

Stalingrad and a television film called *Dying in Madrid* were withdrawn. Such direct intervention—combined with the disciplinary punishment of producers—has aroused widespread public attention, and the consequences have been negative for both the Government and the reputation of the R.T.F.

Even worse, I think, are the cases of direct influence through television. I refer to sham interviews with ministers, with previously arranged questions, and answers which always completely satisfy the interviewer. . . . I feel sure the French viewer notices what is being staged for him, but it is a disagreeable piece of theatre every time. In broadcasting, it has actually been established that the so-called "peripheral transmitters," like *Europa I*, Radio Luxembourg, Monte Carlo (which are not—or at least not so visibly—subject to governmental influence), have

many more listeners, especially for their political news bulletins and commentaries.

The R.T.F. is often, or at least sometimes, better than its reputation; but as long as there are important officials there like the chief television producer, André Gérard, who wrote recently in a newspaper: "Whoever is against the Government stands outside the nation," as long as the promised statute making the R.T.F. a public corporation is not concluded and its budget is not independent, there will be *malaise*. Is the Government entitled to complain that France's broadcasting network and television system does not enjoy the reputation of "impartiality," and "objectivity"? The television journalists are not at all happy about this reputation and about this way of performing their duties—believe me, one can read it in their faces.

François Bondy

"Are We Really All Keynesians Now?"

By Roy Harrod

YOUR December issue carried a most impressive article by Mr. Robert Lekachman on the relation of the ideas of the late Lord Keynes to current problems. He provided a scholarly and just appreciation of various strands in Keynes' thought. He showed how some of his theories have been assimilated into the thinking even of what one might regard as conservative elements on both sides of the Atlantic; he touched also on Keynes' more radical side. I have nothing to quarrel with in Mr. Lekachman's fine study. Indeed one might hold that on his broad theme he has said the last word.

None the less, on this opportunity of carrying the discussion forward, I feel inclined to strike a more provocative note, and to urge that, quite apart from Keynes' more radical themes, his central doctrines have not been so thoroughly assimilated as might at first appear. Further to this, I would say that there is an essential element in Keynes' attitude, which is over and above the aforementioned "central doctrines," and over and above also the more radical ideas with which he sometimes dabbled. One cannot

think of Keynes without thinking of his burning zeal to get things moving for human betterment. One should regard this not only as a personal characteristic which he happened to have, but also as an essential ingredient of his attitude to economic affairs. There are some economists, or politicians versed in economics, who are content with a slow approach that may bring things to a happy conclusion "when we are all dead." As successive problems arose, Keynes believed that they could be tackled quickly and promptly, even if this meant some departure from orthodox principles, and dismissed the vague forebodings of those who felt that any such departure would entail undefined evils later on. One might describe his attitude by saying that he was the exact opposite of what is called a "stick-in-the-mud."

Looking at the matter from this point of view, one might regard the Administrations of Britain and the United States as rather decidedly un-Keynesian.

IN HIS LATER PERIOD, that is after his thought ceased to be mainly directed to the problem of the German Reparations and the immediate post-war reconstruction of Europe, his principal desire was that measures should be taken to conquer unemployment. He felt outraged by current acquiescence in so much human suffering

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as was represented by the high unemployment figures. That evil has been largely remedied since the war, not so much by the application of specific Keynesian recipes, as by the underlying economic forces of the period; but there has recently been an unsatisfactorily high level of unemployment in the United States.

Many economists who would claim to have drawn their inspiration from Keynes have in the post-war period come to substitute the target of full growth for that of full employment, since the latter has been largely, although not entirely, fulfilled. On a narrow view the new target may not have the same emotional appeal as that of full employment; we cannot point to the manifest suffering of those who seek work, but cannot get it. On a wider view and by applying imagination, one should surely hold that the failure to achieve the full growth potential of an economy, thereby losing, year by year, a growing amount of wealth that could be produced, is a crying evil. Certainly in Britain there are many lives that could be greatly ameliorated, if only the country could afford it, which simply means, if only our output of goods and services were higher than it is; and if at any time people began to think that we had reached a level of production that sufficiently satisfied our needs, there is a great wide world of suffering humanity, of vast populations in horrible poverty, whose lot could be directly benefited, if only the United States and Britain raised their level of production to its true potential. I have no doubt at all that Keynes himself, were he alive, would feel this strongly, and would be an ardent apostle of growth policies.

