

KEYNES LECTURE IN ECONOMICS

# Keynes, Keynesianism, and the International Economy

ALAN S. MILWARD

*Fellow of the Academy*

IT WAS APPROPRIATE to invite an economic historian to give the Keynes lecture, although of course some may come to regret the choice. Both Keynes's life and his writings were strongly influenced by the empirical lessons he drew from his personal role in two post-war reconstructions of the international economy. In the reconstruction of an international trade and payments mechanism after the Second World War we might judge his role to be central, were it not that much of the mechanism which he persuaded fellow government officials and ministers to accept fell to pieces, ironically for reasons most of which he had earlier foreseen, in little more than two years after Germany's surrender.

There are, however, scholars who imply that the influence, not of Keynes's role as a state official in reconstructing the international economic system, but of his earlier theorising about the workings of closed economies, lived on into the Great Boom, so that in spite of the abandonment from August 1947 onwards of most of what had been agreed at Bretton Woods and at the Anglo-American negotiations that brought down the curtain on Lend-Lease, the post-war international trade and payments mechanism became nevertheless 'Keynesian'. The implication seems to be that it was, in contrast to the inter-war period, sufficiently expansionary and yet sufficiently stable to allow that boom to continue uninterrupted. The spirit of Keynes presiding over the post-war world

Read at the Academy 28 October 1999.

*Proceedings of the British Academy*, 105, 225–251. © The British Academy 2000.

perhaps led to a monetary expansionism, domestic and international, far beyond anything which Keynes himself had advocated when alive. Perhaps the same spirit presided over a degree of liberalisation of commercial policy, of which, also, the historical Keynes would have been very apprehensive. It is not a critique of Keynesianism however that it went beyond Keynes's scriptures. Harrod-Domar growth models were a logical extension of Keynes's work. National politicians, as they embraced the idea of growth from the mid-1950s onwards as a solution to the problem of democratic governance could reasonably call themselves Keynesian. When they leaned towards an international monetary and payments system which did not react in aversion to domestic economic equilibria at high levels of employment and which accepted a measure of inflation they were, after all, also accepting Keynes's belief that an international payments system based on a labour standard would prove more stable than one based on gold.

Nevertheless, for the sake of greater precision I want first to assess the influence of the historical Keynes on the post-war international economy and afterwards to ask what was the influence on it of Keynesianism. The search for answers reveals a substantial area of blindness in Keynes and, not surprisingly, a substantial area of complacency and over-confidence in Keynesianism. The two searches imply a third. If neither the influence of Keynes nor of Keynesianism on the post-war international economy explain Europe's remarkably uninterrupted growth and stability for three post-war decades, what does? That would have to be another lecture, or more than one, but I point here to some things which Keynes did not foresee nor Keynesians notice.

For all his vigorous and stylish writing about it, both as publicist and as a government official, the international economy was a matter of only secondary interest to Keynes. His primary interest was always domestic equilibrium. Since he was in essence a monetary economist, the international economy came into his purview only in his search for an international payments mechanism which would not disturb domestic equilibrium. In the reconstruction after the First World War he saw the solution in a return to the gold standard, but not at the pre-1914 sterling-gold parity, against which he launched his most famous polemic. By the time of the General Theory he saw the solution, quite differently, in a labour standard. It cannot be seriously questioned that he moved from one foundation of a viable international payments system to another for reasons of *domestic* economic policy; domestic equilibrium had to be at a higher level of employment than had prevailed in the United Kingdom since 1921

(Clarke 1988, Williamson 1983). This shift in his thinking about the international economy took place either because he was convinced of the rigidity of wages or because he fell back upon that idea—for which the 1920s provided remarkably little empirical evidence—in his conviction that priorities of domestic economic policy in the major economies had to shape the international economy, because if the opposite were the case liberal capitalism would not survive.

I have put that tersely because, although there are mysteries within that intellectual journey, it is, after all, only a summary of prevailing opinion, from which I do not differ.

The *General Theory* (Keynes 1936) is a theory of a closed economy. In his subsequent wartime work as a state official Keynes was obliged to spend most of his time considering how the domestic equilibrium which he sought could be maintained in an international economy which under American pressures would mean that the United Kingdom would be forced to become a much more open economy than it had been since 1931. His intellectual journey ends with a paradox. Having shifted to a labour standard, his last contribution, in 1945, was to persuade ministers and then the House of Lords to accept the Lend-Lease settlement and the concomitant commitment to an international trade and payments system much closer to those same foundations of an international economic order which he had earlier rejected than to those which he now advocated.

Pragmatism and hope are typically given as the reasons why he should have done so. He wanted, it could be argued, to avoid the austerities of domestic policy—starvation corner as he called it—which would ensue from not accepting the post-war dollar loan. An international order, he may have decided, was better than no international order and accepting the loan meant that the country which now should run that order would run it, in contrast to what had happened after 1918. His many long negotiations with US officials, so some suggest, had finally left him with the feeling that everything would be all right on the night. What they wanted from an international payments system was very like what he wanted; they had become Keynesians. Or perhaps he was more cynical. What he had persuaded ministers to sign up for would not work, as indeed it did not. It would have to be amended and it would be amended by Washington's Keynesians. The IMF, at least in the eyes of US Treasury officials, was not intended to put the burden of adjustment solely on debtors.

If this kind of reasoning, however, is accepted as a resolution of the paradox it has to include something else. It has to include that Keynes

failed to understand that once the new international organisations were actually in operation the USA, albeit that it would follow his domestic policy prescription in domestic recessions, would not be much—if at all—influenced in its international strategy by its Treasury officials. Outside its frontiers, foreign policy objectives would have to predominate in the many complex decisions which American leadership of the international system would demand. In the early 1950s the sympathy of US Treasury officials with the United Kingdom Treasury's pursuit of the unilateral re-establishment of sterling-dollar convertibility, for example, meant nothing in the face of State Department and White House policy to integrate western Europe (Milward 1990). The re-establishment of *de jure* dollar convertibility for western European currencies would have to be in Washington's eyes some form of collaborative European act. To this has to be added that Keynes remained a protectionist, convinced that in reality the United Kingdom would be able to retain whatever protectionist measures it believed necessary, not just to protect its balance of payments but also to protect its industries. He remained convinced that import quotas were essential. 'To try to create an international system which excludes quantitative regulation is out of date and, I should have thought, impracticable' he told the Permanent Secretary of the Treasury in July 1945 (Keynes 1971– : xxvi. 323–4). He did not believe that private capital markets would revive for international lending. He thought that the United Kingdom would be able to continue to centralise exchange transactions.

