

**Chapter 1 : Keynes predicts economic chaos - HISTORY**

*The Economic Consequences of the Peace () is a book written and published by the British economist John Maynard Keynes. After the First World War, Keynes attended the Paris Peace Conference of as a delegate of the British Treasury.*

Context[ edit ] Keynes left Cambridge University to work at the Treasury in He worked daily on financing the war effort during World War I. That disturbed many of the pacifist members of the Bloomsbury Group of which he was a member. Lytton Strachey sent him a note in asking Keynes why he was still working at the Treasury. He considered that there should be a general forgiveness of war debts , which, he considered, would benefit Britain. Lastly, Keynes wanted the US government to launch a vast credit program to restore Europe to prosperity as soon as possible. His general concern was that the Versailles conference should set the conditions for economic recovery. However, the conference focused on borders and national security. Reparations were set at a level that Keynes perceived would ruin Europe. Woodrow Wilson , the President of the United States , who represented his country at the conference, refused to countenance forgiveness of war debts and US Treasury officials would not even discuss the credit program. He returned to Cambridge and wrote *The Economic Consequences of the Peace* over two months in the summer. Although a best seller, and highly influential, especially to those who already had doubts about the Treaty, [2] it has also been described as "a diatribe". When President Wilson left Washington he enjoyed a prestige and a moral influence throughout the world unequalled in history. His bold and measured words carried to the peoples of Europe above and beyond the voices of their own politicians. The enemy peoples trusted him to carry out the compact he had made with them; and the Allied peoples acknowledged him not as a victor only but almost as a prophet. In addition to this moral influence the realities of power were in his hands. The American armies were at the height of their numbers, discipline, and equipment. Europe was in complete dependence on the food supplies of the United States; and financially she was even more absolutely at their mercy. Europe not only already owed the United States more than she could pay; but only a large measure of further assistance could save her from starvation and bankruptcy. Never had a philosopher held such weapons wherewith to bind the princes of this world. How the crowds of the European capitals pressed about the carriage of the President! With what curiosity, anxiety, and hope we sought a glimpse of the features and bearing of the man of destiny who, coming from the West, was to bring healing to the wounds of the ancient parent of his civilisation and lay for us the foundations of the future. The signing of the Treaty of Versailles on June 28, in the Hall of Mirrors of the Palace of Versailles [Clemenceau] took the view that European civil war is to be regarded as a normal, or at least a recurrent, state of affairs for the future, and that the sort of conflicts between organised Great Powers which have occupied the past hundred years will also engage the next. According to this vision of the future, European history is to be a perpetual prize-fight, of which France has won this round, but of which this round is certainly not the last. From the belief that essentially the old order does not change, being based on human nature which is always the same, and from a consequent scepticism of all that class of doctrine which the League of Nations stands for, the policy of France and of Clemenceau followed logically. Firstly, he argues as an economist that Europe could not prosper without an equitable, effective and integrated economic system, which was impossible by the economic terms of the treaty. Secondly, the Allies had committed themselves in the Armistice agreement to critical principles regarding reparations, territorial adjustments, and evenhandedness in economic matters, which were materially breached by the treaty. On 5 October the German government addressed a brief Note to the President accepting the Fourteen Points and asking for peace negotiations. Germany having rendered herself helpless in reliance on the contract, the honour of the Allies was peculiarly involved in fulfilling their part and, if there were ambiguities, in not using their position to take advantage of them. To this must be added the rider of the Allies, claiming compensation for all damage done to civilians and their property by land, by sea, and from the air quoted in full above. Self-determination is not a mere phrase. It is an imperative principle of action which statesmen will henceforth ignore at their peril Every territorial settlement involved in this war must be made in the interest and for the benefit of the

