

Following in Shionoya's Footsteps. Perfectionism and in Keynes's Political Philosophy

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I Preface

The late 1980s and early 1990s saw an upsurge of interest in Keynes's philosophical thinking, possibly favoured by the availability of the full set of the *Collected Works*, the reunion of all his papers at King's (the catalogue was completed in 1993) and soon after the microfilming of all his entire papers (Cox 1995).

Over the last 30 years or so a large literature has developed on the subject, which has branched out in various directions. Two main concerns can be found in this literature: (a) the question of the continuity of Keynes's views and approach, since the early philosophical essays, through the *Treatise on Probability* to the *General Theory*; (b) how Keynes's economics is intertwined with his ethics and epistemology.

In this paper I am focusing on a narrower topic (perfectionism and consequentialism in Keynes's ethics and political philosophy) following in the footsteps of Yuichi Shionoya, whose contribution on the subject I revisited on the occasion of a commemoration held at the ESHET Conference in Paris, in May 2016.

While much has been said in the literature on the non-consequentialist position held by Keynes in ethics, less has been said on his being consequentialist in politics. Following in Shionoya's footsteps, I would like to pursue the matter further, in particular on the implication for Keynes's economics.

II Shionoya's Reading of Keynes¹

I will start by a remark Shionoya made in his 2005 book, *Economy and Morality. The Philosophy of the Welfare State* (Shionoya 2005):

Keynes regarded the unequal distribution of income and wealth and unemployment as the two outstanding defects of a free society and made ‘social stability and social justice’ the pillars of economic policy [CWK VII, 306] . . . it is certain that his ideals of liberty and variety were linked to *perfectionist morality* under the influence of G. E. Moore.

(Shionoya 2005, 193, my italics)²

On the question on Keynes’s concern for “social stability and social justice” there have been different views in the literature.

Skidelsky maintained that:

There are very few references to equality or social justice in [Keynes’s] economic and political writings . . . what is missing from these writings, therefore, is that which is distinctly ethical. . . . Keynes did not believe in equality as an ethical or political goal. (Skidelsky 1988, 3)

Also Brittan stated:

He was not very interested in equality, and his support for the redistributive welfare state was perfunctory. (Brittan 2006, 183)

A recent reconstruction of the social philosophy endorsed by Keynes in his early days—within the Apostles group—and later in the *General Theory*, on the contrary, concludes:

Although economic inequality is not the focus of his economic analysis [. . .] he pointed to some crucial implications of his theories in that regard. He wrote [CWK VII, 373] that the ‘outstanding faults of the economic society,’ besides unemployment, amounted to an ‘arbitrary and inequitable

1 Yuichi Shionoya’s father, Tsukumo Shionoya, translated the *General Theory* in Japanese. Toyo Keizai (Oriental Economist) published it on 15 December 1941, just a week after Japan’s direct involvement in World War II. The first 7,000 copies were soon sold, and were followed by an additional 2,000 copies (Hamada 1986, 451). At the time, his son Yuichi was 9 years old. Over 40 years will have to pass before any work of his on Keynes would appear in print. In 1979 he translated Moggridge’s book on Keynes (1976) and took over his father’s task of a new translation of the *General Theory*, which appeared in 1983. Both translations were produced the same publisher, Toyo Keizei. I am very grateful to Toshiaki Hirai, Atsushi Komine, and Tamotsu Nishizawa for their help in answering my queries and providing me the English translation of some Japanese texts.

2 Here Shionoya is referring to the famous defence of individualism in the *General Theory*, see CWK VII, 380.

distribution of income and wealth.’

(Donnini Macciò 2015, 720)

So, while certainly Keynes was not a social reformer, in the sense in which Beveridge was (see Marcuzzo 2010a), it is important to make clearer what he meant for “social stability and social justice.” This is where I think Shionoya gave an important contribution to the question, by describing Keynes’s morality or ethics as *perfectionist* and showing that it was the very foundation of Keynes’s approach to state intervention to promote social justice.