It is true that the Bretton Woods agreements were built on some presumption of demand management by fiscal and monetary policy. In practice, however, the international institutions which emerged from them were so limited in scope that the burden placed on these domestic policy tools, in a world where almost every European country was condemned for at least two years to run a large trade deficit with the USA, was bound to be intolerable. Drawings on the IMF, beyond a very narrow limit, had strict conditionality attached to them and a fixed repayment period, whereas Keynes had always argued for automaticity of lending by the central fund. Instead, any extra liquidity was to be made up by US loans. He had argued for a settlements mechanism in which there would be the same pressures on surplus countries to adjust as on debtors. The whole thrust of US commercial policy however remained what it had been since 1936, to reduce all forms of discrimination against US exports. Of them, Commonwealth preferences remained in American eyes the most objectionable (Pressnell 1987). For Keynes, however, those

same Commonwealth preferences were indispensable to the United Kingdom in the post-war period, so indispensable that he wished a tightening of Sterling Area currency controls by the Bank of England, not their dissolution within the two years grace given by the Anglo-US Financial Agreements before sterling-dollar convertibility would have to be introduced in August 1947.

It is, though, more a matter of intellectual than of historical interest that Keynes, over the four years of wartime Anglo-American wrangling over the reconstruction of an international framework for trade and payments finally helped bring into existence a system over the shape of which he had had very little influence. The system lasted only two years before the Cold War brought Marshall Aid. After August 1947 'The Bretton Woods System', as chapters in economics and economic history texts continue to call it, is a recognised code for something else, the dollar-exchange standard and the frequently adjusted exchange rate system with what by present day standards were very narrow bands indeed. The international organisations, notably the IMF over whose nature and role Keynes argued so long and lost, had little or no influence until fifteen years after the war's end.

The 'Bretton Woods System' is also a code for the longest-sustained period of high GNP growth rates in European history and, in spite of the prevailing inflationary trend, a high employment equilibrium in almost all west European economies for almost all of the time from 1945 to 1968. The question becomes therefore: was the international trade and payments framework, in spite of Keynes, Keynesian? And the corollary question has to be, whether that was why the framework was so successful.

The European Payments Union (EPU) came closer to Keynes's prescriptions than IMF. Its settlement rules came closer to automaticity. There was a motive for surplus countries to adjust, in that it was so favourable to debtors. I cannot find any historical example indeed of a settlements mechanism that was so favourable to debtors. Between 1 July 1951 and 20 June 1952 (the US fiscal year 1951) the United Kingdom turned a surplus of \$600 million into a debt of almost \$1.5 billion. Its cumulative debt at the end of June 1958 when EPU was wound up was almost \$1.4 billion. That of France was almost \$1.8 billion. Taking away US military aid there was no year between 1947 and 1960 when France did not have a deficit in its foreign balances, and reserves so small that they came nowhere near covering it. After the end of Marshall Aid the import cost of France's Modernisation Plans was met by EPU debts.

Nevertheless those values have to be seen in perspective. The total

value of the USA's contribution to the working capital of EPU was \$350 million. The Bretton Woods Agreements had foreseen an IMF whose assets would be \$8.8 billion. Keynes had wanted a central fund which would be able to provide a total overdraft credit of \$26 billion. Although the scarce currency, the dollar, was made available to EPU by an initial US contribution and also by other contributions from Marshall Aid for the first 3 years of operations, the settlement terms meant that countries could do little to ease their dollar shortage by surpluses in intra-west-European trade.

If there were elements of Keynesianism, vaguely defined, in the European Payments Union machinery, they cannot readily be said to have had links to the pursuit of Keynesian policies in the domestic economies of its member countries. Norway's post-war governments were for some time unquestionably Keynesian in their use of fiscal and budgetary tools, but it is difficult to find any other undisputed example. Keynesian demand management did not acquire primary influence in policy formulation in the United Kingdom until the mid-1950s, although the theory was frequently used from 1945 onwards to justify policies whose primary causes lay much deeper in electoral politics. In none of the other three major west European states—France, Germany and Italy—did Keynes's policy prescriptions for returning to a high employment equilibrium have a significant positive influence on government policy. Reconstruction, recouping the losses ascribable to war, turned into sustained expansionary policies for reasons which had little or nothing to do with changes in economic theory, and in the only identifiable cases of mild recession (Switzerland in 1949, Denmark in 1951 and 1955, the Benelux countries, Norway and Switzerland in 1948), it is only in the Norwegian case that there was any increase in public spending.

The record of demand-management in the United Kingdom does not, in any case, seem to have been a good one, since it lacked the temporal precision to fulfil the Keynesian prescription. It would be hard and perhaps pointless to replicate Dow's analysis of British policy (Dow 1964) for Norway, if only because investment coefficients were always higher in every year from 1945 to 1967 as a proportion of GNP in Norway than elsewhere and mostly government-inspired. There are other more generalised aspects of post-war western European states which have been called Keynesian: the much greater size of government budgets and expenditure on goods and services as a proportion of GNP compared to the pre-war world, housing policy, and a more widespread acceptance that fiscal policy had to be as flexible as monetary policy and both had to

be seen in the context of labour market regulation. It was on these elements that Maddison rested his case when he wrote in 1964 that 'what appears as the business cycle is nowadays mainly a reflection of phases in government policy' (Maddison 1964: 99). Governments did have stabilising devices which they used at times in a way which could have been Keynesian in effect if not always in intention.

The extent to which these elements of policy sustained demand was, however, very variable across western Europe. If the public provision of subsidised housing meant that construction had a high share of total investment in Britain or Germany, for example, housing policy in France and Italy for almost twenty post-war years was to not build houses in case it diverted investment away from more productive purposes. The differences in the ways by which western European labour markets were regulated became central in, for example, British political discussions about maintaining a high employment equilibrium. They led, however, always to the conclusion that it would mean adopting some system of centralised wage bargaining which had evolved elsewhere and thus a measure of political and perhaps constitutional change that was politically unattainable.

The size of government budgets, in many European countries much larger than in the inter-war period, may have done something to sustain demand. The trend for the welfare state to act as a large insurance company notably increased the size of some government budgets in the 1950s, although the juridical dividing line between social insurance payments and general taxation was more strictly drawn in some post-war states, France for example, than in others, like Britain. The income-redistribution effects of the welfare state, especially in those countries such as Belgium, France, and the United Kingdom where social security and medical provision were greatly enlarged in the immediate aftermath of the war were probably Keynesian in the larger sense of the word, in that they helped to sustain domestic demand, although so little academic work has been devoted to this question that it is very hard to say anything about the overall dimensions of any such effect.

These budgetary effects cannot be related to any policy prescription which can be read from *General Theory*. Indeed there is no reason to imagine that Keynes would have prescribed fiscal fine tuning in an economy with less than three per cent unemployment and with rising prices. In retrospect, it can be seen that the increases in the size of general government budgets were more stabilising in countries such as Germany, Italy, or Belgium which made no experiments with demand management of the kind that Keynes proposed.