populations concerned, and not as a part of any mere adjustment or compromise of claims amongst rival States. Given that he was writing in , his prediction that the next war would begin twenty years hence had an uncanny accuracy. Europe[ edit ] One of the most serious charges Keynes leveled against the Treaty and the men who created it is that it paid almost no attention whatever to the economic future of Europe: The Treaty includes no provisions for the economic rehabilitation of Europe,â€” nothing to make the defeated Central Powers into good neighbors, nothing to stabilize the new states of Europe, nothing to reclaim Russia; nor does it promote in any way a compact of solidarity amongst the Allies themselves; no arrangement was reached at Paris for restoring the disordered finances of France and Italy, or to adjust the systems of the Old World and the New. The Council of Four paid no attention to these issues, being preoccupied with others,â€” Clemenceau to crush the economic life of his enemy, Lloyd George to do a deal and bring home something that would pass muster for a week, the President to do nothing that was not just and right. It is an extraordinary fact that the fundamental economic problems of a Europe starving and disintegrating before their eyes, was the one question in which it was impossible to arouse the interest of the Four. Reparation was their main excursion into the economic field, and they settled it as a problem of theology, of politics, of electoral chicane, from every point of view except that of the economic future of the States whose destiny they were handling. Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose. The inflationism of the currency systems of Europe has proceeded to extraordinary lengths. The various belligerent Governments, unable, or too timid or too short-sighted to secure from loans or taxes the resources they required, have printed notes for the balance. The presumption of a spurious value for the currency, by the force of law expressed in the regulation of prices, contains in itself, however, the seeds of final economic decay, and soon dries up the sources of ultimate supply. If a man is compelled to exchange the fruits of his labors for paper which, as experience soon teaches him, he cannot use to purchase what he requires at a price comparable to that which he has received for his own products, he will keep his produce for himself, dispose of it to his friends and neighbors as a favor, or relax his efforts in producing it. A system of compelling the exchange of commodities at what is not their real relative value not only relaxes production, but leads finally to the waste and inefficiency of barter. This is without allowing anything for the payment of the indemnity. In Russia, Poland, Hungary, or Austria such a thing as a budget cannot be seriously considered to exist at all. Thus the menace of inflationism described above is not merely a product of the war, of which peace begins the cure. It is a continuing phenomenon of which the end is not yet in sight. Economic privation proceeds by easy stages, and so long as men suffer it patiently the outside world cares very little. Physical efficiency and resistance to disease slowly diminish, but life proceeds somehow, until the limit of human endurance is reached at last and counsels of despair and madness stir the sufferers from the lethargy which precedes the crisis. The man shakes himself, and the bonds of custom are loosed. The power of ideas is sovereign, and he listens to whatever instruction of hope, illusion, or revenge is carried to them in the air. But who can say how much is endurable, or in what direction men will seek at last to escape from their misfortunes? Adolf Hitler was to write in *Mein Kampf*: What a use could be made of the Treaty of Versailles. How each one of the points of that treaty could be branded in the minds and hearts of the German people until sixty million men and women find their souls aflame with a feeling of rage and shame; and a torrent of fire bursts forth as from a furnace, and a will of steel is forged from it, with the common cry: Niccolo Machiavelli advised the prince to never inflict small hurts. This is exactly what the Allies did with the armistice and the Treaty of Versailles. The German people were humiliated, and their faith in democracy â€” which was fragile to begin with â€” was almost totally destroyed. However, they were not annihilated. The Allies should have either totally destroyed

and dismembered Germany or else have made a sincere effort to make a fair and just peace with her and bring her into the family of nations as a full partner. In my view, it is not going too far to state that the Nazi dictator should have worn a stamp on the seat of his pants with three words on it: Melchior was a lawyer and one of the German representatives at the peace conference. Through Melchior, Keynes received a dire picture of the social and economic state of Germany at the time, which he portrayed as being ripe for a Communist revolution. Keynes accepted this representation, and parts of the text of *The Economic Consequences* roughly parallel the language of the German counter-proposals to the draft Allied proposal of terms. But the resemblances are very close; nor did Keynes deny their influence on him. Nor did Keynes omit the apocalyptic warnings he had heard from Melchior at Versailles, predicting a Malthusian crisis in Germany, and the destruction of capitalism in Central Europe. As matters actually were, this subtlety did not benefit them, and they would have done much better with a straightforward and candid estimate of what they believed to be the amount of their liabilities on the one hand, and their capacity to pay on the other. In six months, the book had sold 100,000 copies with translations into 12 languages. Keynes returned to Cambridge to work as an economist, where he was regarded as the leading student of Alfred Marshall.