Perfectionism in ethics means:

an account of the good that is objective in the sense that it identifies states of affairs, activities, and/or relationships as good in themselves and not good in virtue of the fact that they are desired or enjoyed by human beings.³

On which grounds does Shionoya attribute to Keynes a perfectionist morality? The answers can be found in his 1991 article, which deals with the philosophical structure of ‘My Early Beliefs,’ where Keynes’s moral philosophy is reconstructed in relation to Sidgwick’s and Moore’s ethics.

According to Shionoya, Keynes shared with them the same meta-ethics, i.e. intuitionism, namely the position which explains our understanding of what is “goodness,” without inferring it from other truths or beliefs. As Moore had explained, goodness is an indefinable, non-natural property of which we had intuitive awareness, while excellence is identified with truth, love, and beauty. For Sidgwick and Moore likewise the means to achieve these ends is “duty” (common sense morality or conventions), according to their consequentialist moral philosophy (the approach according to which consequences of one’s conduct are the ultimate basis for any judgment about the rightness or wrongness of that conduct).

On the contrary, argues Shionoya, for Keynes “duty” belongs to the sphere of politics, not of ethics. So for him perfectionism identifies the goods that contribute to the value of a life for human beings and provides also the basis to promote them by adopting state policies or devising political institutions. Accordingly, Keynes’s “work in economics was an attempt at proposals for rational rules of a society” (Shionoya 1991, 24).

This is possible because Keynes accepts Sidgwick’s distinctions between ethics and politics, the former referring to what ought to be done by individuals,

3 <https://plato.stanford.edu/entries/perfectionism-moral/>

the latter to what ought to be done by the state. While Keynes was not consequentialist in ethics he was consequentialist in politics, where the ends are economic and social objectives, such as full employment, and social justice.

Shionoya's interpretation of Keynes's philosophical position is summarized in the final paragraph of his 1991 article:

In ethics, Keynes was not a utilitarian because he refuted consequentialism and hedonism; his ethics was that of excellence or perfection combined with meta-ethical intuitionism. He could thus dispense with rules in ethics. Keynes's political philosophy, however, was definitely concerned with the provision of rules. In order to assess the nature of rules it was necessary to see the ends behind the rules in question. Neither was Keynes a utilitarian in politics. His political philosophy does not define a social goal in terms of utility, and goes no further than a provision of instrumental or 'social primary' goods to a good life. On the basis of an efficient, just and liberal framework of a society, ethical intuitions are left to determine the ultimate ends of individuals. (Shionoya 1991, 28–29)

In what follows I draw some implications from the point made by Shionoya, by expanding on the notion of consequentialism in politics. Whether his consequentialism in policy derived from his ethics, a route—as Shionoya suggests—that Keynes embraced following Sidgwick rather than Moore, or whether it is linked to his views of economics, it certainly constitutes a blend that is probably unique to him.

III Consequentialism in Politics

Political philosophy is that branch of ethics or moral philosophy that tells us what the state should be or should do. To be consequentialist in politics means to “say that privileged principles should be treated as consequences or goals to be promoted” while for non-consequentialists “they should be treated as constraints to be instantiated or respected” (Pettit 2002, 86). To be consequentialist in politics is to promote the overall realization of given values or state of affairs.

Since consequentialism⁴ in political philosophy means that rules have to be set for given goals, the relevant question becomes how these goals are chosen and how rigid or fixed these rules should be. Keynes excluded the abstract and formal character of the rules, as Carabelli and De Vecchi (1999, 286) aptly noticed:

4 <https://plato.stanford.edu/entries/consequentialism/>

rules are conventions, human artifices, devices. . . . Keynes thinks that one can play with them, influence them, so as to reduce the social damage caused by them as far as possible; or, if nothing better can be done, by substituting them with other less socially harmful conventions.

It follows that, for Keynes:

The reformer is not he who would impose his own values on society, but he who understands better than others the potential for change in the moral conventions of society itself, and acts in order to affect such change.

(Carabelli and De Vecchi 1999, 291)

Two questions then arise: a) where does the “better understanding” of the reformer come from; b) which are the appropriate actions to change the moral conventions of society.

The answers to these questions are scattered among Keynes’s early writings on ethics and politics, his mature work in economics, but can be found also by reviewing his activities as policy adviser and even his practical experience in various institutions.