If, however, Keynesian policies or what I have allowed myself here to call Keynesianism made a marginal contribution to the stability of the Great Boom, they cannot be represented as the cause of its duration, as they cannot be represented as the cause of its existence. This lay in the steep increase in real earnings per capita in most western European countries between 1945 and the end of 1948, together with the great increase in the total volume of earnings in many of them, operating in a situation of long pent-up consumer demand joined with so-called 'reconstruction' investment. The replacement of lost or damaged capital stock was accompanied by major new government-backed projects of 'modernisation' or 'industrialisation'. Together these forces maintained ratios of investment to GNP throughout the period from the end of the European war to the end of 1948 higher than in any year since 1920. Until the end of 1948 the greater of the two forces operating to generate these high investment levels seems to have been the persistence of governments in the face of international difficulties. There is no evidence that, faced with widening balance of payments deficits in spring 1948 and no evident way of bridging them, they contemplated radical changes of policy (Milward 1984). This seeming insouciance is best explained by the overwhelming need of the discredited nation-state to re-establish its legitimacy with its electorates. From the end of 1948 however the increase in incomes was changing the pattern of investment towards providing for a rapidly-growing consumer goods market. When the controls came off, successive booms in consumer goods and house purchases drove the western European economy forward into a long period of vigorous industrialisation which sustained the high employment ratios and the high rates of income growth.

If the generalised conception of Keynesianism which I have used here is not so large and loosely-tied an intellectual package that it is undeliverable, it would suggest that the growth models which were derived by dynamising the macroeconomic entities on which Keynes based his general theory may well have had an influence on government policy which did contribute something to achieving the more stable international economic system which Keynes wanted to create. But however we quantify that influence it would leave it far short of sustaining internationally Maddison's conclusions about the causes of the Great Boom. Even the widest interpretation of Keynes's intellectual influence will not explain what we most need to explain, the prolonged absence in the post-war international economy of external shocks sufficiently strong to interrupt 23 years of high GNP growth rates and a high employment



equilibrium. This was the outcome that Keynes had laboured so mightily to produce, but it was neither his thinking nor his political activity that produced it, nor that of his disciples.

It has been a topic of considerable dispute whether the post-war boom would have been brought to a halt in 1948 by the severe external imbalances of the United Kingdom, France, Italy, and the Netherlands, had not the proclamation of the Marshall Plan and the provision of Interim Aid allowed it to continue (De Long and Eichengreen 1993). Interim Aid flowed through the winter of 1947–8 to Austria, France, and Italy, but no Marshall Aid arrived in Europe until June 1948. The discussants of this lecture have both written about that, so I will do no more than say that my argument, stated elsewhere, is that *economically* governments would have been able to find the resources to allow the boom to continue by avoiding any increase in food imports at the expense of capital goods imports (Milward 1984). Whether that would have been *politically* possible is not outside the scope of this paper, but must, I think, remain a matter of speculation rather than knowledge. The Marshall Plan thus cannot be said to have been economically necessary to the continuation of the boom, but it did, of course facilitate its continuation. It made the international imbalances of the European countries less acute in 1948 and 1949. More important than the Marshall Plan was the decision to divide Germany and to create the Federal Republic as a west European state. The role of the Federal Republic in the intra-west-European trade network became a major contribution to stabilising the international economy.

There is only time to summarise briefly that role. Real GDP in the Federal Republic grew over the period 1950–73 at an average annual compound growth rate of 5.9 per cent, faster than in any other European economy and, of course, much faster, especially in the 1950s, than in the USA. Between 1950 and 1958 it grew at 7.8 per cent. The manufactured exports, which dominated its foreign trade and foreign earnings, grew over the same period 1950–8 at an average rate of 19.7 per cent, and it is to that story that most attention has been paid. For our purposes, however, it is the growth of German imports that mattered. Nine Organisation for European Economic Cooperation (OEEC) countries, including OEEC's three other major economies, France, Italy, and the United Kingdom, recorded an average annual percentage increase of the value of exports to the Federal Republic of more than twelve per cent over the period 1950–8. To western Europe as a whole only three recorded a rate of annual increase of exports of more than five per cent. There were only

two western European countries in the 1950s, Iceland and the Irish Republic, for which the German Federal Republic was not the most rapidly expanding market.

The dynamic growth of German exports was dominated by the growth of exports of machinery, metals, and chemicals. This reflected closely the fact that elsewhere in western Europe the expansion of the manufacturing sector's share in a growing GNP was dominated by the expansion of engineering, chemical industries and, where the resources were available, paper products (Table 1). It reflected also the prevailing dollar shortage. In the 1930s Germany and the USA between them accounted for roughly two-thirds of the value of world exports of machinery and machine-tools. As soon as the European Payments Union in 1950 established a settlements mechanism guaranteeing transferability for trade purposes between the Deutschmark and other west European

**Table 1.** Metal Manufacturing, Metal Using, Chemicals, and Paper, Printing and Publishing as a Share in GDP, (a) omitting Paper, Printing and Publishing, (b) including Paper, Printing and Publishing.

		1950	1954	1959
<b>Austria<sup>b</sup></b>	(a)	3.13	14.21	15.93
	(b)	15.09	16.71	18.33
<b>Belgium-Lux<sup>c</sup></b>	(a)	13.96 <sup>a</sup>	14.71	16.60
	(b)	15.54 <sup>a</sup>	16.41	18.50
<b>West Germany<sup>d</sup></b>	(a)	14.35	18.13	21.92
	(b)	16.03	19.91	23.77
<b>Italy<sup>e</sup></b>	(a)	12.10	14.95	17.88
	(b)	12.60	15.44	18.44
<b>Norway<sup>e</sup></b>	(a)	9.97	12.08	12.34
	(b)	14.41	16.48	16.85

<sup>a</sup> 1949.

<sup>b</sup> Austria: manufacturing at 1956 prices, GNP at 1954 market prices.

<sup>c</sup> Belgium-Lux: manufacturing at 1953 prices, GDP at 1954 prices at factor cost.

<sup>d</sup> West Germany: manufacturing at 1950 prices, GDP at 1954 prices at factor cost.

<sup>e</sup> Italy and Norway: manufacturing at 1954 prices, GDP at 1954 prices at factor cost.

**Sources:** United Nations, Economic Commission for Europe, *Economic Survey of Europe in 1961, Part 2, Some Factors in Economic Growth in Europe During the 1950s* (Geneva, 1964). Various appendices.

currencies European demand for machinery and other capital goods focused on Germany to save dollars even when German prices were higher than American ones. The correlation between investment ratios in western Europe and capital goods imports seems clear (Table 2). The German capital goods industries were the foundation of the great industrialisation of western Europe which was the main characteristic of the Great Boom.

Some measure of how far the trade in capital goods across western Europe affected West Germany's economy can be seen from Table 3. By the mid-1950s in the Federal Republic the proportion of total export earnings contributed by exports of machinery was almost twice that found in the Weimar Republic in the last year before the onset of the inter-war Great Depression. Some of the Federal Republic's present economic problems are the aftermath of the way its economy was shaped by this European experience. In 1960 almost 60 per cent of the Federal Republic's exports by value still went to western Europe, whereas from the creation of the German Empire to 1939 Germany had been a world-wide trader. In the 1950s its exports laid the foundation of the great and as it now seems the final wave of industrialisation of western Europe. By

**Table 2.** Comparisons of gross investment with capital goods imports in Western Europe.

	Total gross investment as a percentage of GNP at current prices		Capital goods imports as a percentage of total imports at current prices	
	1914–49	1950–60	1929 <sup>c</sup>	1951–5 <sup>d</sup>
Belgium	n.a.	16.5	6.2	9.97
Denmark	12.6 <sup>a</sup>	18.1	2.7	8.15
Italy	13.5	20.8	4.7	9.10
Netherlands	n.a.	24.2	6.9	10.93
Norway	15.4 <sup>b</sup>	26.4	4.9	11.73
Sweden	15.5	21.3	5.5	10.06

<sup>a</sup> 1921–49.