I SHOULD NOW LIKE to turn to certain specific points in Keynes' theory and consider whether they are influencing policy as much as is sometimes claimed. What exactly do members of the Establishment, if one may be allowed to use that convenient description, mean when they say "*We are all Keynesians now*"? One thing that we have, partly owing to his influence when in the Treasury, is our compendium of national income statistics; and due to him also is the idea that they can be used as tools in the shaping of correct policy. Also Keynesian is the idea, which we must allow to be widely accepted *in principle*, that specific monetary and fiscal policies are required to iron out the trade cycle and maintain economic growth. Outside narrow circles it is generally agreed that we should not get satisfactory results by having complete *laissez faire* with an automatically working gold standard, public expenditure held to a minimum and the Budget balanced exactly, neither more nor less.

Let us first consider monetary policy. For a

considerable time now we have had high rates of interest in this country and in the United States. The yield on consols in the summer quarter of 1963 was 5.4 per cent, no less than 74 per cent above its average level (3.1 per cent) in the 4 years before the war. In the United States the yield on 3-5 year U.S. bonds was 3.57 in 1962 as against 1.16 in the 4 years before the war.

Now here are two economies, which in recent years have been running well below capacity, with interest rates much higher than they were before the war. If our authorities had any spirit of Keynes in them, surely they would have a policy of lower interest rates, in order to reactivate the economy.

Keynes always attached the utmost importance to low interest rates; he never ceased to preach them. How can members of the Establishment claim "We are all Keynesians now," when they acquiesce in these high interest rates, despite under-employment in their economies? They are being completely anti-Keynesian in regard to the matter that he held to be of the greatest importance of all.

There were perhaps moments when he thought that interest might eventually have to disappear altogether; Mr. Lekachman, in his article, referred to the "euthanasia of the rentier." In later years he retreated, anyhow in conversation, from this very extreme view; but he did not retreat from the view that interest rates should be kept low. It is sometimes said that this view does not apply now owing to the higher level of investment requirements relatively to personal savings. By this we must of course mean "effective" investment requirements, and not merely all that we should ideally like to do for developing countries, if only all other conditions were favourable. There is no doubt that in the immediate post-war period investment requirements were far higher relatively to personal saving than before the war, and there was therefore a case, if one was to rely heavily on monetary policy, for having high interest rates *then*. Actually the governments both of Britain and of the United States decided to pursue an opposite course for reasons which I need not elaborate here.

Since that time personal saving has risen strongly relatively to investment requirements. According to the national income statistics, as I have been able to interpret them, personal saving has been higher in the last few years in Britain relatively to investment requirements than it was before the war, and personal and governmental saving together much higher; and, as I make out, personal saving has also been higher in the United States. Of course company saving has been correspondingly lower; but if

one adds company saving to personal and governmental saving, the three together must always be equal to investment, so that this relation affords no criterion whether interest rates should be higher or lower. The lower level of company savings in Britain, which is associated with the squeeze on profits, has been due precisely to the fact that personal and governmental savings have been so high relatively to investment requirements. What a very un-Keynesian act of policy it was for the British Chancellor of the Exchequer to take measures for stepping up governmental saving in 1961 at a time when personal saving had just been having a great upsurge.

It has in recent years been a favourite coffee-house theme among members of the Establishment that we have to put up with these high interest rates because investment requirements are so large. It remains, I fear, a characteristic of the British to acquiesce in general propositions of this sort without requiring evidence. We tend to take things as fact, simply because we hear them repeated often; they become profound beliefs, things that everyone knows perfectly well; and some get into such a state of mind that, even when presented with contrary statistics, they affirm that the statistics must be wrong! All this is extremely un-Keynesian; he always insisted that general statements of this sort should be checked, whenever possible, by some reference to the facts.

It can be argued—but this is quite a different point—that if we established a higher growth rate, with the consequence of much higher investment requirements than we now have, the ratio of investment requirements to saving might rise above the pre-war level and thereby justify somewhat higher interest rates than we had before the war. This can only be tested by experiment. We must first get the interest rates down somewhat, so as to promote higher growth, and see how things go. It may be that the optimum level would prove to be something between the pre-war level and what we have now.