It is in particular on the importance Keynes gave to expert advice, to “superior knowledge,” and his elitism that I would like to concentrate the attention.

A good starting point is a passage from a famous letter to Hayek:

Dangerous acts can be done safely in a community which think and feels rightly, which would be the way to hell if they were executed by those who think and feel wrongly. (CWK XXVII, 387–88)

To think and to feel “rightly” or “wrongly” is contingent on two elements: knowledge and values. Skidelsky explained why Keynes was “a meritocratic elitist” (Skidelsky 2009, 223) and others have shared this description.

O’Donnell make the interesting point that:

Keynes’s elitism [is] of an essentially intellectual variety, as distinct from those elitisms stemming from political, financial or military power. With individual varying in abilities, and with rationality linked to logical insight and knowledge, the presumption is strong that those with greatest mental power and education will have the greatest capacity in their given fields.

(O’Donnell 1989, 66)

And he concludes that “Elitism is always a possible companion of intui-

tionist philosophy.” (O’Donnell 1989, 66)

It was the belief in the rationality of ends as well as of means that led Keynes to value “superior knowledge” as the guide to political actions. Superior knowledge can be acquired through experience and education, and only those who have acquired it can be entrusted with the management of affairs or with the enactment of reforms.

We can take as two examples the institutions designed by Keynes to take care of the international payments system, to see how he envisaged the governance and the role assigned to experts, and his belief in the middle way between discretion and rules.

In the case of Buffer stocks,⁵ he trusted that people who had acquired experience in the futures market could manage prices:

An international body would be set up called the Commod Control on which the governments of the leading producing and consuming countries would be represented. *The management would be independent and expert*, and the interests of consumers equally represented with those of producers. (CWK XXVII, 115, italics added)

It should not be technical difficult to fix the complex of prices in proper relation to the basic price, provided *a proper discretion is allowed to independent experts*, for these margins are already established by trade practice in the management of futures markets. (CWK XXVII, 115, italics added)

In the case of the International Currency Union, as in other instances, Keynes suggested a middle way between rules and discretion in the management of affairs:

Perhaps the most difficult question to determine is how much to decide by rule and how much to leave to discretion. . . . Only by collective wisdom and discussion can the right compromise be reached between law and licence. (CWK XXV, 116–17)

5 From 1926 to 1943 Keynes repeatedly advocated government storage of foodstuffs and raw materials, and from 1938 onward elaborated various buffer-stocks schemes, as a means to stabilize prices. Keynes ascribed such fluctuations to the “inability of the market to carry surplus stocks” (CWK XIX, 549) and hence advocated government intervention to “supplement the deficient carrying power of the market” (CWK XIX, 550). See Fantacci, et al. (2012).

But we have also his reliance on “superior knowledge” in the conduct of his speculative activities in the Stock Exchange as evidence of his trust in expert assistance in providing information, upon which to be able to make investment choices (Cristiano and Marcuzzo 2018).

IV Rational Arguments and Reasonable Action

A rejection of utilitarianism does not mean a rejection of rationality; this notion is re-interpreted by Keynes as reliance on rational arguments, based on evidence and the subjective evaluation of the evidence.

In the realm of political philosophy rational arguments are tools for implementing the ends, but in order to be effective they need to be persuasive.

The role of persuasion is that of inducing behaviour to conform to goals that are attainable only by moving beyond individualistic motivation or utilitarian calculation, which is generally perceived as attainable by pursuing self-interest.

In the process of both elaborating and transmitting ideas, persuasion calls for ability in reasoning, the gift of arousing passions, and a particular flair in personal relationships. The qualities of being persuading again are to be found in few people, who not necessarily are successful in their endeavour, especially when confronted with situation in which self-interest, “popular sentiment”⁶ and ignorance prevail.

A tension therefore exists between the role of rational arguments to be enforced by persuasion and that of individual interests.