<sup>b</sup> 1914–38.

<sup>c</sup> all machinery.

<sup>d</sup> SITC 71 + SITC 72.

**Sources:** A. Maddison, *Economic Growth in the West. Comparative Experience in Europe and North America* (New York 1964); OEEC, *Statistical Bulletins of Foreign Trade, Series IV*; Belgium, Ministère de l'Intérieur et de l'Hygiène, Statistique Générale, *Annuaire Statistique de la Belgique et du Congo Belge*; Denmark, Danmarks Statistik, *Vareomsætningen med Udlandet*; Italy, Istituto Centrale di Stastica, *Annuario Statistico Italiano*; Netherlands, Centraal Bureau voor de Statistiek, *Maandstatistiek van den In- Uit-En Doorvoer*; Sweden, Sveriges Officiella Statistik, *Handel*.

**Table 3.** The share of different manufactures (by value) in the total exports of the Weimar Republic and the Federal Republic.

	Percentage of Total Exports		
	Machinery	Metals	Textiles
Weimar Republic 1928	9.5	18.1	16.8
Federal Republic 1956	18.9	19.1	5.9

**Sources:** Weimar Republic: Statistisches Bundesamt, *Der Aussenhandel Deutschlands*; Federal Republic: Statistisches Bundesamt, *Der Aussenhandel der Bundesrepublik Deutschland*.

1958 the Federal Republic was the principal exporter to every western European country except Ireland and Portugal.

The outcome of Germany's violent growth of exports was a slightly faster rate of growth of imports. Although Germany remained in surplus to every other EPU member-state from 1951 to 1958, the growth of its imports was such as to break decisively for western Europe the pattern of inter-war foreign trade and its cyclical effects.

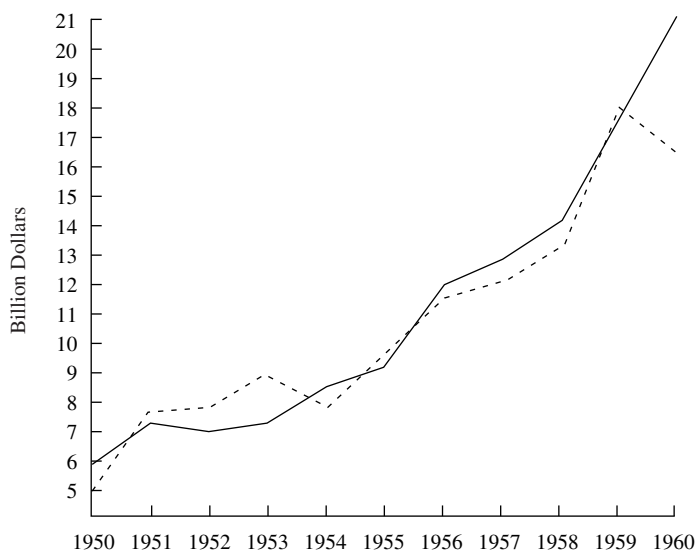
The stability of the international economy certainly did not originate in the United States. Apart from the fall in the USA's national income in the first two post-war years, 1946 and 1947, two other recessionary movements occurred in the American economy in the 1950s which in their depth, measured from peak to trough, were as steep as its inter-war recessions, although much shorter in their duration. They are reflected in falls in the USA's national income in 1954 and in 1958 and in its imports. After a sharp recovery in 1959 the USA's imports again flattened out and those from western Europe fell. There were, however, no repercussions in western Europe in 1954. All western European economies grew uninterruptedly and rapidly through that American recession. In the 1958 recession there were repercussions only in Belgium, the Netherlands, Norway, and Switzerland, but they were slight. In 1960 the growth of GNP and of exports in western Europe were both vigorous. The main cause of this insulation against American cyclical movements was the expansion of the German economy and the role which it played in intra-west-European trade (Table 4).

A simple graphic representation (Figure 1) of Table 4 shows more clearly the degree to which sustained German demand for OEEC exports compensated for the recessionary movements of the US economy and the fall in OEEC exports to the United States. Table 5 shows in detail how the expansion of German imports in the years 1953 and 1954 insulated separate western European economies against a fall in exports to the USA

**Table 4.** OEEC exports to USA/German imports from OEEC (million dollars).

	OEEC → USA	OEEC → Germany
1950	5,115.0	5,849.1
1951	7,628.0	7,231.5
1952	7,846.5	6,998.8
1953	8,859.1	7,304.9
1954	7,864.9	8,572.7
1955	9,402.2	9,228.0
1956	11,516.9	11,988.3
1957	12,037.1	12,803.1
1958	13,231.9	14,165.5
1959	17,929.0	17,914.6
1960	16,667.0	21,661.1

**Sources:** *Der Aussenhandel der Bundesrepublik Deutschland*. Various volumes.



**Figure 1.** The growth of OEEC countries' exports to the USA (-----) and to the German Federal Republic (—), 1950–60.

which in the inter-war period would have initiated a severe cyclical downturn. Between the last quarter of 1953 and the last quarter of 1954 US imports from western Europe fell by 12 per cent in value. Yet in 1953–4 unemployment rates in western Europe fell.

**Table 5.** Average percentage rate of growth of exports by value in 1953 and 1954 to the Federal Republic of Germany and to the USA and Canada.

From	Federal Republic of Germany	USA/Canada
Austria	19.70	-9.6
Belgium Lux	-2.20	-18.4
France	24.90	-14.5
Italy	15.60	-11.2
Netherlands	14.75	-7.6
Norway	10.85	-13.2
Sweden	3.40	-25.4
Switzerland	12.40	-24.8
UK	9.10	-5.3

Sources: OEEC, *Statistical Bulletins of Foreign Trade*, Series IV.

The politico-commercial arrangements which sprang from this pattern, firstly the EEC (European Economic Community) and, by reaction EFTA (European Free Trade Association), reinforced it and further stabilised the international economy. The sharp divergence in the respective trends of export growth to the USA and to Germany of OEEC countries in 1959–60, so apparent in Figure 1, reflects the beginning of tariff removals within the EEC. The long western European peace which they cemented into place also no doubt helped to stabilise the international economy as the western version of Germany at least became, as Churchill had wanted it to be, fat but impotent.

It is not my ambition to give a comprehensive explanation of the stability of the post-war international economy. I have entered into detail to explain one important cause of it, firstly in order to show how any explanation must go far beyond the realm of policy and policy prescriptions and, secondly, to say something further about Keynes.

