Keynes, the Labour Movement, and *How to Pay for the War*¹

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'The adoption of my plan would require the approval of the Labour Party. But they will never be asked to approve inflation. It will just happen.'

- John Maynard Keynes, *The Times*, 28 November 1939

John Maynard Keynes's war-time proposals for compulsory saving or 'deferred pay', developed between October 1939 and February 1940, generated massive public controversy; indeed, Keynes himself judged that in terms of space and universality of comment, the publicity aroused was considerably greater in volume than that caused by his *Economic Consequences of the Peace* two decades earlier.² Yet whereas historians have pored in detail over the origins of Keynes's *General Theory* (and over the Labour Movement's reaction to it),³ the evolution of his original compulsory savings plan into the minor economic classic *How to Pay for the War* has been much neglected by comparison. In particular, Keynes's attempts to solicit support from the Labour Movement for his scheme have received virtually no attention. This is surprising, as his attempts to accommodate Labour opinion were a key factor in shaping the final outcome of his thought. But Labour's role in the affair also has a wider interest, for the movement's attitude to the plan provides a snapshot of socialist economic thought during the period of the Phoney War. Keynes injected further social radicalism into his plan in order to make his more plan attractive to Labour; Labour neither reciprocated the spirit of his concessions, nor accepted the consumer choice philosophy upon which the plan's main principle was based.

Of the published material that relates to *How to Pay for the War*, the documents assembled in *The Collected Writings of John Maynard Keynes, Volume XXII* form an essential starting point.⁴ However, references to Keynes's attempts to court the Labour Movement are largely restricted to the accounts he gave of his experiences in letters to

Harold Laski (28 January 1940) and Geoffrey Dawson (11 March 1940).⁵ The best secondary accounts of the evolution of Keynes's proposals are undoubtedly those of Donald Moggridge; but although Moggridge notes the economist's contacts with different Labour groups and individuals, and the opposition to the scheme of TGWU leader Ernest Bevin, his discussion of Labour's part in the affair remains somewhat cursory, although its importance is acknowledged to a degree.⁶ Equally, Keynes's first biographer, Roy Harrod, noted that his 'scheme was in essence an attempt to woo Labour to accept voluntarily an ordered plan for preventing a rise in purchasing power in lieu of ...open inflation,' but went into little more detail.⁷ Donald Winch's account of the proposals gives the barest mention of Keynes's desire to secure the goodwill of the trade unions.⁸ Nor have more general chroniclers of war-time politics treated the question in much depth. Paul Addison's *The Road To 1945* mentions Bevin's hostility; Stephen Brooke's *Labour's War* devotes a paragraph to the Labour Party's attitude to Keynes's scheme.⁹ There is, however, a wealth of unpublished documents which makes possible a more detailed consideration of the issue. Principally, this consists of material in the Keynes Papers. This includes correspondence between Keynes and a number of Labour figures (notably Clement Attlee, F.W. Pethick-Lawrence, G.D.H. Cole, Ellen Wilkinson and Laski) as well as his hand-written notes for speeches given to various groups including the Fabian Society and the National Trade Union Club.¹⁰ There is also preserved in the Walter Citrine Papers a thirty page record of Keynes's meeting with TUC leaders in January 1940, which, importantly, reveals not only what he himself said but how the trade unionists responded.¹¹ The records of the Labour Party committees which deliberated on the Keynes Plan are also illuminating.

How to Pay for the War was not merely an exercise in war finance. It is generally seen in theoretical terms both as an important step in the development of national income accounting in Britain, and as an application in reverse of the principles of the *General Theory*, dealing with excessive, as opposed to deficient, demand.¹² But its significance in political practice, as opposed to economic theory, has scarcely been considered, an

omission this article sets out to remedy. First, the relationship between Keynes and the Labour Movement before 1939 is examined. Then, Keynes's initial proposals, and Labour's reaction to them, are elucidated. His meetings with the Labour Party Front Bench, a committee of the TUC, and the Fabian Society are detailed, as are Labour reactions to his thus conditioned final proposals. The deliberations of the Labour Party committee that ultimately rejected the plan are examined. Finally, consideration is given to Moggridge's contention that Keynes's lobbying on the war finance issue represented 'the most sophisticated and successful of his many campaigns as a publicist'.¹³

Keynes and the Labour Movement before 1939

The relationship between Keynes and the Labour Movement never ceased to be one of ambivalence. The former despised the latter's class basis and the supposed intellectual inferiority of its leaders, whilst trade unionists were deeply suspicious of an academic with no experience of working class life, and socialists were allergic to Keynes's aim of restoring the vitality of capitalism. Nevertheless, the inter-war period did see a very gradual thawing of relations. During the 1920s he was actively committed on behalf of the Liberal Party, although doubtful about its leadership and programme. In 1924 he dismissed the other parties with the comment that 'by reason of the old-fashioned dogmas and the class-interests they are compelled to serve, neither Socialists nor Tories are likely to do anything sensible and effective in the near future.'¹⁴ The Labour Party was a class party, he wrote the following year, and its class was not his class: 'I can be influenced by what seems to me to be justice and good sense; but the *class* war will find me on the side of the educated *bourgeoisie*.'¹⁵

Only after the debacle of the 1931 General Election did Keynes abandon the Liberals, now fractured and chronically diminished, for good. The Labour Party, he concluded, although reduced to a mere 52 Commons seats in the face of the National

Government's landslide, nonetheless represented 'the only organised body of opinion outside the National Government, and which will therefore be called on some day, presumably, to form an alternative government.'¹⁶ Accordingly, he began to proffer advice, suggesting, with perhaps an excess of subtlety, that Labour should seek new notions of what was meant by 'economically sound', as well as venturing rather more down-to-earth constructive criticism of its new programme.¹⁷ Although still prevented from joining the party by what he saw as, on the one hand, the timidity of Labour's leaders, and, on the other, the extremism of their followers, in the General Election of 1935 he supported Labour.¹⁸ But this hardly amounted to a full-scale rapprochement.

The Labour Party, too, kept its distance. The upheaval of 1931 led it to adopt policies of physical planning based on nationalisation which were in many respects antithetical to Keynes's conceptions of economic management. The *How to Pay for the War* controversy would in time give stark illustration of this disparity. Thus although, during the thirties, young Labour economists such as Hugh Gaitskell, Douglas Jay and James Meade took an enthusiastic interest in Keynes's ideas, this had no significant impact upon the party's official programme, even after the publication of the *General Theory*. Expansionary policies, where mentioned at all, remained a mere lubricant which might serve to smooth the transition to an overwhelmingly physically planned 'socialist commonwealth'.¹⁹

The ideological gap, however, is not the sole explanation for Labour's failure to adopt the policies that Keynes would have wished. The economist's personality proved a stumbling block to warmer relations with the Labour Movement. In the early thirties he enlisted the support of Francis Williams, City Editor of the *Daily Herald* and a member of Labour's 'XYZ' group of financial experts, in order to help persuade the party of his ideas: 'but not to much avail. Whenever Keynes actually met Labour or trade-union leaders he managed to insult them.'²⁰ In particular, relations with his

former pupil Hugh Dalton, the man with perhaps the greatest influence over Labour's economic programme, were always cool.²¹

Furthermore, as Moggridge notes, Keynes' 1930s appointments diaries 'are singularly free of entries suggesting meetings with the emerging generation of senior Labour politicians.'²² Of course, in the latter part of the decade, illness led to enforced inactivity; he had to restrict his engagements, especially those outside Cambridge, in 1937 declining an invitation to lecture to the Fabian Society for this reason.²³ But it is almost as though, having reached his famous conclusion to the *General Theory* that 'it is ideas, not vested interests, which are dangerous for good and evil',²⁴ he was content to sit back and let his ideas do their own 'dangerous' work. This attitude of benevolent neglect kept him out of the Labour Movement's political backrooms in pre-war days, in stark contrast to his later attitude in 1939-40. Then, as a vigorous advocate of his own war-finance plan, he was not afraid to dirty his hands: he would be prepared to court the 'vested interests' in the Labour Party and the unions, and would be prepared to alter his ideas substantially if so doing would secure their acceptance.

