise — and this in spite of the fact that Mr Keynes was continuously and intimately in touch with the Peace Conference during all those devious negotiations by which the Elder Statesmen of the Great Powers arrived at the bargains embodied in this instrument. These negotiations were quite secret, of course, as is fitting that negotiations among Elder Statesmen should be. But for all their vulpine secrecy, the temper and purposes of that hidden Conclave of political hucksters were already becoming evident to outsiders a year ago, and it is all the more surprising to find that an observer so shrewd and so advantageously placed as Mr Keynes has been led to credit them with any degree of bonafides or to ascribe any degree of finality to the diplomatic instruments which came out of their bargaining.

The Treaty was designed, in substance, to re-establish the status quo ante, with a particular view to the conservation of international jealousies. Instead of its having brought a settlement of the world's peace, the Treaty (together with the League) has already shown itself to be nothing better than a screen of diplomatic verbiage behind which the Elder Statesmen of the Great Powers continue their pursuit of political chicane and imperialistic aggrandisement. All this is patent now, and it needs no peculiar degree of courage to admit it. It is also scarcely too much to say that all this should have been sufficiently evident to Mr Keynes a year ago. But in failing to take note of this

patent state of the case Mr Keynes only reflects the commonplace attitude of thoughtful citizens. His discussion, accordingly, is a faithful and exceptionally intelligent commentary on the language of the Treaty, rather than the consequences which were designed to follow from it or the uses to which it is lending itself. It would perhaps be an ungraceful overstatement to say that Mr Keynes has successfully avoided the main facts in the case; but an equally broad statement to the contrary would be farther from the truth.

The events of the past months go to show that the central and most binding provision of the Treaty (and of the League) is an

unrecorded clause by which the governments of the Great Powers are banded together for the suppression of Soviet Russia -unrecorded unless record of it is to be found somewhere among the secret archives of the League or of the Great Powers. Apart from this unacknowledged compact there appears to be nothing in the Treaty that has any character of stability or binding force. (Of course, this compact for the reduction of Soviet Russia was not written into the text of the Treaty; it may rather be said to have been the parchment upon which the text was written.) A formal avowal of such a compact for continued warlike operations would not comport with the usages of secret diplomacy, and then it might also be counted on unduly to irritate the underlying populations of the Great Powers, who are unable



to see the urgency of the case in the same perspective as the Elder Statesmen. So this difficult but imperative task of suppressing Bolshevism, which faced the Conclave from the outset, has no part in Mr Keynes's analysis of the consequences to be expected from the conclave's Treaty. Yet it is sufficiently evident now that the exigencies of the Conclave's campaign against Russian Bolshevism have shaped the working-out of the Treaty hitherto, beyond any other consideration. This appears to be the only interest which the Elder Statesmen of the Great Powers hold in common; in all else they appear to be engrossed with mutual jealousies and cross purposes, quite in the spirit of that imperialistic status quo out of which the Great War arose. And the like promises to hold true for the future, until after Soviet Russia or the Powers banded together in this surreptitious war on Russia shall reach the breaking-point. In the nature of things it is a war without quarter; but in the nature of things it is also an enterprise which cannot be avowed.

It is quite needless to find fault with this urgent campaign of the governments of the Great Powers against Soviet Russia or to say anything in approval of it all. But it is necessary to take note of its urgency and the nature of it, as well as of the fact that this major factor in the practical working-out of the Peace has apparently escaped attention in the most competent analysis of the Peace and its consequences that has yet been offered. It has

been overlooked, perhaps, because it is a foregone matter of course. Yet this oversight is unfortunate. Among other things, it has led Mr Keynes into an ungracious characterization of the President and his share in the negotiations. Mr Keynes has much that is uncomplimentary to say of the many concessions and comprehensive defeat in which the President and his avowed purposes became involved in the course of those negotiations with the Elder Statesmen of the Great Powers. Due appreciation of the gravity of this anti-Bolshevist issue, and of its ubiquitous and paramount force in the deliberations of the Conclave, should have saved Mr Keynes from those expressions of scant courtesy which mar his characterization of the President and of the President's work as peacemaker.

The intrinsic merits of the quarrel between the Bolsheviki and the Elder Statesmen are not a matter for off-hand decision; nor need they come in consideration here. But the difficulties of the President's work as peacemaker are not to be appreciated without some regard to the nature of this issue that faced him. So, without prejudice, it seems necessary to call to mind the main facts of the case, as these facts confronted him in the negotiations with the Conclave. It is to be remarked, then, that Bolshevism is a menace to absentee ownership. At the same time the present economic and political order rests on absentee ownership. The imperialist policies of



the Great Powers, including America, also look to the maintenance and extension of absentee ownership as the major and abiding purpose of all their political traffic. Absentee ownership, accordingly, is the foundation of law and order, according to that scheme of law and order which has been handed down out of the past in all the civilized nations, and to the perpetuation of which the Elder Statesmen are committed by native bent and by the duties of office. This applies to both the economic and the political order, in all these civilized nations, where the security of property rights has become virtually the sole concern of the constituted authorities.