While we still have no finally convincing explanation of the Great European Boom it is possible to see it not only as the greatest period in the growth of industrial output in Europe's history, but also as the culmination of western Europe's industrialisation. The end of the boom coincided with the end of that period when manufacturing was chiefly responsible for the growth of national product in western Europe and the service sector began to take its place. In most countries for which we have reasonably robust data the share of manufacturing in the national product declined and that of the service sector began to grow over the period 1974–8. It may be that not only did a long-run underlying pattern of structural change sustain the Great Boom and with it the stability of the

international economy, but that a fundamental change in that structural pattern did as much or more to destabilise it as America's inflationary wars.

We cannot criticise Keynes for not being a wizard. He shared with almost everyone else the failure to foresee the extent to which the geographical spread of industrialisation over almost the whole map of western Europe, combined with Germany's division and reconstruction, dictated by the reality of the Cold War, helped to create a pattern of foreign trade in manufactures which almost by itself eliminated the impact of the prime cause of inter-war instability. The unilateral competitive devaluations or deflations, which his post-war plans were designed to avoid, were usually secondary reactions to the dangerous volatility of flows of real commodities. The growth of international trade flows within western Europe after the decision to create the Federal Republic made his commercial policy prescriptions look by the mid-1950s like barriers to stability rather than defences of it. He was aware of the possibility of a post-war boom longer than that of 1919. His prescriptions for sustaining it were mostly wrong.

To be wholly just, I should add that had European states been persistently deflationary in their monetary policy, it might have been another story. There was room for restrictive monetary policy in Italy and the Federal Republic before 1955, because such policies elsewhere were either seen as political suicide or governments had been temporarily persuaded of their irrelevance.

Nevertheless, allowing that Keynes could not be a wizard, it is still the case that the trend of his thinking from 1931 onwards turned him away from any belief that a less protectionist commercial policy might be a stabiliser rather than a destabiliser and his fundamental nationalism made it hard for him to believe that it would be continental Europe—even harder, Germany—whence stability would come. Keynes thought of the international economic system in terms of money flows, between nations, with national incomes, to be stabilised by national commercial policies. He wrote little about commodity trade flows and even less did he envisage them as freeing themselves from a base in which nations were the prime actors in regulating or even generating them. This was not because his intensive role in negotiating the post-war reconstruction was confined to the financial settlements and that, as a consequence, he played little or no role in the parallel negotiations over post-war commercial policy. He had in fact little interest in and wrote almost nothing about the basic mechanics of foreign trade and commodity markets. As for commercial

policy, it existed for him by 1945 essentially only as a defence for the United Kingdom's frail post-war international payments position, in order to preserve its national domestic equilibrium. That, he argued, would necessitate for some time stricter trade controls and currency controls than in the 1930s. 'It is', he wrote to the Chancellor in April 1944, 'an indispensable condition of our remaining master of our own situation that we should in practice convert the "sterling area" into the closed system which some people believe it to be already' (Keynes 1971– : xxiv. 45). It had to be explained to him that Britain did not have the power to coerce independent states into such a closed system. His battle was against those public servants who during the war looked too nostalgically at the benefits which the United Kingdom might draw from a ready acceptance of post-war, American style, free trade and multilateralism.

By the same reasoning, he looked even more sternly on any attempt by British governments to finance reconstruction in post-war western Europe. In spite of his earlier passionate denunciations of the economic folly of the post-1918 treatment of Germany, he saw that country, as the end of the Second World War in Europe approached, as a dangerous trade rival to the United Kingdom and thus as a threat to national domestic equilibrium, not as the bringer of stability. In 1919 he had written very differently (Keynes 1919).

Writing to Sir Arnold Overton in the Board of Trade at the end of December 1942, he produced a remarkable list of proscribed imports for the post-war period; 'For instance, we shall very likely have to decide that we cannot afford to import, e.g. motor cars, aeroplanes, radio apparatus, refrigerators, agricultural machinery, manufactured paper, textiles etc except in insignificant quantities' (Keynes 1971– : xxvi. 254). I do not believe this list to be an imaginative illustration, it corresponds remarkably closely to the list of post-war import quotas that were erected and not, of course, for purely commercial reasons (Milward and Brennan, 1996). In these future circumstances, how could the United Kingdom move towards America's version of free-trade, Keynes asked, and then supplied the answer. 'We shall have to increase our exports to the British Commonwealth generally, and especially to the East and West African colonies, on a large scale' (Keynes 1971– : xxvi. 254).

The answer is bizarre. What sort of market would East and West Africa together prove? The reason for selecting post-war markets in the Commonwealth for export promotion was because, he believed quite wrongly, that within the Sterling Area currency controls, those Schachtian mechanisms which he so admired, could be strengthened compared to the



1930s and directly linked to trade controls. The growing concentration of British exports on Commonwealth markets has since been identified as a cause of Britain's post-war weakness, and it is unreasonable to quarrel with that view, when, in the first half of the 1950s Australia, then a country of less than 11 million people, was the United Kingdom's single biggest export market. Keynes would have had it more so. 'You will see', he later wrote to Overton in 1943, 'that I am arguing in favour of import regulation, not merely on balance of trade grounds, but also on the ground of maintaining stability of employment in new staple industries' (Keynes 1971– : xxvi. 10). He did not mention that in Australia whole governments would argue in the same direction. What harmonies would he find with American commercial policy, we might ask. But he had no other position to take up, because of his changed views on Germany and Europe.

It should be, he argued inside Whitehall, the French, Dutch, Belgians, Czechs, and Poles who occupied Germany (Keynes 1971– : xxiv. 123). This was for financial reasons. Britain should not become liable to America for the greater part of America's post-war favourable balance with the rest of the world. The French and Belgians still had large gold reserves. If by some mischance the United Kingdom had to be an occupier, Germany must pay the full costs of its occupation and of any permitted imports. Accordingly, he was even briefly tempted to argue for a tax on German exports. This was an aberration. His consistent position was that as much of continental Europe's gold as possible, and any dollars it was given or earned, 'should come our way in the first instance. It follows that we should strictly avoid granting them credits or any special reliefs, . . .' (Keynes 1971– : xxiv. 57). Germany would lie prostrate until western Europe's reserves, of which as many as possible should go on Sterling Area exports, were exhausted, or until the USA financed its recovery. Since he was not a wizard, he could not have foreseen the Marshall Plan. What became the power house of the Great Boom he would have left as the scarcely functioning heart of starvation corner, moved to the other side of the Channel.

If Keynes had little influence over the post-war international economy, it is as well. While his nationalist economics was not unsuited to that period, he envisaged in the interests of British recovery and survival only a trap for the exports on which recovery had to be based. He wrote out of his post-war scenario that part of the world where the Great Boom would occur and tried to write out as far as possible any British connection with

it. Keynesianism, generously interpreted, did contribute something to international stability as well as growth, although Keynesians, being as nationalist as their master, did not often see themselves reflected in policy decisions in other European economies. It is sad to have to reach such a conclusion, for at the heart of Keynes's abandonment of the gold standard for a labour standard was a strongly humane impulse which persuaded him into its illogicalities. It is difficult to make full sense of Keynes unless we accept that for him employment was important for its own sake, a social good which the economy should provide.