The *Times* articles

Keynes first turned his mind to the twin problems of war-finance and inflation in October 1939, giving a lecture on the subject to the Marshall Society in Cambridge on the 20th of that month under the title 'War Potential and War Finance'.²⁵ His strategy for gaining the proposals' acceptance was not to appeal to public opinion directly, but to persuade representative political leaders of their virtue.²⁶ He thus sent a long memorandum encapsulating the ideas in his lecture to a number of eminent persons including Chancellor of the Exchequer John Simon and Labour Party leader Clement Attlee: it was entitled 'The Limitation of Purchasing Power: High Prices, Taxation and Compulsory Savings'. He subsequently divided the memorandum in two, and wrote in a little extra length to make it suitable for publication in *The Times* on consecutive

days; he also omitted the original suggestion that the purchasing power of the proposed compulsory savings should be guaranteed on the grounds that it would distract discussion from the main plan.²⁷

As published, on 14 and 15 November, under the title 'Paying For The War', the articles highlighted the need to restrain working-class consumption during war-time in order to avoid inflation:

Nothing is more certain that the wages bill of this country will increase...Thus the working classes will have a substantially larger money income than before, but they must not, at the best, consume any more than they did. For the wise and just solution of this problem the leaders of the working class must be taken into earnest and sincere consultation.

Keynes dismissed both rationing and anti-profiteering measures as 'pseudo-remedies'. The former, against a backdrop of a general increase in purchasing power, would simply divert demand from the rationed to the unrationed article, and ignored differing consumer preferences; the latter 'exalts into undue prominence the least significant cause of rising prices.' He therefore turned to what he saw as the three genuine ways of restoring equilibrium between supply and demand. The first was inflation. To some extent this was both inevitable and desirable, but to rely on it alone would be to invite a 'vicious spiral' of prices and wages. The second remedy was taxation. Yet, not only was it impossible to finance the war entirely out of current taxation without borrowing, 'But to help solve our present problem it must involve taxation of the working classes' as it was they who did three-fifths of the nation's consuming, and it was their incomes which were expected to rise. Thus, 'The price remedy and the taxation remedy are alike in depriving the working class of any benefit from their increased earnings. Yet a large portion of the earnings now in question represents increased effort on their part.' But if it were physically impossible for the community at war to reward this increased effort by immediate consumption - and if immediate consumption might in fact have to be reduced - there was no reason why it should not

be rewarded by a claim on future resources. This 'deferred payment' was Keynes' third, and preferred, remedy.

The detail of his plan was that a percentage of all incomes in excess of a stipulated minimum income would be paid over to the Government, partly as compulsory savings and partly as direct taxes, on a steeply graduated scale. Some of this amount would be credited to the individual in the Post Office Savings Bank, the balance being used to discharge his or her tax liabilities, if any. The sums thus credited would carry two-and-a-half per cent interest, and would be blocked for most purposes. They would be unblocked and made freely available to the holder, probably by a series of instalments, at some date after the war, thus helping the country through the anticipated post-war slump. 'All methods of war finance are open to objections,' Keynes wrote pointedly, 'But this new one offers some positive advantages which will not go unnoticed, I hope, by the leaders of the Labour Party.' And he finished: 'If the Chancellor of the Exchequer does not deliberately choose a positive method he will inevitably slip into inflation merely by hesitating.'²⁸

The first phase of Keynes's public campaign was shortly afterwards concluded when he published an article in the December 1939 issue of the *Economic Journal* providing the statistical basis for an estimate of the required scale of compulsory savings;²⁹ much of it was based on pre-war research conducted by Colin Clark, a Cambridge economic statistician with long-standing ties to the Labour Movement. Meanwhile, Keynes was being 'overwhelmed with a volume of criticism and comment',³⁰ much of it from Labour circles.

Labour reacts

From the outset, Keynes had attached much importance to the acquiescence of the Labour Movement in his scheme. In sending Attlee his original memorandum, he had

written: 'the way in which [the plan] strikes the Labour leaders is obviously vital...for my part, I believe that it presents the only way of handling the financial end of the war in a way that is at the same time just and advantageous to the working-class.' He also offered to hold up publication in *The Times*, in the hope, as he told Harold Laski, that he might be able to adapt the proposal to the feelings of the Labour leaders.³¹ Attlee, who Keynes believed had not fully understood the plan, replied that 'To take my own case...Your scheme would impose upon me an amount of compulsory saving which would be crushing.'³² ('No comment whatever on the relation of my scheme to the working class', Keynes noted drily.³³) Keynes wrote a long letter back, answering questions of detail raised by Attlee, and adding:

The question is, do you prefer to be mulcted in the alternative ways? [i.e. taxation or inflation]...Now it is not the slightest good your saying that you cannot afford any of them. You have got to suffer the reduction one way or another. The question is which way you prefer.³⁴

The response to this was typically Attlee-esque and curt: 'I was not, of course[,] dealing with the general issues raised by your proposal, but only trying to elucidate its exact basis.'³⁵ Keynes nonetheless waited another fortnight before he went ahead and published in *The Times*. Thus, when Harold Laski accused him of approaching the Labour leadership in a way calculated to cause them offence, he was able to defend himself fully; Laski was forced to admit that he had 'a good alibi'.³⁶

By contrast, one prominent Labour leader appears to have behaved very badly in the affair. On 17 November, two days after Keynes' second article appeared, a piece was published in the *Daily Express* under the by-line of Arthur Greenwood, the Labour Party's Deputy Leader. The *Express*, under Lord Beaverbrook's proprietorship, was at this time running a violent *laissez-faire* campaign against rationing and all forms of central control. The article in question was called 'Good enough for Hitler's workers - but not good enough for ours, Mr. Keynes...': 'If Mr. Keynes' plan is adopted its

principles will be established - and the temptation to raid the pockets of the poor will be far too alluring to be resisted', it read. '...This proposal goes beyond anything we have tolerated in this country since democracy was established here.'³⁷ It is hardly surprising that Keynes had 'seldom suffered a greater disappointment' than when reading this.³⁸ But Greenwood's real offence was not in the views expressed, or the manner of their expression (which Keynes was prepared to overlook), but in the fact that they were apparently not *his* views at all. As *New Statesman* editor Kingsley Martin reported to Keynes, once the latter had written to Greenwood correcting misapprehensions contained in the *Express* article and offering to meet:

I have now heard the interesting story of your correspondence with Greenwood...The *Express* article was written for him; he had no idea what it was all about...He went into the *Herald* office in some perplexity about your letter, not knowing what to answer because he had not even read your articles.³⁹

This story lacks corroboration; but, if true, it would certainly explain why Keynes' letter to Greenwood received no direct reply. And, if true, the scandal was compounded by the fact that Greenwood would have received a substantial fee for the article he hadn't written. 'You accused me of lack of tact in approaching the Labour leaders', Keynes retorted to Laski, 'It appears that Beaverbrook understands the right technique better than I do.'⁴⁰

The response of other Labour leaders was also disappointing to Keynes. F. W. Pethick-Lawrence had been Financial Secretary to the Treasury in the second Labour government, and held the status of 'financial expert' within the Labour Party; by coincidence, he had been the examiner for the Tomline mathematics prize won by Keynes whilst at Eton.⁴¹ The two men were friendly; but Pethick-Lawrence now wrote a long article attacking the notion of compulsory saving, which appeared in the socialist weekly *Forward* on 25 November. He agreed with Keynes that the war necessitated much abstinence from non-essential expenditure, but

at present there are a million-and-a-half people unemployed, and it is unsound economy to forego expenditure, with the result that more people are thrown out of work until the tide of war expenditure has risen and is ready to absorb them.

Moreover, the enormous variation in individual circumstances meant that voluntary rather than compulsory saving was desirable, if the latter could possibly be avoided: this trust in good sense and patriotism was 'in accordance with the genius of our people', upon whom it was unnecessary to impose 'a rigid scale of forced loans.' And finally, 'statesmen and economists cannot expect the workers to make new and unprecedented sacrifices until they are prepared to impose a special tax on capital wealth.'⁴² He also sent these views to Keynes direct, after receiving an initial letter from the economist advocating his scheme and conveying disappointment at Greenwood's article.⁴³

In peacetime Keynes would have naturally concurred with Pethick-Lawrence's sentiment that it was wrong to try to deflate the economy in conditions short of full employment. But the situation had now altered fundamentally, or was about to. Keynes had, in a third *Times* article responding to his critics (published on 28 November), pointed out that heavy government expenditure combined with large-scale unemployment was a situation that could not long persist.⁴⁴ This he also pointed out to Pethick-Lawrence directly in the first part of December. Moreover, he insisted that his plan was flexible, and asked for input from Labour:

I The more I think about it, the more convinced I am that something of the kind suggest is required by the interests of the working class. But, of course, it is capable of all sorts of variants, and can be protected by many safe-guards. I wish you and your colleagues would prepare your own plan, absorbing so much of mine as you find serviceable.⁴⁵

He had some grounds for optimism on this score, in that Pethick-Lawrence was trying to arrange for him to meet the Labour Party Front Bench early in the New Year.⁴⁶ But, more ominously, Ernest Bevin now seemed to set his face against the scheme.