There are some, but I believe only a minority even in the Establishment, who hold that the existing level of interest rates is governed by the interplay of supply and demand for capital disposal, and that it would be impossible for the authorities to get them down. That would be an extreme anti-Keynesian position. One does not have to look far to discover why existing interest rates are so high—the great reduction in the money supply relatively to the work that it has to do, *i.e.* to circulate the national income. It was a central doctrine of Keynes that the level of the interest rates depends upon the relation of the size of the money supply to the requirements for the use of money.

This doctrine has been fulfilled in a most remarkable manner by the ups and downs of British experience since before the war.

I NOW TURN to fiscal policy. I think it is fair to say that, taking the whole inter-war period, Keynes laid greater stress on monetary policy than on what we now call fiscal policy. But he came to increase the emphasis he gave to fiscal policy, and of course especially after 1932 when a policy of ultra ease in the monetary field proved insufficient to restore full employment. In this connection fiscal policy means, to put it quite bluntly, a budget deficit. Of course, when we were suffering from excess demand in the post-war period, Keynesian doctrine pointed to the need for budget surpluses, and we had British Chancellors, both under the Labour and Conservative administrations, who were good Keynesians in this sense. But the days of excess demand are now long since past.

To accept the principle of surpluses to combat inflation while rejecting that of deficits to combat deflation is to be very un-Keynesian, since he thought that, on the long haul, deflation threatened to be the greater evil. The U.S. and Britain have lately experienced over considerable periods inadequate growth rates and slackness in the economy. If a fiscal remedy is to be applied, that means a budget deficit. Furthermore, by Keynesian thinking, the general economic situation may be such that we shall need budget deficits on the average taking good years and bad years together.

This is not a doctrine, I believe, accepted by the U.S. Congress. I am not sure that it is even accepted by the Democratic Administration, which still seems to hanker after the idea, according anyhow to some spokesmen, that deficits in some years should be off-set by surpluses in others.

What of the British? We have had fairly consistent, and sometimes large, surpluses "above the line." These are surpluses in the Keynesian sense. Expenditures below the line have nothing to do with the case, since these are mainly for capital purposes which should normally be met by borrowing—although not, of course, in years when it is needful to reduce the pressure of demand. If we are to apply a fiscal stimulus, we must have an above-the-line deficit. Actually a very small one (£90 million) has been budgeted for in this year of "expansion." (All years should be years of expansion.) The out-turn to date, however, makes it appear doubtful whether this deficit will be realised; we are more likely to have another surplus.

Contemporary Oxford philosophers hold that much of deep import may be learnt from the

twists and turns of ordinary speech. While I hold that their claims are much exaggerated, there is doubtless something in them. The persistent tendency for a number of years now to refer to an "overall deficit," meaning the amount of money that the government has to borrow, taking above-the-line and below-the-line items together, may indicate a deeply anti-Keynesian turn of mind, whether in the Treasury or among economic journalists. The word "deficit" should be confined to the above-the-line out-turn. A company does not refer to money that it has to borrow for capital development as a "deficit"; the government should not do so either.

And now we are presented with *A Reform of the Exchequer Accounts** in which in the most prominent table (Appendix A) current and capital items are lumped together, the "line" being abolished, and in which the final outcome that will strike the reader's eye is "net financing requirement," which he will be immediately inclined to translate into the shorter word "deficit." It is true that the old "line" did not show a scientifically accurate division between current and capital, and that a later table is given in the proposed new form of accounts (Appendix C), which attempts to provide such a scientific division. But those keen on overcoming the tendency of the public mind to deplore deficits would be most reluctant to agree to a reform where the "eye-catcher" was an enlarged apparent deficit. It would be probably stretching the doctrine of the Oxford philosophers too far to suggest that this reform showed an anti-Keynesian bias; but one can say that a keen Keynesian would never have put it forward since he would have been too nervous about its psychological impact.

I NOW COME to a very serious matter. Over a long period one of Keynes's most insistent themes was that we must not allow a full employment policy (*alias* growth policy) to be impeded by balance-of-payments considerations. For certain periods, although not all the time, he held that balance-of-payments obstacles to a full employment policy might be overcome by having a flexible exchange rate. In the 'thirties he became convinced that we should also require a measure of protection. We must learn to be content with the "homespun." In his last phase he became convinced that we should move towards a less protectionist system—*on certain conditions*.