This was, though, a humane impulse which was increasingly limited in the first place to his fellow citizens. Charity began at home. It is not clear by what mechanism it would have spread even as far as France. We shall come to think of him as the prime exponent of national economics, far more so than List. While it is no surprise that he was unable to resolve the perennial problem of how to bend the international economy to the national will, it is nevertheless a relief that he could not do so. It cannot be said that employment, welfare, or growth suffered from his failure. Quite the contrary.

## Discussion

### J. R. Killick

I was delighted and honoured to be asked to be a discussant at Professor Milward's lecture. The cause of the international and European Golden Years of 1948–73 is now a fast moving subject. Keynesian economists once claimed they knew all the answers. Hence Robert Lekachman claimed in his *Age of Keynes*, (1967).

What has happened to relieve the citizens of advanced nations from the idleness and misery of depression? The change is one of public policy, above all of the financial programs of American national administrations. . . . The New Economics of the 1960s is the triumph of an idea. And the idea itself is above all the product of the creative genius of a single man. . . . [It has] become the common, everyday property both of the learned and of the laity, the mental furniture of businessmen, politicians and professors.<sup>1</sup>

At the time economic historians generally agreed with Lekachman, but with lengthening perspective, they have now found many other reasons

<sup>1</sup> Lekachman (1967), pp. 1–5.

for the post war boom.<sup>2</sup> Professor Milward's analysis of the residual Keynesian influence is therefore especially welcome.

In general terms, of course, as Professor Milward argues, Keynes's expansionary spirit supported the monetary expansion and the commercial liberalisation that underlay the boom. Some commentators have suggested that full employment generally returned so rapidly and remained so high for the whole 1945–73 period that it is difficult to attribute it to the influence of Keynesian policy in particular countries.<sup>3</sup> Even so businesses generally invested so heavily because they were confident that governments could and would prevent large scale unemployment by appropriate Keynesian methods. Germany and Italy allowed higher unemployment than America and Britain, but it was sufficient that most governments were committed to full employment. An American depression would have destroyed the boom, but everyone believed the US would prevent real depression, and in each serious recession American presidents made elaborate verbal commitments to maintain prosperity.<sup>4</sup> These factors however only insured against a depression. They do not necessarily explain the sparkling quality of the period.

Professor Milward then argued this special quality was not Keynesian at all. The boom was initially caused by the steep increase in real earnings and the pent up consumer demand, and government 'reconstruction' investment in Western Europe from 1945 to 1948. Popular expectations forced governments to act aggressively. Then the American re-establishment of Germany at the centre of the European trading systems, and successive consumer and investment booms maintained the pressure until investment opportunities were exhausted in the early 1970s. He only had time to indicate the most important causes of the boom in this lecture. Other scholars however have emphasised the European social settlement which increased productivity, and 'apt institutions' like the European Payments Union (EPU) which locked Germany into the system.<sup>5</sup> In addition I would have added the large technological gap between North America and Europe which created the opportunity for convergence when conditions were right. From 1945 to 1947, the North American Loans gave France and Britain a flying start. When the impetus slowed in 1947, the Americans made the necessary tough political decisions over

<sup>2</sup> For instance see Toniolo (1998).

<sup>3</sup> Sir Alec Cairncross in Thirlwall (1978), p. 51.

<sup>4</sup> Stein, (1969), pp. 281–345.

<sup>5</sup> For survey see Toniolo (1998).

Germany and created the European Recovery Program (ERP). From 1948 on the desire to emulate American prosperity, and the transfer of American technology extended the recovery into the 1960s.<sup>6</sup>

Keynes died too soon to influence most of this. His own grand design for international reconstruction collapsed in August 1947. The EPU was only a pale shadow of what his IMF might have been. What then is left of the Keynesian contribution? First one might say that Keynes's argument for the IMF was part of a general discussion about America's role in the post-war world that also produced the Loan and prepared the ground for the Marshall Plan. In the Lend-Lease Article 7 negotiations in 1941 he warned the Americans that Britain's post-war dollar shortage would be so serious that she would inevitably restrict trade unless America helped. Harry Hawkins for the State Department responded that if Britain employed Schactian tactics, the United States and all the others would follow, and that she would lose. The US Treasury however later recognised the seriousness of Britain's potential dollar shortage. Sir Roy Harrod memorably recalled reading details of the proposed scarce currency clause of the IMF agreement in March 1943 in a dimly lit wartime train, sleeping soldiers piled about him. 'Here, boys' he thought 'is an offer, which can make things very different for you when the war is over.' Keynes explained to the House of Lords in May 1944, that the Americans had made the undertaking voluntarily as good neighbours and in their own enlightened self interest.<sup>7</sup> However, he more than anyone else had provided the enlightenment. He apparently died optimistic that in the long run classical forces would correct the dollar gap, and that in the interim, the IMF credits and the (North) American and other Loans would hold the line.<sup>8</sup>

What was the role of Keynesianism after Keynes's death? There is a debate about what makes a 'Keynesian Revolution'.<sup>9</sup> The European and international recovery was propelled by so many forces there was no need for active fiscal policies to prevent unemployment. On the other hand there is general agreement that Keynesianism became the dominant interpretation in Economics in the Anglo-Saxon countries. Mature British and American Keynesians who had absorbed the *General Theory* from Keynes or Alvin Hansen in the late 1930s, were reaching senior levels in

<sup>6</sup> Killick (1997). In 1947 external loans and aid were worth about 8% of GNP to Britain and 11% to France. Ibid. p. 97.

<sup>7</sup> Harrod (1951), pp. 510–14, 542–8, Harris (1947), pp. 372–3.

<sup>8</sup> Keynes (1946), Moggridge (1992), pp. 821–5.

<sup>9</sup> See Alan Booth (1983) and Jim Tomlinson (1983).

government by 1945. The New Deal and wartime experience had given them the confidence that they knew how to manage the economy. Similarly many continental emigres like Monnet, exposed to Keynesian analytical techniques in London and Washington, returned home to important positions. In command post war they developed increasingly sophisticated methods to analyse and stabilise the economy. A vulgarised Keynesianism came to mean appropriate use of fiscal and monetary policy to maintain full employment and low inflation.<sup>10</sup>

Keynes was so immersed in the Anglo-American negotiations in 1944 that his blindness to the potential German dimension of European recovery is not surprising. He did however write to Sir John Anderson in October 1944 that the notorious Morgenthau Plan was 'pretty mad'. However, he added that Morgenthau's 'good will towards us is . . . strongly bound up in his attitude to Germany'. It was a strong Britain or a strong Germany. He was for a strong Britain. 'That . . . was a sentiment with which I was heartily able to agree.'<sup>11</sup> By 1947 however the facts of the occupation and the European situation had educated the leading American Keynesians. Seymour Harris for instance who edited *The New Economics* in praise of Keynes in 1947, published *The European Recovery Program* in 1948.<sup>12</sup> The Marshall Plan, like the New Deal, was a synthesis of planning, spending, and orthodox ideas, but Keynesianism and European integration were vital elements. In addition a surprising number of younger, later famous, American economists such as Galbraith, Kindleberger and Rostow, had German experience through jobs in the State Department in 1946–7. They were of course initially interested in the structural reorganisation of Germany and Europe rather than with simple reflation. Kindleberger for instance wrote one of the earliest memoranda in favour of the ERP. The EPU was a product of similar ideas. In these indirect ways Keynesian, or Hansen ideas, loosely defined, along with many others of course, may have influenced the German and European recovery.<sup>13</sup>

Prudent fiscal and monetary analysis and management is now part of the day to day routine of all major economies. Professor Milward convincingly shows the special quality of the Golden Years was not

<sup>10</sup> Duchêne (1994), Mehrling (1997), pp. 85–156, Stein (1988).