As the leader of Britain's largest union, Bevin was both highly influential within the Labour Movement and an industrial force in his own right. His attitude to the Keynes Plan was thus of vital importance. He did not yet condemn it explicitly; but by the turn of the year his likely opposition could perhaps have been surmised. The root of the difficulty was that he was determined to resist all reductions in working class living standards, and if possible to fight for improvements. Poor relations between the Chamberlain Government and the TUC did not help, for there was a frequent tendency on the Left, to which Bevin may have fallen victim, to see Keynes as the dupe of capitalists determined to use the war as an excuse to soak the workers. On 29 December he wrote (in a letter subsequently seen by Keynes, who thought it 'Almost the worst thing I have read since the beginning of the war'):

My time has been taken up in trying to get wages commensurate with the cost of living. I am determined to try to keep them up to a proper level. The powers that be have won in the first round but that is only a temporary victory for them. As our people sicken of this business they will revolt against the depression of their standards.⁴⁷

When Chamberlain, in his Mansion House speech of 9 January 1940, argued that it would be a mistake to tie wages to the cost of living,⁴⁸ Bevin reacted angrily. 'The policy of the Government as I see it,' he told the *Daily Herald*, 'is to talk about sacrifices by people who had nothing to sacrifice when the war started.'

Of those wage-earners to whom Mr. Chamberlain talks of sacrifice, 90 per cent. were on wage standards that left no margin.

*To reduce their purchasing power...only reduces the efficiency standard of the people, and such a policy can only result, if this war lasts a long time, in outbreaks of labour troubles of a serious character.*⁴⁹

This was fighting talk, perhaps motivated by the desire to outflank militant opposition to the TUC leadership;⁵⁰ but Keynes believed that Bevin's 'bark is often worse than his bite, and I should not yet despair of getting him round to some sort of rational scheme.'⁵¹ Yet Bevin chose, for the time being, to remain aloof from direct discussion of Keynes's proposals.

The *Daily Herald* itself had claimed, soon after the plan's publication, that it "has not found much favour in either official or unofficial circles", the latter category presumably including the Labour Party.⁵² The City Editor of *Tribune* believed that Keynes had developed a 'most original and unorthodox' plan for cheating the working class.⁵³ Yet Keynes was not entirely without allies within the Labour Movement. One of these was Harold Laski, stalwart of the Left on the party's Executive, who himself admitted he was no economist but admired the *Times* articles for their persuasive effect.⁵⁴ Once Keynes had related to him the story of his travails with Attlee and Greenwood, Laski withdrew the charge that he had been tactless in approach, and undertook to stimulate discussion of the plan within the NEC.⁵⁵ Another sympathiser was G.D.H. Cole, whose New Fabian Research Bureau had been through the thirties Labour's most fertile ground for economic discussion. On 6 January 1940, an (unsigned) article by him in the *New Statesman* commended the scheme, albeit because his preferred alternative, 'a Socialist system of production and distribution' was excluded by the political situation at the time.⁵⁶ But neither of these men was in the first rank of influence. Attlee, although perhaps fond of Laski, as time passed found him progressively more irritating, in 1945 delivering the immortal rebuke 'a period of silence on your part would be welcome.'⁵⁷ Nor was Cole much in official favour. He told Keynes at the end of January that he had heard nothing from either the TUC or the Labour Party: 'Possibly I am too much in disgrace to be consulted, on account of my Popular Front activities.'⁵⁸ Thus lacking powerful advocates in the

Labour Movement, it was logical for Keynes himself to seek to meet groups within it face to face.

Keynes meets the Labour Front Bench

By the end of November 1939 Keynes was receiving suggestions that he should reprint his *Times* articles and his forthcoming *Economic Journal* article as a single pamphlet, but thought that such a publication would be 'rather a mess.'⁵⁹ Determining to rework the material into a more coherent whole, which might be published after Christmas, his changes were not, however, to be merely stylistic. This would be his chance to remould his proposals into a form more acceptable to the Labour Movement. Having made the cosmetic (if psychologically significant) change in title from 'compulsory saving' to 'deferred pay' in early December, three of his four substantive alterations to the scheme were in place by 22 January, perhaps earlier.⁶⁰ 'For my own part,' he wrote, 'I cannot but believe that the revised version ought to be outrageously attractive to the Labour Party.'⁶¹

On 24 January he met the Labour Party Front Bench in the morning and a committee of the TUC General Council in the afternoon. Keynes's new scheme, which he now presented, attempted to meet previous criticism in several ways. To begin with, there was no longer any hint that working-class consumption would be reduced; the aim was now merely to hold it level. Moreover, Keynes now 'fell in love with his own scheme as a method of social reform' (Harrod).⁶² His plan, he told Lord Stamp, was 'now not merely a piece of technique, but aims...for a bigger move towards equality than any we have made for a long time.'⁶³ Accordingly, he proposed a system of family allowances of five shillings per child under fifteen; thus a married man with two young children would actually have more left in cash for all rates of earnings up to nearly 75 shillings, and would accumulate substantial deferred pay too. In all, the scheme would provide the working classes with better security against misfortunes,

and with increased wealth, 'for a right to deferred consumption is precisely what wealth is.'⁶⁴

Moreover, he now suggested that accumulated credits could be repaid - the security of the savings being a perennial Labour concern - via a post-war capital levy. This idea came directly from F.A. von Hayek, who had raised it in the *Spectator* in November,⁶⁵ but Keynes had good reason to think it would find Labour approval. A capital levy had been official party policy in the immediately post-1918 years, but was later discarded by Labour's then leaders as an electoral liability. In the April 1939 the young Labour economists Douglas Jay, Hugh Gaitskell and Evan Durbin suggested the party call for 'Conscription of Wealth'; if the government accepted this, Labour should accept the principle of military conscription in return. This plan for a special defence levy was supported by Attlee and Dalton, but rejected by the Parliamentary Labour Party, which still opposed the call-up and hence the proposed *quid pro quo*.⁶⁶ But the idea of an emergency tax on wealth was quickly resurrected. After the outbreak of war, most Labour thinkers who did not favour compulsory saving advanced a year-on-year capital tax as an alternative. Keynes was certain this would 'not do what we want, which is a reduction of current consumption rather than a transfer of capital assets to the Treasury';⁶⁷ but a post-war levy was a different question. The other new touch was that deferred pay would now be handed over by employers to trade union friendly societies, and administered by them, which would help alleviate the oft expressed fear that the state, or employers, would refuse to hand the workers' savings back to them after the war was over.⁶⁸

The only record of what happened when this scheme was presented to the Labour Front Bench is Keynes's own. He told Harold Laski the meeting was 'satisfactorily non-committal on the whole, but it could scarcely be regarded as a serious discussion of the business':

Of those there Attlee and [H.B.] Lees-Smith [MP] ran away after about quarter of an hour, saying nothing, but I thought Attlee was obviously extremely hostile. Dalton stayed on, friendly and non-committal, saying at the end that he had been against the plan, but was now at least to some extent shaken and prepared to consider it. [John] Wilmot [MP], whom I did not know before, was clearly an enthusiastic supporter and said that he was 100 per cent converted. Most of the actual discussion was between myself and Pethick-Lawrence, who was, as usual, candid and delightful, but seemed to want a terrible lot of breaking in if he was to contemplate a new idea. He vehemently advocated voluntary saving on general principles of extreme *laissez-faire*...I assaulted him vigorously and, though perhaps I flatter myself, I really think he was at the end just beginning to see the point. But I rather felt...that I was up against such a terrific degree of nineteenth century *laissez-faire*, that the discussion was more of historical than current interest.⁶⁹

Keynes meets the TUC

Keynes's meeting with the TUC later that day was, from his point of view, rather more satisfactory. This was in spite of the fact that TUC General Secretary Walter Citrine was absent in Finland, and that Bevin, as Keynes believed, had 'carefully arranged not to be on the Committee' in question.⁷⁰ (That committee, moreover, had already cast doubt on the practicability of Keynes's scheme, preferring rationing and price control, and had accordingly received endorsement for its view from Dalton and Pethick-Lawrence.⁷¹) Keynes now began by explaining his new proposals to the gathering. Not only did he have to think about the technical problem of how to finance the war without inflation, but 'He felt that there was here an opportunity for getting a big constructive working class policy...The time of war might be just the moment for getting some things they could not easily get in time of peace.'⁷² He then went on to outline, at somewhat greater length, the written scheme he had circulated to the committee. At two significant points, however, he diverged from it.