In the case of Keynes, his ideas were certainly more successful (at least for a length of time) in the domestic arena, but he failed to persuade in the arena of international economics, while negotiating with the Americans during the Second World War

According to Skidelsky:

Keynes could never understand that American and British interests were not identical, attributing differences to deficiencies in the American political system, and thus *over-relying on logic and eloquence* to overcome them. (Skidelsky 2000, 117; emphasis added)

The point being made is that Keynes’s logic and eloquence were powerless,

6 In the preface to *Essays in Persuasion* (1931), Keynes attributed his failure in influencing “the course of events in time” to the “overwhelming weight of contemporary sentiment and opinion” (CWK IX, xvii).

since British and American interests could not be reconciled, and, indeed, his reliance on the art of persuasion actually impaired his negotiating capability.

Lionel Robbins, who joined Keynes on three of the US missions, wrote: "He was not always a good *negotiator*. . . . But as an *envoy* he was supreme" (quoted in Skidelsky 2000, 110).

Robbins's distinction seems, therefore, to suggest that Keynes showed greater ability in voicing the British point of view than in sealing agreements favouring British interests.

Both Skidelsky and Robbins agree that because Keynes was pursuing British interests he did not stand a chance with the Americans. The point is echoed in a letter by Keynes to his mother during the final stage of his negotiations:

May it never fall to my lot to have to persuade anyone to do what I want, with so few cards in my hands.

(Maynard to Florence Keynes, November 21, 1945,
Quoted in Skidelsky 2000, 438)

But the question of *whose* interest Keynes was fighting his battle through the power of persuasion can and indeed has been seen differently. The logic of Keynes's arguments in international negotiations rested on the necessary connection between domestic policy and the external position of each country: his goal was avoiding the interwar experience with beggar-my-neighbour measures, which had resulted in unemployment and disruption of trade.

Keynes's appeal to overcome self-interest as the sole guide to action and to transcend situations that take the form of zero-sum games was made in the context of both internal and external economic problems. As far as full-employment policy was concerned, he endeavoured to persuade his "countrymen and the world at large to change their traditional doctrines and, by taking better thought, to remove the curse of unemployment" (CWK XXVI, 16). In the case of post-First and Second World War scenarios, he fought to persuade governments that "only by a more comprehensive settlement, which attempts to offer everyone what is reasonable, and so far as we can make it fair, that the financial consequences of the war can be liquidated" (CWK XXIV, 291, 292).

Reasonable actions are those which to conform goals that are attainable only by moving beyond individualistic motivation or utilitarian calculation. Unlike zero-sum games, which are the results of a vision of society and of a conception of economics based on the principle of self-interest as a guiding line of thought and action.

Keynes systematically applied the term *reasonable*, often in contrast with the reasons of the victor or creditor, to a guideline not characterised by utilitari-

an calculation, which may prove only apparently to be in the individual interest. Thus reasonable action is guided by judgment, taking into account contingent, mutable circumstances as far as our knowledge can encompass the facts.

The same term was used by Rawls in defining the characteristics of a plural and just society. In his book *Political Liberalism* we find this definition (Rawls 1993, 58): The reasonable is an element of the idea of society as a system of fair cooperation and that its fair terms be reasonable for all to accept is part of its idea of reciprocity.

But how exactly are we to take the term *reasonable*? Habermas (1995) interprets it as distinguishing between those who accept the principle of *fairness and cooperation* and those who act *rationally* on the basis of their own (i.e. individual) conception of what is *good and just*. Thus being *reasonable* is a moral quality lacking in those who behave in a solely rational way.

Questions of justice or moral questions admit of justifiable answers—justifiable in the sense of rational acceptability—because they are concerned with what, from an ideally expanded perspective, is in the equal interest of all. Ethical questions, by contrast, do not admit of such impartial treatment because they refer to what, from the first-person perspective, is in the long run good for me or for us—even if this is not equally good for all.

The sense Keynes attributes to the term *reasonable* shows a strong analogy with the quality described by Rawls and interpreted by Habermas as *moral*, but it is anchored to the structure of his economic theory (See Marcuzzo 2010b).