<sup>11</sup> Moggridge (1979), pp. 131–5.

<sup>12</sup> Harris (1947), Harris (1948).

<sup>13</sup> Galbraith (1981), Hogan (1987), Kindleberger (1987), Rostow (1982).

Keynesian. Does his interpretation leave any role for more decisive Keynesian policy? The three most memorable series of deficits since 1936, were the great wartime expenditures, the Kennedy–Johnson tax cuts, and the unintended Reagan deficits. The war time expansion clearly ended the 1930s depression, and led to the American post-war boom. The concurrent but stronger European boom was the product of her greater technological, convergence and trade possibilities. The North American loans and Marshall Aid helpfully eased the external account just as the expansion started. On the other hand, the 1960s expansion although initially successful, came at the end of the boom and ultimately only led to the 1970s stagflation. The Anglo-Saxon economies seem to have done better since 1980. The Reagan deficits were widely condemned as gross mismanagement. However taken with the whole supply side package, and the technological opportunities of the last decade, there is at least the possibility that they helped lift the American economy onto its present—late 1990s—more satisfactory growth path.<sup>14</sup> Keynesian deficits therefore seem to have worked best when they were large and timely enough through accident or design to supplement favourable underlying political and technological circumstances to initiate a new upswing. Once the boom was underway, the Keynesian role was to accommodate and stabilise. In ‘depression’, 1970s style, it was only palliative.

### **James Tomlinson**

Alan Milward’s work is always packed with evidence, wide-ranging and sharp-edged, and this paper is no exception. The central concern is the explanation of the recovery and then unprecedented prosperity of the Western European economies in the years after 1945. His argument, very simplified, is that this ‘golden age’ was not mainly the result of economic policy, and insofar as policy helped it was largely non-Keynesian (even anti-Keynesian) in character.

The causes of the prosperity are primarily found in the restoration of the traditional strength of the (West) German economy, especially in the capital goods sector, combined with a re-orientation of Germany’s trade towards other West European nations. In this way Germany gave a major impetus to the huge trade boom of the 1950s and 1960s, which in turn provided both a key element in the long run rapid expansion across the

<sup>14</sup> Stein (1988).

whole of the half-continent, but also gave insulation against the effects of downturns in US economic performance. While the reasons for Germany's rapid revival and subsequent prosperity are not dealt with in detail, the main thread of argument seems to be that these causes were initially found in the pent-up consumer and investment demand from the war period, but that this expansion was crucially sustained over the long run by 'the prolonged absence . . . of external shocks' on the post-war international economy. (p. 232). In the broadest sense, what was at work here was the final phase of European industrialisation, before the 'post-industrial' society trend for a falling share of employment and output coming from the industrial sector set in irreversibly from the late 1960s.

In this account, Keynes and Keynesianism play, at best, a minor role. Domestic Keynesianism was very restricted in its policy impact, even in the UK. As far as international economic policy is concerned, Keynesian ideas were (fortunately) ineffectual in obstructing the trade liberalisation within Europe which was a key component in making possible Germany's role as an engine of prosperity. The conclusion is that Keynes's ideas were less important than commonly claimed in explaining either the character or outcome of economic policy in the major Western European economies, while his protectionist and Commonwealth oriented ideas on commercial policy were potentially extremely harmful, given the sources of dynamism which emerged in Europe.

Alan Milward's account of the unhelpfulness of seeing Western European countries' domestic economic policy as 'Keynesian' after 1945 seems to me largely persuasive. In perhaps the most complex case, the British, the direct use of 'Keynesian' instruments of fiscal policy to sustain the economy against a major collapse in demand was never tried because no such collapse took place. Thus while Keynesian language and ideas dominated academic economics, and had some (though contested) effects on the thinking of policy-makers, we simply cannot say whether Keynesianism was entrenched strongly enough in the right places to generate such policy if the occasion had demanded. In the context which did arise, investment and export demand were sufficiently strong to provide full employment, and fiscal (and monetary) policy were only required to (inaccurately) 'fine-tune' demand. In the other major West European economies the story seems simpler; Keynesianism was simply not important in policy-making. Insofar as we can talk of a doctrinal base for post-war domestic policies, in West Germany it has to be found in the 'Social Market Economy', in France in notions of 'indicative planning', and in Italy in a *sui generis* mix of mainly conservative macroeconomic and

'clientistic' micro intervention which has successfully escaped a convenient label.

Such a sweeping conclusion may have to be modified in detail, but more positively it seems to me to point to a rather different way of thinking about the domestic policy agendas of post war governments in the West. As Alan Milward notes (p. 232) a key task of almost all of these states after 1945 was to re-establish legitimacy with their electorates. In all cases this was done in part by the direct organisation (if not necessarily provision) of welfare, secondly by the state taking on responsibility for economic performance, though the emphasis between employment and growth as the central measure of such performance varied both between countries and over time. The states of Western Europe all promised to 'manage' their economy, even if the forms of that management varied. We might say then that a key consequence of the Second World War was that for political reasons, all of these countries committed themselves to national economic management (using that term in its broadest sense), but how this was done varied with the economic structure of the country concerned, its previous experience of state intervention in the economy, the theoretical and administrative resources available to its policy-makers, and, of course, the simple political calculation of its ruling elites. In this framework, Keynesianism becomes, at most, a peculiarly British national variant of doctrines of national economic management, rather than a core concept in understanding post-war policy across Western Europe. Such an approach also provides a bridge to the issue of Marshall Aid and its effects. Returning to a theme established in his earlier work, Alan Milward argues that in economic terms aid was not vital because capital goods imports could be paid for without it, and suggests that we can only speculate about the political consequences if Marshall Aid had not boosted food imports. While agreeing there can be no definitive answer on this, isn't he perhaps drawing too sharp a distinction between the 'economic' and the 'political'? Food shortages, after all, not only tend to make the government unpopular, they also undermine both physical efficiency, and perhaps more important, work incentives. There seems to be evidence in Britain in the late 1940s that shortages were having this kind of effect. From this perspective, Marshall Aid may be seen as underpinning the post-war settlements in Western Europe, which gave popular consent to high investment policies because these could be combined with rises in or at least stabilisation of consumption standards.