At the point where Keynes was elucidating his capital levy idea, an unidentified person interjected 'capital tax': 'Mr. Keynes said that he, personally, very much agreed on that'. He continued:

they had talked after the last war of a capital levy in the form of instalments, and that would create the machinery for a capital tax. A capital tax should be part of their fiscal machinery...If, of course, it was paid by instalments they could ultimately have its place taken by a permanent capital tax.⁷³

This was, to say the least, a radical suggestion, which duly took its place in *How to Pay for the War*. The *General Theory*; had famously advocated 'the euthanasia of the rentier'; its author now advanced a practical proposal for achieving that end. Keynes was thus both genuinely passionate for social reform and willing to emphasise the 'socialist' aspect of his thought in order to accommodate Labour and trade union opinion.

The second divergence was on the question of rationing, something he hadn't put on paper 'because it was of necessity controversial, and not of the essence of the scheme':

There was a good case for sugar and butter rationing but when they got to general rationing its result would be to destroy consumer's [*sic*] choice.

It had been said you had either to tighten up the pocket or the pantry...He was all for the pocket and not the pantry...Once they had constricted the pocket they were coming on to the moment when they could have a Government scheme.

Keynes said such a scheme should consist of a narrow list including necessities made into a Ministry of Labour cost of living index. The authorities should then undertake to do their utmost (probably via food subsidies) to prevent the prices on that list from rising 'something which he thought would only be operative if the list was small.'⁷⁴ This would shortly after harden into his final acceptance of the 'iron ration' proposal put forward by Sir Arthur Salter, R.H. Brand and J.R. and Ursula Hicks; he eventually chose to favour this course even though, as he had previously admitted, 'As an old Treasury man I am scared of it' on grounds of expense.⁷⁵

After Keynes had finished his presentation, the trade unionists asked him many small questions of detail. At one point, in response to the suggestion that the scheme helped families at the expense of single men, he quipped that he 'thought it was the policy of the trade unions never to admit that a man had less than three children!'⁷⁶ He also went on to say he felt that the unions had been perfectly right in saying that it was not their position to put forward a scheme, but that the Chancellor of the Exchequer should do so. But when he reflected on the present Chancellor it became clear that the initiative would have to come from elsewhere: he 'had to confess he was pinning more hope on them [the TUC] than on the Chancellor'.⁷⁷

Keynes later told Laski that whilst the trade unionists 'were extraordinarily careful to commit themselves to nothing, I felt the atmosphere most friendly, and above all serious and intelligent'.⁷⁸ Of those present, those most apparently enthusiastic for the scheme were George Hicks, the leader of the builders' union and a Labour MP, and John Marchbank, General Secretary of the National Union of Railwaymen. There were sceptical views expressed too. G.W. Thomson of the Association of Engineering and Shipbuilding Draughtsmen suggested that the value of the deferred pay was likely to be eradicated by future inflation, and when Keynes responded that their value would be written up accordingly, argued 'it was impossible to conceive any Government doing this'.⁷⁹ Returning to the theme a little later, Keynes admitted 'He thought they would find it extraordinarily difficult to get an assurance' from the Treasury on these lines.⁸⁰

In a lengthy summing up, George Woodcock, the Secretary of the TUC's Research and Economic Department, said that the problem as a whole, from the unions' point of view, was not an entirely economic question: 'They might accept completely all the economic points, but it did not necessarily solve their problems.'⁸¹ In other words, there were issues of political palatability at stake as well as the mere technical

question of restraining inflation - precisely the issues that Keynes had sought to address when including in his proposals social reform 'sweeteners' like family allowances, which were independent of his technique for paying for the war. Woodcock further believed that the 'moral influence' of the trade union movement in persuading people to save voluntarily should not be underestimated, but also wondered whether Keynes' scheme should not be made more stringent.⁸² The distinguished visitor was much impressed.⁸³

Finally, Keynes made a suggestion:

the memo. which he had circulated was just an extract from the pamphlet which he was writing, and which he would finish in about ten days. He was willing to hold up publication of that until the [General] Council had discussed the matter, and if they felt and were satisfied to work for anything on that line, he would be content to abandon the field rather than butt in on his own. He would much rather hand over to them the results of his thinking up to date, or assist in any way, rather than put it as an individual. He had no pride in authorship.⁸⁴

Although the TUC 'deeply appreciated the extreme generosity of your offer' they nonetheless refused it;⁸⁵ that it was made at all was yet another indication of Keynes' willingness at this time not only to be flexible in his ideas, but to do everything he could in order to see them accepted by the Labour Movement. His campaign now continued accordingly.

Keynes meets the Fabian Society

By the time that Keynes addressed the Fabian Society at London's Royal Hotel at lunchtime on 21 February, his new booklet was ready, and proof copies were being received by those he sought to convert.⁸⁶ Having traded titles with his publisher Harold Macmillan ranging from the dull *Savings and Inflation* to *The Economic Consequences of War*, he had at last settled on *How to Pay for the War: A Radical*

Plan for the Chancellor of the Exchequer. His substantive proposals were thus in their final form, the 'iron ration' idea now being definitely included. He told the Fabians:

I am a highly teachable person. I learn from criticism and before now have laid myself open to the reproof that my second thoughts are often better than my first thoughts - which is an indication, some people think, of a dangerous instability of character...

Well it has happened again. I have played a low trick on my critics. I have improved my plan and have thus slipt [*sic*] out of their net.⁸⁷

Having summarized the changes to the scheme, he went on to claim that 'this is the right socialist solution'. It was 'a planned social scheme, aimed at increasing equality and snatching new social advantages out of the exigencies of war.' He concluded, moreover, that his plan allowed liberty and the right to personal choice to be made harmonious with the welfare of the community as a whole: 'It is for the state to say how much a man may spend out of his earnings. It is for him to say how he will spend it.'⁸⁸

This, perhaps, was the crux of the difference between Keynes' philosophy and that of many of those within the Labour Movement who opposed him. For, even amongst those still attached, like Pethick-Lawrence, to nineteenth century ideas of *laissez-faire*, there were few Labour champions of the right to consumer choice. As Hugh Dalton had remarked to a Fabian conference in 1933, 'It was pedantic to think consumers' preference important so long as there was great poverty. A dictatorship of consumption was desirable.'⁸⁹ The emergency of war made it doubly so; the 'pseudo-remedy' of widespread rationing was supported by most socialists as representing 'fair shares' or 'equality of sacrifice'. Keynes's strictures against the shortages this would produce underestimated not only the British genius for queuing, but also the extent to which Labour had a genuine preference for direct physical controls as opposed to more subtle methods of macroeconomic management. Yet in spite of this underlying

philosophical difference, the Fabian lunch was a success, Keynes having 'a pretty strong impression that at least a majority were persuaded' and the word in Labour circles being positive.⁹⁰ And on 27 February the book itself was published.