V Implications for Economics

The *rational* pursuit of individual interest in economics, according to the utilitarian credo, does not guarantee the collective good, which Keynes identified with full employment. It is an assumption which leads to a logical fallacy, which Keynes identifies as the fallacy of composition. For instance, attempts to reduce real wages or increase the saving of individuals on the basis of an individual rationale will not achieve the aim if undertaken by all, since aggregate prevails over individual effect. Another example is when the level of aggregate demand is kept drastically low within a country to satisfy the *reasons* of the victor or creditor, leading to a deflationary potential for *all* the economies. Thus lack of reasonableness leads to consequences not only morally reprehensible, but also economically disastrous for anyone who has looked for guidance and action solely from the individual point of view.

In Keynes's economics the impasse of failure to achieve the aggregate effect of full utilisation of resources can be remedied with a set of direct and indirect instruments designed to overcome individual inertia and generate the level

of demand necessary to raise the level of employment. Much has been written on how much government intervention was endorsed by Keynes (Marcuzzo 2010a, Backhouse and Bateman 2006).

It is worth to be reminded here of the main points.

Keynes's argument is summarized in the need for fiscal stimulus to boost the economy from the depths of recession; the burden of the deficit is not seen as the main drawback of government intervention, but a necessary measure to address a failure in aggregate demand. This argument does not however imply unqualified government intervention. Government expenditure is to be finalised to provide enough investment to counterweight a decline in private investment and an insufficient level of consumption to generate the level of aggregate demand necessary to maintain full employment.

Moreover, Keynes was not in favour of high taxes to pay for social benefits and pensions, the costs of which ought to be borne out by employers (CWK XXVII, 224).

Keynes was in favour of making the State accountable to the taxpayer for the goods and services provided, associating "as closely as possible the cost of particular services with the sources out of which they are provided." Since he believed that "this is the only way by which to preserve sound accounting, to measure efficiency, to maintain economy and to keep the public properly aware of what things cost" (CWK XXVII, 225).

Although Keynes' disbelief in the smooth working of market forces came long before the *General Theory*, the case for intervention is made there forcefully in the case of aggregate demand failure. However, the policy message in the *General Theory* is to sustain the level of investment—more "stabilizing business confidence" (Bateman 2006, 148) than debt-financed public works. His reliance on "socializing investment" rather than fiscal policy aimed at smoothing out consumption levels over the cycle shows his concern for the size of the deficit and the importance attributed to market incentives to bring about the desired level of employment. "If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments [of production] and the basic rate of reward to those who own them," he wrote in the *General Theory*, "it will have accomplished all that is necessary" (CWK VII, 378).

His "vision" of the future of capitalist society rested on the belief that freedom from economic constraints would allow the vast majority of the population to pursue happiness and enjoyment in their lives. "It is not any fear of a failure of physical productivity to provide an adequate material standard of life that fills me with foreboding," he remarked, addressing the House of Lords in February 1943, "The real problems of the future are first of all the maintenance of peace, of international co-operation and amity, and beyond that the profound

moral and social problems of how to organize material abundance to yield up the fruits of a good life” (CWK XXVII, 261) (See Marcuzzo 2006).

VI Conclusions

Keynes rejected utilitarianism, both in ethics and politics, and he did not endorse consequentialism in his ethical philosophy, but accepted it in his political philosophy, whose scope was seen as providing reasons for action.

According to him, the goal of an ethically rational society could be achieved by overcoming the economic and moral obstacles which encumbered in contemporary society. Persuasion was the primary tool of political action, which for Keynes provided the means to given ends. These means were grounded in sound knowledge and experience, which are the basis of trust and confidence in expert advice and council. He wrote:

The first condition of successful control and useful interference of whatever kind from above is that it must be done with knowledge.
(CWK XIX, 643)

Keynes’s view of economics, whereby full employment was the instrument or “social primary” good to a good life, was intertwined with his consequentialism in politics.

In conclusion, his prescription for a better society is the appeal to setting rules and limitations in the market arena, not letting individual self-interest prevail, and putting some governing bodies in charge of filling the gap when deficient aggregate demand occurs, so that the acquisition of material goods and the fruition of the enjoyments of life be not a privilege of the few but the conquest of civilisation. In this respect, as Shionoya argued, “social stability and social justice” were for Keynes the pillars of his economic policies.

(Maria Cristina Marcuzzo: Università di Roma “La Sapienza”)

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