The most controversial part of the paper seems to me the assessment of Keynes's, approach to the international economy. As I am sure Alan



Milward would agree, the failure of Keynes to see the post-war miracles in Western Europe is hardly surprising; when he died in 1946 few foresaw that happy future. Linked to that, Keynes was very pessimistic about the capacity of Britain to finance its imports of manufactures from the USA, which he assumed would be the main source, and this explains his pessimism about what Britain would be able to afford in the way of total imports after the war. It should also be noted that to talk of a broad self-sufficiency in manufactured goods at this time, when such goods made up a relatively small proportion of total imports (20 per cent in the most generous definition), is much less radical (and likely to be much less inefficient) than it would be today, when manufactured goods form the majority (almost 70 per cent). In addition, Keynes' gloomy prognosis about trade prospects was reinforced by his elasticity pessimism, and the belief that followed, that exchange rate depreciation would not be a ready means to improve the trade position.

Looking to East and West Africa as major sources of export demand does in retrospect appear rather extraordinary, even if it fitted in with the very widespread naively optimistic views about the future of the Empire in Britain in the 1940s. But it needs to be noted that the words on this topic quoted by Alan Milward were written in 1942/3, when the economic future of Europe appeared, to say the least, uncertain.

Finally, was Keynes quite such a protectionist by the 1940s as Alan Milward suggests? First, it needs to be noted that in the debates on this issue, as always, Keynes was searching for the best short term and politically possible stance (e.g. Keynes 1971– : xxvi. 255, 257). When he objected to some of the very pro-free trade papers coming from the Board of Trade, part of his motive was a calculation that such position statements emanating from Britain would make the US government's task of selling multilateral trade deals to Congress much harder. Linked to that was the view, expressed very clearly in the speech to the House of Lords commending Bretton Woods, that while in the short-run restrictionism of all kinds on international transactions was absolutely vital for Britain, in the long-run prosperity depended on the removal of such restrictions. Keynes was *not* in the long run a fan of Schachtian devices, indeed in a letter to *The Times* in May 1944 he strongly attacked Thomas Balogh for advocating such measures, saying 'Schachtian minds ill-consort with great Empires' (Keynes 1971– : xxvi. 9).

In sum, it seems harsh to suggest that had Keynes lived to see the beginnings of post-war Western European prosperity he would have ignored this and continued to look to Africa, Australia, and the rest of

the Commonwealth as the basis for export expansion. A nostalgic commitment to defensive trade links with the Empire may have characterised the views of Balogh, but he was hardly a typical Keynesian, and it is in my, inescapably speculative, view likely that Keynes's policy positions would have been much more flexible and much less protectionist if he had lived into the 1950s.

## Bibliography

- Boltho, A. (1982) (ed.), *The European Economy. Growth and Crisis* (Oxford).
- Booth, Alan (1983), 'The "Keynesian Revolution" in Economic Policy-Making', *Economic History Review*, 2nd ser. 36, pp. 103–23.
- Clarke, P. (1988), *The Keynesian Revolution in the Making, 1924–1936* (Oxford).
- De Long, J. B. and Eichengreen, B. (1993), 'The Marshall Plan: History's Most Successful Structural Adjustment Program', in R. Dornbusch, W. Nolling, and R. Layard (eds.), *Postwar Economic Reconstruction and Lessons for the East Today* (Cambridge, Mass.).
- Dow, J. C. R. (1964), *The Management of the British Economy, 1945–1960* (Cambridge, for the National Institute of Economic and Social Research).
- Duchêne, François (1994), *Jean Monnet: The First Statesman of Interdependence* (New York and London).
- Galbraith, John K. (1981), *A Life in our Times: Memoirs* (Boston).
- Harris, Seymour E. (1947) (ed.), *The New Economics: Keynes' Influence on Theory and Public Policy*.
- (1948), *The European Recovery Program* (Cambridge, Mass.).
- Harrod, R. F. (1951), *The Life of John Maynard Keynes*.
- Hicks, Sir J. (1983), 'Keynes and the World Economy' in F. Vicarelli (ed.), *Keynes's Relevance Today*.
- Hogan, Michael J. (1987), *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947–1952* (Cambridge, New York and Sydney).
- Kettenacker, L. (1989), *Krieg zur Friedenssicherung: Die Deutschlandplanung der britischen Regierung während des Zweiten Weltkrieges* (Göttingen).
- Keynes, J. M. (1919), *The Economic Consequences of the Peace*.
- (1936), *General Theory of Employment, Interest and Money*.
- (1946), 'The Balance of Payments of the United States', *Economic Journal*, 56: 172–87.
- (1971– ), *The Collected Writings of John Maynard Keynes*, ed. D. Moggridge.
- Lynch, F. M. B. (1997), *France and the International Economy: from Vichy to the Treaty of Rome*.
- Killick, John (1997), *The United States and European Reconstruction, 1945–1960* (Edinburgh).
- Kindleberger, Charles P. (1987), *Marshall Plan Days* (London, Sydney and Wellington).
- Lekachman, Robert (1967), *The Age of Keynes*.

- Maddison, A. (1964), *Economic Growth in the West: Comparative Experience in Europe and North America* (New York).
- Mehrling, Perry G. (1997), *The Money Interest and the Public Interest* (Cambridge, Mass., and London).
- Milward, A. S. (1984), *The Reconstruction of Western Europe, 1945–51*.  
— (1990), *The European Rescue of the Nation-State*.  
— and Brennan, G. (1996), *Britain's Place in the World. A Historical Enquiry into Import Controls 1945–60*.
- Moggridge, Donald E. (1979) (ed.), *The Collected Writings of John Maynard Keynes*, Vol. 24.  
— (1992), *Maynard Keynes: An Economist's Biography*.
- Pressnell, L. S. (1987), *External Economic Policy Since the War, vol. 1, The Post-War Financial Settlement*.
- Rostow, Walt W. (1982), *The Division of Europe after World War 2: 1946* (Aldershot).
- Stein, Herbert (1988), *Presidential Economics: The Making of Economic Policy from Roosevelt to Reagan and Beyond* (American Enterprise Institute, Washington).  
— (1969), *The Fiscal Revolution in America* (Chicago and London).
- Thirlwall, A. P. (1978) (ed.), *Keynes and Laissez-Faire*.
- Tomlinson, Jim (1983), 'A Keynesian Revolution in Economic Policy-Making?', *Economic History Review*, 2nd ser. 37: 258–62.
- Tomlinson, J. (1985), *British Macroeconomic Policy since 1940*.
- Toniolo, Gianni (1998), 'Europe's Golden Age, 1950–1973: Speculations from a long-run perspective', *Economic History Review*, 2nd ser. 51: 252–67.
- Triffin, R. (1957), *Europe and the Money Muddle: from Bilateralism to Near Convertibility* (New Haven, Conn.).
- Williamson, J. (1983), 'Keynes and the International Economic Order', in D. Worswick and J. Trevithick (eds.), *Keynes and the Modern World* (Cambridge).