**Chapter 2 : The Economic Consequences of the Peace - John Maynard Keynes - Google Books**

*John Maynard Keynes, wrote and published The Economic Consequences of the Peace after he was attached to the British Treasury during the war, deputy for the Chancellor of the Exchequer on the Supreme Economic Council and the official representative at the Paris Peace Conference.*

That said, he returns again and again to the principle that states with industrialized economies are interconnected and fragile, and that wealth is contingent on the ability of each to exchange goods efficiently with each; this is surely right at the levels discussed here, and a powerful lament about the waste of total war. The chapter describing the negotiation sessions between Clemenceau, Lloyd George, the Presbyterian minister Woodrow Wilson, and that forgettable Italian head of state are worth reading on literary merits alone. His psychological profiles reflect some poetic license but he still makes the long days of diplomacy in that fireside chamber enthralling. The oddest parts about this, in some ways, are the passages playing up the long years of suffering endured by Europe and the bleak expected future of tired populations too hungry to rebel against ineffectual governments. He felt -- as many probably did -- that he might be writing at the end of the world. They did in many ways see the end of their world. The pre-war situation A major theme of the book is the stability in Europe being in fact threatened by the final settlement. Contrasting the political climate of Europe with the one in England, Keynes says: In continental Europe the earth heaves and no one but is aware of the rumblings. He then goes on to de Keynes wrote this book in , after having served as a delegate at the Versailles conference. He then goes on to describe the instability of the pre-war situation. He splits his analysis into a few topics: Population Germany, Austria-Hungary, and Russia all saw incredible periods of growth in the decades preceding the war. Organization The borders of Europe were mostly open and the tariff barriers low. Each country was dependent on the rest of the continent. The psychology of society Keynes mentions an implicit agreement between classes where the poorer classes would stoically accept their fate while the richer classes would save most of their gains away and thus invest back in the economy. Keynes states that "the principle of accumulation based on inequality was a vital part of the pre-war order of Society and of progress as we then understood it. The relation of the old world to the new Europe had a surplus of manufactured goods that various countries could export to the New World. However, the Old World was for the most part dependent on the New for its food supplies. The conference Keynes then goes on to describe the conference, starting with the French Foreign Minister, Clemenceau. According to this vision of the future, European history is to be a perpetual prize-fight, of which France has won this round, but of which this round is certainly not the last. Keynes admonishes Clemeanceau severely for that line of thinking, calling this policy "the one of an old man". Keynes writes "the war has bitten into his consciousness somewhat differently from ours, and he neither expects nor hopes that we are at the threshold of a new age. But these expectations were quickly dispelled. Keynes compares the President to a preacher, more than a statesman. The ultimate treaty then had the seal of the President, but little of the substance of the inspiring Fourteen Points. Quoting from a diplomatic note, Keynes writes that the Allied governments: That the ultimate treaty was not loyal to the substance of the Fourteen Points can then be seen as a breach of the pre-existing understanding. This Germany claimed but no Allied power was willing to admit fault. Reparation Keynes then goes on to discuss the impossible reparation clauses contained in the treaty. He mentions the general election that Lloyd George called while the negotiations were occurring. Lloyd George kept his seat but campaign promises radicalized the British position. To what a different future Europe might have looked forward if either Mr. Lloyd George or Mr. Wilson had apprehended that the most serious of the problems which claimed their attention were not political or territorial but financial and economic, and that the perils of the future lay not in frontiers or sovereignties but in food, coal, and transport. Neither of them paid adequate attention to these problems at any stage of the Conference. Europe after the treaty As for remedies to the ills brought by the treaty of Versailles, Keynes makes a few suggestions. The revision of the treaty Keynes spends some time looking at the covenant of the League of Nations and emphasizes that the usefulness of the League is far from certain. He also proposes to limit the reparation fees to 10 billions dollars, to dismiss the Reparation commission, and to let

Germany pay the debt as she sees fit. Any complaints on the part of the Allies concerning payments could be lodged at the League of Nations. Keynes also recommends the establishment of a free trade zone for Germany, Austria, and the former states within Austria-Hungary. The settlement of inter-ally debt Keynes proposes that the reparation payments be made first to Belgium and France, and that Great Britain could go so far as to waive claims on cash payments. Keynes also proposes to completely and mutually cancel the debt that occurred during the war among all Allies. An international loan and currency reforms In the post-war situation, Keynes write that Europe has immediate needs that can only be tended to with an international loan coming from the United States. He also speaks vaguely of a "general reorganization of the currency". The relationship between Central Europe and Russia Here, Keynes lauds the non-intervention that Germany has pledged towards Russia and its territories.