I would stress that these apparently changing attitudes did not reflect any change at all in

his fundamental thinking. From very early days he was undeviating in his conviction that full employment must be put first and rules of conduct relating to the external balance second. In the 'twenties he thought that we might get sufficient elbow room for a full employment policy by imposing more severe restrictions on the outflow of capital. Thus Mr. Kennedy's Interest Equalisation Tax is decidedly Keynesian. Later he feared that this would not be enough and held that we ought to put full employment first and Free Trade second and, when he apparently went back on this view in the final stage, it was because he hoped that the Bretton Woods arrangements and other measures to secure an expansionist post-war world would enable Britain *both* to pursue a full employment policy *and* to participate in moves towards greater freedom of trade. This did not mean that he deviated at all from his doctrine that full employment comes first. I repeat that for full employment we must now substitute growth in accordance with the maximum potential.

But what is the actual British position? I do not think that it can be denied that in recent years the British authorities have been willing to acquiesce in going slow on a growth policy, in order to enable the country to slither through without putting on import restrictions. That is most violently anti-Keynesian. It is true that in the last few days the new Prime Minister has spoken strongly in favour of continuing the policy of expansion; but can a Prime Minister single-handed overcome the pressures of the Establishment, reinforced now by pressures coming from the world fraternity of central bankers and others who meet for the purposes of international co-operation? We cannot yet have full confidence that this country will pursue the Keynesian policy of putting growth first and conformity to the corpus of international doctrines second. Of course it is good to have the greatest possible amount of international free trade, and Keynes was fully alive to its virtues. But the price may be too high.

AND NOW WE COME to a last point of no little importance. Keynes's final adhesion to the idea that we must all work towards reducing restrictions to trade was dependent on the condition that there should be a sufficient increase of international liquidity, *i.e.* of the media of reserves for international settlement. At the International Economic Conference held in London in 1933, where pious resolutions were passed about reducing restrictions, Keynes wrote a pamphlet to the effect that a move in this direction must have as a prior condition an

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increase of international liquidity and he proposed the issue of international gold notes. The idea is that if a full employment policy causes a deterioration in a country's balance of payments, it shall have enough reserves to enable it to refrain from imposing import restrictions, or other obstacles to international dealings, while it goes boldly forward with its full employment policy.

Again at Bretton Woods he had the same idea. Seeing the full force of the American argument in favour of dismantling restrictions and discriminations, he again held that British agreement to this must be conditional on a large increase of international liquidity, compared with the pre-war situation. Hence his bold plan for a "Clearing Union." When the International Monetary Fund was agreed upon, although he was disappointed that the increase in liquidity was less than in his own plan and without the potentiality that his had for further expansion, he none the less felt, after heart-searching, that the increase was sufficient to meet the need, and that he could thereby put his authority behind the plan as sufficient to justify a real drive towards greater freedom of international trade.

Little did he think, nor I believe anyone else at Bretton Woods, that in fact the quantum of international means of payment would soon fall far below the pre-war level, even if we include the "drawing rights" on the International Monetary Fund, owing to the failure of the Americans to raise the price of gold in line with its loss of value in goods. At present the ratio of the total value of international reserves to the total value of international trade has fallen to something in the neighbourhood of half what it was before the war. Keynes wanted more international liquidity as an absolutely necessary pre-condition for proceeding towards greater freedom of trade; instead we have little more than half.

WHAT IS ANYONE DOING about this? Where are those people who say that "We are all Keynesians now?" This matter is at the very heart of the question of the viability and progress of the free world.

It is true that we at present have two groups, one in the I.M.F. and one in the "Paris Club,"

studying proposals, which it is hoped that they will put forward in Tokyo in 1964. But does anyone seriously suppose that these groups will propose ways of raising the quantum of international liquidity above its pre-war level? They are more likely to propose a few extra dribbles. The official position appears still to be that there is no shortage of liquidity now, but only that one might arise some years hence, and even this is put forward as a bare possibility, rather than a certainty. Of course, there are ways of increasing liquidity, perhaps more rational ways, other than by raising the price of gold. But is it likely that we shall get acceptance for these more rational ways on a really adequate scale?