How to Pay for the War

Upon its launch, Keynes continued his vigorous propaganda campaign. He outlined his proposals to an all-party group of MPs, and again at the National Trade Union Club; he met the Chancellor and also gave a BBC broadcast.⁹¹ Furthermore, *How to Pay for the War* was greeted with near unanimous acclaim by economists of all shades, including Dennis Robertson, Hayek and Lionel Robbins. The dissentients were J.R. Hicks (who both feared evasions by the rich and thought the proposed family allowances too generous) and Michal Kalecki (who believed that the contribution that deferred pay would make to total savings would simply be offset by a reduction in voluntary savings).⁹² The plan was also supported by the Governor of the Bank of England and other important City figures. Keynes discovered in the press 'an extraordinary and almost universal support'; outspoken opposition was restricted to Sir Robert Kindersley of the (voluntarist) National Savings Movement, Beaverbrook, and the *Daily Worker*.⁹³ In the face of this general approval Keynes joked that 'after having tried all his life to remain unorthodox he now found orthodoxy always catching up with him, without even the decent time-lag of past days.'⁹⁴

Unsurprisingly, however, the reaction within the Labour Movement was more mixed. The *New Statesman* called on Labour to endorse Keynes's scheme, which was also welcomed by H.N. Brailsford in *Reynolds News*, G.D.H. Cole in *Tribune* and Richard Crossman in *Left News*.⁹⁵ Barbara Wootton, whose economic works were influential within the Labour Party, reviewed the book favourably in the *Political Quarterly*.⁹⁶ In TUC circles Keynes now counted amongst his supporters not only George Hicks and Jim Griffiths (an MP and a former union leader) but Citrine. But ominously, 'Bevin is

unapproachable, not only by myself but by everyone', and would not, in fact, break his silence until the end of March.⁹⁷ The General Council itself, moreover, did not at this stage discuss deferred pay further, and did not even succeed in agreeing a statement supporting a drive for *voluntary* savings until the end of April, once it had received governmental assurance that new money lent to the nation up to £375 would be ignored for the purposes of the Means Test.⁹⁸ On the positive side, the Ministry of Labour believed that, even though the TUC leaders could not imperil their own authority by admitting openly there should be no increases, Keynes's proposals had encouraged voluntary wage restraint by the unions.⁹⁹ Yet conversely, one Inland Revenue official had previously reported to the Chancellor 'that two of the most influential of the Trade Union leaders have said that deductions from wages in pursuance of the plan would inevitably be followed by claims for equivalent and compensating increases in wages.'¹⁰⁰ And there were further 'dark questionings' by the Labour Front Bench;¹⁰¹ Pethick-Lawrence was still hawing, - he eventually came out against the plan - and A.V. Alexander, head of the Co-operative Movement, was openly opposed.¹⁰²

These Labour doubts were based in part on a continuing failure to see that economic conditions had changed since the slump. On the day after *How to Pay for the War* was published, Lord Snell, the party's leader in the House of Lords, refused to countenance any restriction in working class consumption whilst unemployment remained.¹⁰³ As Keynes argued on the same day, to assume that this state of affairs would continue was to accept that the war effort was to fall far short of what it might be.¹⁰⁴ But Snell was merely echoing Aneurin Bevan, who earlier in February had challenged economists: 'You can start your lectures when we have first maximised production in Great Britain', i.e. at the full employment level. There were still over a million unemployed; this was felt on the Labour side to be a symptom of the government's half-hearted and lackadaisical conduct of the war effort, which was thought to be lacking in planning and central direction. Meanwhile, restraints on luxury

consumption were thought to be insufficient. Such consumption should be reduced as a token of good faith: if, after this, it still proved necessary to reduce the standard of living of the workers, the question could be looked at again.¹⁰⁵

There were also vestiges in Labour circles of the trade unions' traditional opposition to family allowances, on the grounds that employers would use them as an excuse to depress wages,¹⁰⁶ but this had not been raised at Keynes's meeting with the TUC, and the allowances were at any rate inessential to his scheme. The 'iron ration', too, aroused some limited controversy. As Bevan had put it, 'The proposition that steel workers, miners and engineers shall subsist upon this restricted margin of commodities, surrounded by the spectacle of war profiteers being able to buy goods at highly inflated prices, but still able to buy them, will never be accepted by the organised industrialists of this country.'¹⁰⁷ This view was not universal, however. Another minor point was that Keynes had to spend much energy reiterating his belief that deferred pay should not be taken into consideration under the Means Test. Yet more substantial criticisms were also raised.

Perhaps the most convincing of these was political, not economic. Ellen Wilkinson MP, the originator of the Jarrow March, argued that 'the Keynes Plan was a perfectly sound proposal if considered *in vacuo*, but that, in practice, it was impossible to consider it except in relation to the social and industrial circumstances in which...it would be carried into effect.' These circumstances consisted of the perceived class antagonism of the Chamberlain government, and the habit of capitalist governments in war-time of making, in exchange for sacrifices, promises to the workers which were subsequently broken. All Keynes's safeguards depended 'on the promise of a distinguished professor [*sic*] of economics - but not of the government who would have to implement them.'¹⁰⁸ Keynes conceded, 'I would have no objection at all to your saying that, whilst you would not accept my safeguards from Mr. Chamberlain, you would accept them from a Government in which you had more confidence.'¹⁰⁹

Wilkinson had attacked the plan apparently without having read it; most of her criticisms were ill-conceived, and Keynes managed to half-convert her. This was a potentially important coup, as she had by then been co-opted onto the NEC committee dealing with the scheme.¹¹⁰

Another important issue was raised by a member of the secretarial staff of the National Union of Railwaymen, who wrote to Keynes in a private capacity noting that most trade union criticism of the plan was directed on the issue of the security of the savings.¹¹¹ Keynes admitted that this objection, also raised by Wilkinson amongst others, was difficult to meet, 'chiefly for the reason that there is so little that is definite behind it.' But the savings would be simply another part of the National Debt: 'There has never been a case of repudiation in this country, and I should have thought that political reasons alone would have made the position of deferred pay quite safe.'¹¹² There was, of course, a subsidiary point: assuming that the government did repay its debts, when would this happen, and after how much inflation? In this respect the critics were ultimately shown to have had a degree of foresight: when a limited version of Keynes' scheme was in time put into place, the resultant 'post-war credits' depreciated heavily before they were eventually (and tardily) repaid.

By contrast, when Ernest Bevin finally showed his hand, his criticisms of *How to Pay for the War* were less than brilliant. But the power of ideas is partly a function of the power of the person who has them, and after he declared his opposition to the plan it was unlikely that the rest of the TUC would overrule him, even had they favoured compulsory saving. Speaking in Cornwall on 28 March he said that there was 'grave danger' in the scheme, or any other like it, 'which might jerk the country out of its organised industrial life.' 'We have the proof that all our finely balanced negotiating machinery is standing the test of wartime conditions', he claimed. 'Then we get professors without experience of the reactions likely to be produced by their advice, seeking to promote fancy schemes.'¹¹³ (Ironically, Keynes had previously imagined the

Chancellor of the Exchequer himself deprecating 'fancy schemes'.¹¹⁴) 'Their schemes are likely to jolt the industrial machine, endanger production, and result in serious disturbances and strikes at a critical moment.'¹¹⁵ Bevin did not, in fact, manage to articulate precisely what his objection to compulsory saving was, save for a general distaste for compulsion itself; but his not-so-subtle threat to cause trouble were the scheme implemented would surely have put the government off adopting the plan, even had it been minded to in the first place.

The Labour Party decides

Meanwhile, the Labour Party NEC was determining its official position. This was a convoluted and time-consuming process. In January, the Press, Publicity and Campaign Sub-Committee, on which Laski served, had recommended a meeting with Keynes; this proposal was then shelved by the Policy Committee, which nonetheless agreed to meet specially to discuss the proposals. This meeting eventually took place on April 4, reached no conclusion, and then reconvened on April 11.¹¹⁶ Those present included Dalton, Attlee, Douglas Jay, Pethick-Lawrence, Wilkinson and Greenwood. The committee considered a document drafted by its secretary, G. Grant McKenzie, which analysed the Keynes scheme in detail.