Chapter 3 : German addresses are blocked - theinnatdunvilla.com

*Keynesian economics is a theory of total spending in the economy (called aggregate demand) and its effects on output and inflation. Although the term has been used (and abused) to describe many things over the years, six principal tenets seem central to Keynesianism.*

A brilliant child, he wrestled with the economic meaning of interest before he was 5 years old. He excelled both as a student and as a member of the debating team at Eton. Pigou, and even Alfred Marshall begged him to become a professional economist. He was elected president of the Union, the most important nongovernmental debating society in the world, and his close friends included the intellectual members of the Bloomsbury group. Keynes was described as a phenomenon and all of this took place before he graduated from Cambridge. After graduating in , Keynes took a civil service post in India. Bored with his job, he resigned and returned to Cambridge to teach. In he assumed the editorship of the Economic Journal, the leading journal in Britain at the time, continuing in the post for 33 years. His first major book, Indian Currency and Finance , was an immediate success. He took part in the Paris Peace Conference as a representative of the Treasury. Later he held several other government advisory posts, served as a director of the Bank of England, and was president of an insurance company. In addition, Keynes was a noted patron of the arts and married the most beautiful and popular ballerina of his era. At the Paris Peace Conference, Keynes became so dismayed by the harsh terms imposed on Germany in the Treaty of Versailles that he resigned in anger several days before the treaty was signed. He then wrote The Economic Consequences of the Peace , which outlined the folly of the treaty. Being a man of many interests, Keynes next took a brief break from economics to publish A Treatise on Probability , which Bertrand Russell see Vols. A Treatise on Money , which explored the business cycle, was followed by Essays in Persuasion and Essays in Biography According to Keynes, the economy could be thought of as being divided into consumer, investment or business , government, and foreign sectors. This was hardly a novel idea, but Keynes went on to postulate the exact nature of expenditures in each sector, especially the spending patterns of the consumer sector, which he portrayed by using a graph he called a "consumption function. The relationship specified in The General Theory were tantalizing to economists, because they could be tested and empirically verified. Soon governments, including that of the United States, began to develop a set of national income accounts to provide estimates of gross national product and national income. The General Theory was also popular because it offered policy prescriptions to help deal with the problems of depression, recession, and unemployment. Today the term "Keynesian" is used to describe individuals or policies that use taxation and government spending to affect aggregate economic performance.

**Chapter 4 : The Economic Consequences of the Peace by John Maynard Keynes**

*The Economic Consequences of the Peace Quotes (showing of 18) "When the final result is expected to be a compromise, it is often prudent to start from an extreme position." • John Maynard Keynes, The Economic Consequences of the Peace.*

The brilliant year-old economist had previously won acclaim for his work with the Indian currency and his management of British finances during the war. Germany had no role in the negotiations deciding its fate, and lesser Allied powers had little responsibility in the drafting of the final treaty. It soon became apparent that the treaty would bear only a faint resemblance to the Fourteen Points that had been proposed by Wilson and embraced by the Germans. Wilson, a great idealist, had few negotiating skills, and he soon buckled under the pressure of Clemenceau, who hoped to punish Germany as severely as it had punished France in the Treaty of Frankfurt that ended the Franco-Prussian War in 1871. Lloyd George took the middle ground between the two men, but he backed the French plan to force Germany to pay reparations for damages inflicted on Allied civilians and their property. Since the treaty officially held Germany responsible for the outbreak of World War I in reality it was only partially responsible, the Allies would not have to pay reparations for damages they inflicted on German civilians. According to its terms, Germany was to relinquish 10 percent of its territory. It was to be disarmed, and its overseas empire taken over by the Allies. The German economy, already devastated by the war, was thus further crippled, and the stiff war reparations demanded ensured that it would not soon return to its feet. Germany would be subject to invasion if it fell behind on payments. Keynes, horrified by the terms of the emerging treaty, presented a plan to the Allied leaders in which the German government be given a substantial loan, thus allowing it to buy food and materials while beginning reparations payments immediately. It was five years to the day since the assassination of Archduke Francis Ferdinand, which began the chain of events that led to the outbreak of World War I. Clemenceau chose the location for the signing of the treaty: At the ceremony, General Jan Christiaan Smuts, soon to be president of South Africa, was the only Allied leader to protest formally the Treaty of Versailles, saying it would do grave injury to the industrial revival of Europe. It was published in December and was widely read. In the book, Keynes made a grim prophecy that would have particular relevance to the next generation of Europeans: Nothing can then delay for very long the forces of Reaction and the despairing convulsions of Revolution, before which the horrors of the later German war will fade into nothing, and which will destroy, whoever is victor, the civilisation and the progress of our generation. In protest, workers and employers closed down the factories in the region. By the time the crash came in November, 1929, a lifetime of savings could not buy a loaf of bread. The Nazis were crushed and Hitler was imprisoned, but many resentful Germans sympathized with the Nazis and their hatred of the Treaty of Versailles. A decade later, Hitler would exploit this continuing bitterness among Germans to seize control of the German state. Today, all major capitalist nations adhere to the key principles of Keynesian economics. He died in 1946.