The Fourteen Points were drawn up without due appreciation of this paramount place which absentee ownership has come to occupy in the modern civilized countries and without due appreciation of the intrinsically precarious equilibrium in which this paramount institution of civilized mankind has been placed by the growth of industry and education. The Bolshevist demonstration had not yet shown the menace, at the time when the Fourteen Points were drawn up. The Fourteen Points were drawn in the humane spirit of Mid-Victorian Liberalism, without due realization of the fact that democracy has in the meantime outgrown the Mid-Victorian scheme of personal liberty and has grown into a democracy of property rights. Not until the Bolshevist overturn and the rise of Soviet Russia did this new complexion of things become

evident to men trained in the good old way of thinking on questions of policy. But at the date of the Peace Conference Soviet Russia had come to be the largest and most perplexing fact within the political and economic horizon. Therefore, so soon as a consideration of details was entered upon it became evident, point by point, that the demands of absentee ownership coincide with the requirements of the existing order, and that these paramount demands of absentee ownership are at the same time incompatible with the humane principles of Mid-Victorian Liberalism. Therefore, regretfully and reluctantly, but imperatively, it became the part of wise statesmanship to save the existing order by saving absentee ownership and letting the Fourteen Points go in the discard. Bolshevism is a menace to absentee ownership; and in the light of events in Soviet Russia it became evident, point by point, that only with the definitive suppression of Bolshevism and all its works, at any cost, could the world be made safe for that Democracy of Property Rights on which the existing political and civil order is founded. So it became the first concern of all the guardians of the existing order to root out Bolshevism at any cost, without regard to international law.

If one is so inclined, one may find fault with the premises of this argument as being out of date and reactionary; and one might find fault with the President for being too straightly guided by con-



siderations of this nature. But the President was committed to the preservation of the existing order of commercialized imperialism, by conviction and by his high office. His apparent defeat in the face of this unforeseen situation, therefore, was not so much a defeat, but rather a strategic realignment designed to compass what was indispensable, even at some cost to his own prestige — the main consideration being the defeat of Bolshevism at any cost — so that a well-considered view of the President's share in the deliberations of the Conclave will credit him with insight, courage, facility, and tenacity of purpose rather than with that pusillanimity, vacillation, and ineptitude which is ascribed to him in Mr Keynes's too superficial review of the case.

So also his oversight of this paramount need of making the world safe for a democracy of absentee owners has led Mr Keynes to take an unduly pessimistic view of the provisions covering the German indemnity. A notable leniency, amounting to something like collusive remissness, has characterized the dealings of the Powers with Germany hitherto. As should have seemed altogether probable beforehand, the stipulations touching the German indemnity have proved to be provisional and tentative only — if they should not rather be characterized as a diplomatic bluff, designed to gain time, divert attention, and keep the various claimants in a reasonably patient frame of mind during the period of rehabilitation needed to

reinstate the reactionary régime in Germany and erect it into a bulwark against Bolshevism. These stipulations have already suffered substantial modifications at every point that has come to a test hitherto, and there is no present indication and no present reason to believe that any of them will be lived up to in any integral fashion. They are apparently in the nature of a base for negotiations and are due to come up for indefinite further adjustment as expediency may dictate. And the expediencies of the case appear to run on two main considerations: (a) the defeat of Bolshevism, in Russia and elsewhere; and (b) the continued secure tenure of absentee ownership in Germany. It follows that Germany must not be crippled in such a degree as would leave the imperial establishment materially weakened in its campaign against Bolshevism abroad or radicalism at home. From which it also follows that no indemnity should effectually be levied on Germany such as will at all seriously cut into the free income of the propertied and privileged classes, who alone can be trusted to safeguard the democratic interests of absentee ownership. Such burden as the indemnity may impose must accordingly not exceed an amount which may conveniently be made to fall somewhat immediately on the propertyless working class, who are to be kept in hand. As required by these considerations of safety for the established order, it will be observed that the provisions of the Treaty shrewdly avoid any mea-



asures that would involve confiscation of property; whereas, if these provisions had not been drawn with a shrewd eye to the continued security of absentee ownership, there should have been no serious difficulty in collecting an adequate indemnity from the wealth of Germany without materially deranging the country's industry and without hardship to others than the absentee owners. There is no reason, other than the reason of absentee ownership, why the Treaty should not have provided for a comprehensive repudiation of the German war debt, imperial, state, and municipal, with a view to diverting that much of German income to the benefit of those who suffered from German aggression. So also no other reason stood in the way of a comprehensive confiscation of German wealth, so far as that wealth is covered by securities and is therefore held by absentee owners, and there is no question as to the war guilt of these absentee owners.

But such a measure would subvert the order of society, which is an order of absentee ownership in so far as concerns the Elder Statesmen and the interests whose guardians they are. Therefore it would not do, nor has the notion been entertained, to divert any part of this free income from the German absentee owners to the relief of those who suffered from the war which these absentee owners carried into the countries of the Allies. In effect, in their efforts to safeguard the existing political and economic order — to make the world

safe for a democracy of investors — the statesmen of the victorious Powers have taken sides with the war-guilty absentee owners of Germany and against their underlying population. All of which, of course, is quite regular and beyond reproach; nor does it all ruffle the course of Mr Keynes's exposition of economic consequences, in any degree.

Even such conservative provisions as the Treaty makes for indemnifying the war victims have hitherto been enforced only with a shrewdly managed leniency, marked with an unmistakable partisan bias in favor of the German-Imperial status quo ante; as is also true for the provisions touching disarmament and the discontinuance of warlike industries and organization — which provisions have been administered in a well-conceived spirit of *opÈra bouffe*. Indeed, the measures hitherto taken in the execution of this Peace Treaty's provisional terms throw something of an air of fantasy over Mr Keynes's apprehensions on this head.