The plan was objected to first on grounds of administrative complexity; moreover, in order to enable deductions to be calculated 'it would require employers to be informed of the whole personal income and circumstances of all their employees', which 'would create grave objection and difficulty.' (This was in the days before PAYE.) It was acknowledged that Keynes had modified his scheme in response to criticism, but it was argued that his modifications left untouched both the problem of evasion by the rich, and the diversity of individual capacity to save.¹¹⁷ Furthermore, 'the adoption of the scheme would inevitably destroy the bulk of individual voluntary saving'; the likely net yield of genuine saving generated was thus estimated to be only £140

million, much lower than Keynes' aim of £550 million. Assuming this lower estimate 'proved even approximately correct, the scheme would fail of its purpose, and would not in any way justify the upset it would cause', this being presumably a reference to Bevin's veiled threat of industrial action.¹¹⁸

What, then, were the suggested alternatives? Unsurprisingly, the document focused on increased taxation of middle and higher incomes and war profits, as well as on rationing and the regulation of prices, and on a better organised scheme of voluntary saving: 'If, after these methods have been thoroughly tried, prices are not under control and inflation threatens, only then will it be necessary to consider whether compulsion is necessary and practicable.'¹¹⁹ There was, however, no mention of an annual capital tax during war-time. This was peculiar, in that such a tax was an important feature of the official policy pamphlet written by Douglas Jay, and of unofficial socialist thought too,¹²⁰ although, as Stephen Brooke points out, this idea did not command unanimous support even in socialist spheres, Barbara Wootton in particular abjuring it on grounds of administrative complexity.¹²¹ At any rate, the committee subjected the document only to slight amendment before approving it. It was not, however, to be published, thus leaving a very slight opening for a future reversal in policy; but, to all intents and purposes, Keynes' attempt to make his plan 'outrageously attractive to the Labour Party' had now failed.

A 'sophisticated and successful' campaign?

Therefore, although Moggridge's contention that Keynes' propagandist campaign was sophisticated cannot be doubted, can it really be classed a success? Certainly, the system of deferred pay was eventually incorporated, as 'post-war credit', into the Budget of April 1941, albeit on a rather limited scale. Yet this came about not as a result of Keynes's original publicity drive, but only after he himself had been inducted into the Treasury in the summer of 1940 and was able to advise the new Chancellor,

Kingsley Wood, continuously and directly. This, in turn, was only made possible by the political changes of May, themselves brought about by the much larger circumstance of the military disaster in Norway. But as of the beginning of that month, Keynes was as far from achieving his objective as ever.

For, whatever his success in converting public opinion, so doing was only a subsidiary aim of his propaganda: 'surely it is altogether impossible in a war to wait until everything is obvious and more than obvious to the man in the street', he wrote, 'If you wait so long as that, forces which one can no longer control will have been set moving.'¹²² But in fact, it was the political leaders, whose support he coveted, who remained immovable. At the end of January 1940, John Simon was saying privately that he would abolish food subsidies and 'let prices rip' if the trade unions continued to demand wage rises;¹²³ and although this threat to unleash inflation may have been empty, his April Budget relied on voluntarism and increased taxation, offering nothing to restrain prices in the way in which Keynes would have wished. On the Labour side Keynes found many supporters but failed to break into the citadel. His friendly reception from the TUC did not lead to any official pronouncement in his favour: on 17 March, the *Reynolds News* industrial correspondent, apparently apprised of the TUC's attitude, reported that "Mr. J.M. Keynes's plan for compulsory saving is dead so far as immediate practical politics is concerned."¹²⁴ The unions subsequently came out against compulsory saving on the ground that, even though it might be immediately economically necessary, it was likely to have undesirable (and unnamed) long-run political and economic consequences.¹²⁵ Nor did Keynes's attempts to court the Labour Party Front Bench prevent the official (though private) rejection of his plan by the NEC. This body did not, in fact, burn its boats entirely on the issue, but by the beginning of May, as Moggridge acknowledges, Keynes's continued lack of success brought a change in tactics. As he told Liberal MP Clement Davies, 'there is a good deal to be said for concentrating on the inadequacy of the spending programme rather than on the inadequacy of the fiscal programme. If we can get what is wanted done in

the former respect, the inadequacy of the latter should be shown up.¹²⁶ This was, of course, an implicit admission that he had thus far failed to demonstrate the inadequacy of the fiscal programme either to the government or to the Opposition.

So why was it that Keynes, in spite of all his concessions, had failed to get his plan adopted by the Labour Movement? He himself speculated that his 'incurable' Labour opponents were simply weak-minded: 'I suppose the trouble is that they have entirely lost any possibility of concentration, and there is nothing on earth they are prepared really to give their mind to.'¹²⁷ Yet even were one to accept this damning verdict in its entirety, it would still be only a partial explanation. It is possible to wonder further if Keynes' charm offensive, for all its sweet reasonableness, came a little late for the Labour Front Bench. As recently as January 1939, he had publicly described the official leadership as behaving like 'sectaries of an outworn creed mumbling moss-grown demi-semi-Fabian Marxism'.¹²⁸ It is perhaps not inconceivable that they might have taken offence. But again, this cannot be the whole answer.

It is thus necessary to turn again to the pronounced ideological differences between Keynes and the Labour Movement. These, of course, cannot serve as an entire explanation; both Laski and Bevan, for example, shared a similar marxian outlook, but the former approved Keynes's plan whereas the latter did not. But the attitude to the scheme held by Attlee, Bevin and others does suggest a wide disparity between the Labour leadership's economic viewpoint and that of Keynes. On this evidence it is difficult to fully accept Elizabeth Durbin's conclusion that by 1939 the majority within the Labour Party understood the importance of the Keynesian message for socialism.¹²⁹ The fact that, on occasion, Keynes himself barely received courtesy from Labour leaders is suggestive; but more significant was the general socialist preference for specific controls on consumption as opposed to the more general demand management represented by compulsory saving. Even Douglas Jay, perhaps the most consciously 'Keynesian' of Labour economists, proved unable to accept Keynesian

precepts when these were aimed at reducing demand rather than expanding it. Moreover, the Keynes scheme's supporters within the Labour Movement hankered after physical control *as well* - for Richard Crossman compulsory saving was 'not a substitute for a Labour plan of war-economy', but one feature of a plan which should feature price-fixing, rationing, and unified control of food production 'if possible on the basis of the nationalization of the land'.¹³⁰

It must not be forgotten, moreover, that Labour's leaders always had their eyes on what was politically popular. 'I don't know if it is good economics, remarked Emanuel Shinwell MP of the April 1939 'Conscription of Wealth' proposal, 'but it certainly sounds good politics to me.'¹³¹ This stood too for the similar solutions put forward by Labour after the outbreak of war. By contrast, one must suppose that Keynes's ideas were ultimately judged not to be 'good politics'. At a less cynical level, it is also possible to appreciate Labour leaders' genuine concern for the condition of the workers at a time when wages were already falling behind prices, and when large-scale unemployment still remained: compulsory saving could easily be seen as yet one more sacrifice at a difficult time. Furthermore, Keynes believed that a long war was necessary, and that within a reasonably short time it would involve total economic mobilisation. This was not equally clear to everyone. As Bevan told the Commons at the end of April, before the details and repercussions of the Norwegian disaster were known, 'Mr. Keynes himself pointed out that the necessity for his plan does not arise until the nation's resources are fully employed. So long as we have 1,000,000 men and 2,000,000 women who might be employed in an extremity, it does not seem to me that this House is called upon to consider the details of Mr. Keynes's plan.'¹³² Thus as long as the war appeared to be 'Phoney', and the economic effort involved half-hearted, it seemed to some Labour thinkers correspondingly less necessary to worry about how to pay for it, especially if the answer involved the painful restraint of working-class consumption.

Together, these various reasons do much to explain why, by April 1940, Keynes had failed to win the Labour Movement's acceptance of his plan. But the truly defining factor was the political situation more generally. For, whilst Chamberlain and Simon, seen by the Labour Movement as representatives of the class war, remained in their respective positions, it was impossible for Keynes to succeed. Even had their government sponsored his plan, Labour would have rejected it; a fact which in turn prevented the government adopting it in the first place. But Churchill's accession to power changed all this. By August, the Labour Party was prepared to examine the issue afresh.¹³³ By October, Greenwood, of all people, now Minister without Portfolio, was himself advocating forced saving.¹³⁴ The following spring, Kingsley Wood's Budget, which included a version of Keynes's scheme, was warmly welcomed by all the main political parties (although the TUC remained opposed to compulsory saving).

Why this change of heart? To begin with, it was clearly now easier for the Labour Movement to accept assurances about the security of deferred pay from a government in which, with Attlee, Greenwood and Bevin in important positions, it was generously represented. Second, as the economy became more fully mobilised, the rapid reduction of unemployment rendered redundant the argument that action against inflation was as yet unnecessary. Furthermore, the Treasury scheme, as put into effect, was on a notably small scale, yielding only £125 million a year: 'It was thus more of an experiment than the centrepiece of war finance', in Moggridge's words.¹³⁵ The corollary of this, of course, was that the scheme was merely the junior partner to large-scale rationing and profits-limitation exercises - war finance methods that the Labour Movement very much approved. The concession of principle involved, if any, was therefore slight.