So where are the Keynesians? Where is his influence? On four questions which he deemed most important and central we have at best very halting progress and in many spheres a strongly anti-Keynesian bias.

1. He thought low rates of interest vitally important to secure sufficient investment and progress. We have high interest rates. (This is also bound up with 3 and 4, since the high interest rates are deemed necessary by some countries to protect their balances of payments.)
2. He thought that low interest rates might often have to be supplemented by recurrent budget deficits. Are the authorities truly converted to this either in the U.S. or Britain?
3. He thought that full employment (alias growth) should be pursued whatever the condition of the balance of payments, and that an imbalance must be cured in some way other than internal deflation. The authorities both in the U.S. and Britain seem to have taken the opposite view.
4. He thought an increase in the quantum of international liquidity of supreme importance. Actually it has been reduced to a degree that few would have believed possible, and no one seems prepared to take adequate measures to rectify the situation.

It does not appear from all this that there is any very marked Keynesian influence on the conduct of economic policy in the two countries.

“Eichmann in Jerusalem”

An Exchange of Letters between GERSHOM SCHOLEM
and HANNAH ARENDT

Jerusalem, June 23, 1963

DEAR HANNAH,

Six weeks have passed since I received your book on the Eichmann trial; and, if I write belatedly, it is because only now do I have the leisure to devote myself to a proper study of it. I have not, let me say, gone into the question of the factual and historical authenticity of the various statements you make. To judge by your treatment of those aspects of the problem with which I happen to be familiar, however, I fear that your book is not free of error and distortion. Still, I have no doubt that the question of the book's factual authenticity will be taken up by other critics—of whom there will be many—and it is not in any case central to the critique I wish to offer here.

Your book moves between two poles: the Jews and their bearing in the days of catastrophe, and the responsibility of Adolf Eichmann. I have devoted, as you know, a good part of my time to a consideration of the case of the Jews, and I have studied a not insignificant volume of material on the subject. I am well aware, in common with every other spectator of the events, how complex and serious, how little reducible or transparent, the whole problem is. I am aware that there are aspects of Jewish history (and for more than forty years I have concerned myself with little else) which are beyond our comprehension; on the one hand, a devotion to the things of this world that is near-demonic; on the other, a fundamental uncertainty of orientation in this world—an uncertainty which must be contrasted with that certainty of the believer concerning which, alas, your book has so little to report. There has been weakness, too, though weakness so entwined with heroism that it is not easily unravelled;

wretchedness and power-lust are also to be found there. But these things have always existed, and it would be remarkable indeed if, in the days of catastrophe, they were not to make their appearance once again. Thus it was in the year 1391, at the beginning of that generation of catastrophe; and so it has been in our own time. The discussion of these matters is, I believe, both legitimate and unavoidable—although I do not believe that our generation is in a position to pass any kind of historical judgment. We lack the necessary perspective, which alone makes some sort of objectivity possible—and we cannot but lack it.

Nevertheless, we cannot put these questions aside. There is the question thrown at us by the new youth of Israel: why did they allow themselves to be slaughtered? As a question, it seems to me to have a profound justification; and I see no readily formulated answer to it. At each decisive juncture, however, your book speaks only of the *weakness* of the Jewish stance in the world. I am ready enough to admit that weakness; but you put such emphasis upon it that, in my view, your account ceases to be objective and acquires overtones of malice. The problem, I have admitted, is real enough. Why, then, should your book leave one with so strong a sensation of bitterness and shame—not for the compilation, but for the compiler? How is it that your version of the events so often seems to come between us and the events—events which you rightly urge upon our attention? In so far as I have an answer, it is one which, precisely out of my deep respect for you, I dare not suppress; and it is an answer that goes to the root of our disagreement. It is that heartless, frequently almost sneering and malicious tone with which these matters, touching the very quick of our life, are treated in your book to which I take exception.

In the Jewish tradition there is a concept, hard to define and yet concrete enough, which we know as *Ahabath Israel*: “Love of the Jewish people. . .” In you, dear Hannah, as in so many intellectuals who came from the German Left, I find little trace of this. A discussion such as is attempted in your book would seem to me to require—you will forgive my mode of expression—the most old-fashioned, the most circumspect, the most exacting treatment possible—pre-

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