Ultimately, the, Keynes' propagandist campaign was not, on its own terms, successful - except to the extent that, if indeed at all, its educative value encouraged voluntary

wage restraint by the unions. This was in spite of the campaign's sophistication, and in spite of Keynes's willingness to adjust his ideas in order to get his plan accepted. Indeed, before May 1940, the political conditions for the scheme's acceptance did not exist. If, after Keynes returned to the Treasury, the story turned out to have a reasonably happy ending, he had, in the meantime, be shown an important lesson about the comparative importance of vested interests and economic ideas.

¹I am grateful to Hans Singer, Peter Clarke, John Toye and Janet Toye, who have all made helpful comments on drafts of this article. The usual disclaimer applies. Minutes of the National Joint Advisory Council to the Ministry of Labour copyright the TUC.

²J.M. Keynes to Alfred Harcourt 3/1/40, Keynes Papers HP/7/88-9, King's College, Cambridge

³See Donald Winch, *Economics and Policy: A Historical Study*, pp339-350 (London, 1969), Sidney Pollard, 'Trade Union reactions to the economic crisis', *Journal of Contemporary History* 4 (1969) no.4 101-115, Ben Pimlott, *Labour and the Left in the 1930s* (Cambridge, 1977) pp38-40, Elizabeth Durbin, *New Jerusalems: The Labour Party and the Economics of Democratic Socialism* (London, 1985), *passim*, Robert Skidelsky, *Interests and Obsessions: Selected Essays* (London, 1993), pp107-135

⁴Donald Moggridge (ed.), *The Collected Writings of John Maynard Keynes Volume XXII: Activities 1939-1945: Internal War Finance* (London, 1978) (henceforward JMK XXII), pp40-155. *How to Pay for the War* itself is included in *The Collected Writings of John Maynard Keynes Volume IX: Essays in Persuasion* (London, 1972) (henceforward JMK IX), pp367-439

⁵JMK XXII, pp97-99, 101-104. See also the editorial note on p91.

⁶Moggridge, *Maynard Keynes: An economist's biography* (London, 1992), pp629-634,
Moggridge, *Keynes*, (Basingstoke 1993), pp130-133

⁷R.F. Harrod, *The Life of John Maynard Keynes* (London, 1951), pp491-2

⁸Winch, *Economics and Policy*, pp259-63

⁹Paul Addison, *The Road To 1945: British Politics and the Second World War*
(London, 1994), pp58-9, Stephen Brooke, *Labour's War: The Labour Party during
the Second World War* (Oxford, 1992), p245

¹⁰Keynes Papers (section HP), King's College, Cambridge

¹¹'Report of Meeting of the Trade Union Side of the National Advisory Council to the
Ministry of Labour with Mr. J.M. Keynes, on Wednesday, 24th January, 1940, at
3.p.m.' (henceforward 'Keynes-TUC meeting'), Citrine Papers 5/19, British Library of
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¹²Harrod, *John Maynard Keynes*, pp490-1, Peter Clarke, *Hope and Glory: Britain
1900-1990* (London, 1996), p210, Winch, *Economics and Policy*, p261

¹³Moggridge, *Maynard Keynes*, p629

¹⁴'Copy of a Letter from Mr. J. Maynard Keynes, CB, (Author of "Economic
Consequences of the Peace").' (A handbill distributed in Cambridge during the 1924
General Election), Keynes Papers A/24/129. I am grateful to John Toye for this
reference.

¹⁵JMK IX, p297

¹⁶Moggridge (ed.), *The Collected Writings of John Maynard Keynes Volume XXI:
Activities 1931-1939: World Crises in Britain and America*, (London, 1982)
(henceforward JMK XXI), p128

¹⁷*ibid*, pp33-38, pp128-137

¹⁸Robert Skidelsky, *John Maynard Keynes Volume Two: The Economist as Saviour 1920-1937* (London, 1992) p438, p536

¹⁹See Richard Toye, *The Labour Party 1931-1935: The Meaning of Defeat*, M.Phil thesis, University of Birmingham, 1997, Chapter 3

²⁰Francis Williams, *Nothing So Strange: An Autobiography* (London, 1970), p110

²¹Ben Pimlott, *Hugh Dalton* (London, 1985), p56

²²Moggridge, *Maynard Keynes*, p466

²³Keynes to F.W. Galton 3/5/37, Fabian Society Papers A 7/4 ff36-7, BLPES

²⁴Moggridge (ed.), *The Collected Writings of John Maynard Keynes Volume VII: The General Theory of Employment, Interest and Money* (London, 1973), p384

²⁵Moggridge, *Maynard Keynes*, p629

²⁶See Keynes to J.L. Garvin 13/3/40, Keynes Papers HP/4/90-1

²⁷JMK XXII p41

²⁸JMK XXII pp41-51

²⁹JMK XXII, pp52-73. This was in fact written earlier than Keynes' third *Times* article, but was published later. Supplementary notes followed in March and June 1940, and a privately printed 'Budget of National Resources' in March 1940.

Moggridge, *Maynard Keynes*, p631, JMK XXII pp124-132

³⁰*The Times*, 22/2/40

³¹Keynes to C.R. Attlee 24/10/39, Keynes Papers HP/2/2, Keynes to H.J. Laski 11/12/39, Keynes Papers HP/2/22-24

³²Attlee to Keynes 30/10/39, Keynes Papers HP/2/3

³³Keynes to Laski 11/12/39, Keynes Papers HP/2/22-24

³⁴Keynes to Attlee 31/10/39, Keynes Papers HP/2/4-7

³⁵Attlee to Keynes 2/11/39, Keynes Papers HP/2/8

³⁶Laski to Keynes 5/12/39, Keynes to Laski 11/12/39, Laski to Keynes 12/12/39,
Keynes Papers HP/2/21-25

³⁷*Daily Express* 17/11/39

³⁸Keynes to Arthur Greenwood 19/11/39, Keynes Papers HP/2/10-11

³⁹*ibid*, Kingsley Martin to Keynes 19/12/39, Keynes Papers HP/2/28

⁴⁰Keynes to Laski 29/12/39, Keynes Papers HP/2/26

⁴¹F.W. Pethick-Lawrence, *Fate Has Been Kind* (London, 1943), p25

⁴²*Forward*, 25/11/39

⁴³Keynes to Pethick-Lawrence 19/11/39, Pethick-Lawrence Papers P-L2/216, Pethick-Lawrence to Keynes 22/11/39, Pethick-Lawrence Papers P-L2/250

⁴⁴JMK XXII p75

⁴⁵Keynes to Pethick-Lawrence 11/12/39, Pethick-Lawrence Papers P-L2/217

⁴⁶Pethick-Lawrence to Keynes 8/12/39, Pethick-Lawrence Papers P-L2/251

⁴⁷Ernest Bevin to B.S. Rowntree 29/12/39 (copy), Keynes to Lord Stamp 12/1/40,
Keynes Papers HP/2/37-8

⁴⁸*The Times*, 10/1/40

⁴⁹*Daily Herald*, 10/1/40

⁵⁰See, for example, TUC General Secretary Walter Citrine's remarks to the Chancellor of the Exchequer the previous week: 'the Chancellor clearly urged that increases of wages should not be in the same proportion as increases in the cost of living. In Sir Walter's view...workers would repudiate leaders who asked them to do this. Moreover, the trade unions had at all times to counter definite opposition designed to discredit

the existing trade union leadership in the eyes of the trade union members...and nothing should now be done to afford opportunities for subversive opposition to that constitutional leadership.' It is possible that Bevin was thinking on similar lines. Minutes of the National Joint Advisory Council to the Ministry of Labour, 3/1/40, TUC Archive MSS.292/108.2/1, Modern Records Centre, Warwick University

⁵¹Keynes to Stamp 12/1/40, Keynes Papers HP/2/38

⁵²*Daily Herald*, 20/11/39

⁵³*Tribune*, 24/11/39

⁵⁴Richard Kahn to Keynes 30/11/39, Keynes Papers HP/2/20

⁵⁵Laski to Keynes 12/12/39, Keynes Papers HP/2/25

⁵⁶*New Statesman*, 6/1/40, G.D.H. Cole to Keynes 9/1/40, Keynes Papers HP/3/89

⁵⁷Kingsley Martin, *Harold Laski 1893-1950: A Biographical Memoir* (London, 1953), p182

⁵⁸Cole to Keynes 30/1/40, Keynes Papers HP/3/93

⁵⁹Keynes to Geoffrey Dawson, n.d. (subsequent to 20/11/39), Keynes Papers HP/6/37-38

⁶⁰JMK XXII p84, pp91-6

⁶¹Keynes to John Parker 18/1/40, Keynes Papers HP/2/79

⁶²Harrod, *John Maynard Keynes*, p492

⁶³Keynes to Lord Stamp 29/1/40, Keynes Papers HP/2/39-41

⁶⁴JMK XXII, pp94-6

⁶⁵*Spectator*, 24/11/39

⁶⁶Douglas Jay, *Change and Fortune: A Political Record* (London, 1980), pp78-9

⁶⁷JMK XXII p96

⁶⁸*ibid*

⁶⁹*ibid*, pp97-8

⁷⁰Keynes to Stamp 29/1/40, Keynes Papers HP/2/39-41

⁷¹Memorandum 'Wages, Prices and Standards of Living During the War' issued to the General Council 20/12/39, Minutes of the National Joint Advisory Council to the Ministry of Labour (General Council side) 16/1/40, TUC Archive MSS.292/108.2/1, 'Second Memorandum on Wages, Prices and Standards of Living During the War', 16/1/40, Keynes Papers HP/2/49-55

⁷²'Keynes-TUC meeting', p2

⁷³*ibid*, pp9-10

⁷⁴*ibid*, pp10-11

⁷⁵Keynes to R.H. Brand 5/1/40, Keynes Papers HP/3/123

⁷⁶'Keynes-TUC meeting', p17

⁷⁷*ibid*, p18

⁷⁸JMK XXII p98

⁷⁹'Keynes-TUC meeting', pp20-21

⁸⁰*ibid*, p23

⁸¹*ibid*, p25

⁸²*ibid*, pp25-26

⁸³JMK XXII, p98

⁸⁴'Keynes-TUC meeting', p28

⁸⁵George Woodcock to Keynes 30/1/40, Keynes Papers HP/2/76-7

⁸⁶*The Times*, 22/2/40, William Piercy to H.V. Berry, 22/2/40, William Piercy Papers 5/72, BLPES

⁸⁷Notes for a speech to the Fabian Society, 21/2/40, Keynes Papers HP/2/88-99.

⁸⁸*ibid*

⁸⁹'Conference on Some Aspects of Socialist Planning, 4-5 November 1933', Fabian Society Papers J14/2.

⁹⁰JMK XXII, p103, Piercy to Berry, 22/2/40, Piercy Papers 5/72

⁹¹Moggridge, *Maynard Keynes*, p633

⁹²*ibid*, pp106-110, Hans Ulrich Esslinger, 'Re-interpreting Keynes' *How to Pay for the War: A two-sector model of financing economic development*, in Gabriele Kohler, Charles Gore, Utz-Peter Reich and Thomas Zieseemer (eds.), *Questioning Development: Essays on the theory, policies and practice of development interventions* (Marburg, Germany, 1996), p203n

⁹³JMK XXII p103

⁹⁴*The Times*, 21/3/40

⁹⁵*New Statesman*, 2/3/40, *Reynolds News*, 10/3/40, *Tribune* 29/3/40, *Left News*, April 1940

⁹⁶Barbara Wootton, 'Who Shall Pay for the War?', *Political Quarterly*, 11 (1940), 143-154

⁹⁷JMK XXII, p101

⁹⁸TUC General Council minutes 24/4/40, TUC Archive MSS.292/20/24

⁹⁹P.R.O. Interdepartmental Committee on Economic Policy (40) 9th Meeting, Item 2, 17/4/40, cited in W.K. Hancock and M.M. Gowing, *British War Economy* (London, 1975), p165

¹⁰⁰In a minute of 16/3/40 cited in R.S. Sayers, *Financial Policy 1939-45* (London, 1956) p34n

¹⁰¹JMK XXII, p103

¹⁰²Stephen King-Hall to Keynes 18/3/40, Keynes Papers HP/4/28, King-Hall to Keynes, n.d., March 1940, Keynes Papers HP/4/24, Parliamentary Debates Fifth Series Volume 360 24/4/40 col. 231

¹⁰³Parliamentary Debates Fifth Series Volume CXV House of Lords 28/2/40 col. 654

¹⁰⁴Notes for a talk by Keynes at the House of Commons, 28/2/40, Keynes Papers HP/3/176-187

¹⁰⁵Parliamentary Debates Fifth Series Volume 357 House of Commons 8/2/40 cols. 518-526

¹⁰⁶See, for example, the remarks made by Charles Dukes (General Secretary of the National Union of General and Municipal Workers) in February 1940, cited in Labour Research Department, *The Keynes Plan - its dangers to the workers* (London, 1940), p7

¹⁰⁷Parliamentary Debates Fifth Series Volume 357 House of Commons 8/2/40 col. 522

¹⁰⁸Ellen Wilkinson to Keynes 13/3/40, Keynes Papers HP/4/124-6

¹⁰⁹Keynes to Wilkinson 14/3/40, Keynes Papers HP/4/127-8

¹¹⁰Wilkinson to Keynes 10/4/40, Keynes Papers HP/4/129, NEC Minutes 20/3/40, Labour Party Archive (LPA)

¹¹¹A.E. Ward to Keynes 8/3/40, Keynes Papers HP/4/131-5

¹¹²Keynes to Ward 9/3/40, Keynes Papers HP/4/136-7

¹¹³*Daily Herald*, 29/3/40

¹¹⁴Notes for a talk by Keynes at the House of Commons, 28/2/40, Keynes Papers HP/3/176-187

¹¹⁵*Daily Herald*, 29/3/40

¹¹⁶NEC Press, Publicity and Campaign Sub-Committee minutes, 16/1/40, NEC Policy Committee minutes, 8/2/40, 14/3/40, 4/4/40, 11/4/40, LPA

¹¹⁷NEC Policy Committee minutes, 11/4/40, LPA. Keynes had in fact discussed the possibility of evasion with J.R. Hicks and others, but only in private, and not with any members of the committee. He had told Hicks on March 13: "I do not deny that there may be some leakage...But that, I feel, is an inevitable consequence of almost any kind of drastic remedy." JMK XXII, p110

¹¹⁸NEC Policy Committee minutes, 11/4/40, LPA

¹¹⁹*ibid*

¹²⁰Douglas Jay, *Paying For the War* (Labour Party, April 1940). The most important unofficial Labour statement on war finance was E.F.M. Durbin's *How To Pay For The War: An Essay on the Financing of War* (London, 1939), written before Keynes published his *Times* articles, containing an appendix by Hugh Gaitskell proposing a capital tax (pp109-113).

¹²¹Brooke, *Labour's War*, p245, Barbara Wootton, 'Who Shall Pay for the War?', *Political Quarterly*, 11 (1940), 143-154

¹²²Keynes to Garvin 13/3/40, Keynes Papers HP/4/90-1

¹²³John Colville, *The Fringes of Power: Downing Street Diaries 1939-1955* (London, 1985), p78

¹²⁴*Reynolds News*, 17/3/40

¹²⁵TUC Report 1941, p185

¹²⁶Moggridge, *Keynes*, p131, JMK XXII, p143

¹²⁷Keynes to King-Hall 12/3/40, Keynes Papers HP/4/25

¹²⁸JMK XXI, p495

¹²⁹Elizabeth Durbin, 'Fabian Socialism and Economic Thought' in Pimlott (ed.),
Fabian Essays in Socialist Thought (London, 1984), p44

¹³⁰*Left News*, April 1940

¹³¹Jay, *Change and Fortune*, p79

¹³²Parliamentary Debates Fifth Series Volume 360 House of Commons 25/4/40 col.
461

¹³³Pethick-Lawrence to Attlee 21/8/40, Pethick-Lawrence Papers P-L1/68-76

¹³⁴Colville, *The Fringes of Power*, p269

¹³⁵Moggridge, *Maynard Keynes*, p647