**Chapter 5 : Economic Effects of War and Peace in the Middle East and North Africa**

*"The most important economic document relating to World War I and its aftermath." –John Kenneth Galbraith "This is a very great book. Mr. Keynes writes with a fullness of knowledge, an incisiveness of judgment, and a penetration into the ultimate causes of economic events.*

Undertakings given prior to the Peace Negotiations II. Immediately Transferable Wealth 2. Property in ceded Territory or surrendered under the Armistice 3. The Revision of the Treaty 2. The Settlement of Inter-Ally Indebtedness 3. An International Loan 4. Very few of us realize with conviction the intensely unusual, unstable, complicated, unreliable, temporary nature of the economic organization by which Western Europe has lived for the last half century. We assume some of the most peculiar and temporary of our late advantages as natural, permanent, and to be depended on, and we lay our plans accordingly. On this sandy and false foundation we scheme for social improvement and dress our political platforms, pursue our animosities and particular ambitions, and feel ourselves with enough margin in hand to foster, not assuage, civil conflict in the European family. Moved by insane delusion and reckless self-regard, the German people overturned the foundations on which we all lived and built. But the spokesmen of the French and British peoples have run the risk of completing the ruin, which Germany began, by a Peace which, if it is carried into effect, must impair yet further, when it might have restored, the Edition: In England the outward aspect of life does not yet teach us to feel or realize in the least that an age is over. We are busy picking up the threads of our life where we dropped them, with this difference only, that many of us seem a good deal richer than we were before. Where we spent millions before the war, we have now learnt that we can spend hundreds of millions and apparently not suffer for it. Evidently we did not exploit to the utmost the possibilities of our economic life. We look, therefore, not only to a return to the comforts of , but to an immense broadening and intensification of them. All classes alike thus build their plans, the rich to spend more and save less, the poor to spend more and work less. But perhaps it is only in England and America that it is possible to be so unconscious. In continental Europe the earth heaves and no one but is aware of the rumblings. There it is not just a matter of extravagance or "labor troubles"; but of life and death, of starvation and existence, and of the fearful convulsions of a dying civilization. For one who spent in Paris the greater part of the six months which succeeded the Armistice an Edition: England still stands outside Europe. Europe is apart and England is not of her flesh and body. But Europe is solid with herself. France, Germany, Italy, Austria and Holland, Russia and Roumania and Poland, throb together, and their structure and civilization are essentially one. They flourished together, they have rocked together in a war, which we, in spite of our enormous contributions and sacrifices like though in a less degree than America , economically stood outside, and they may fall together. In this lies the destructive significance of the Peace of Paris. If the European Civil War is to end with France and Italy abusing their momentary victorious power to destroy Germany and Austria-Hungary now prostrate, they invite their own destruction also, being so deeply and inextricably intertwined with their victims by hidden psychic and economic bonds. At any rate an Englishman who took part in the Conference of Paris and was during those months a member of the Supreme Economic Council of the Allied Powers, was bound to become, for him a new experience, a European in his cares and outlook. There, at the nerve center of the European system, his British preoccupations must largely fall away and he must be haunted by other and more dreadful specters. Paris was a nightmare, Edition: A sense of impending catastrophe overhung the frivolous scene; the futility and smallness of man before the great events confronting him; the mingled significance and unreality of the decisions; levity, blindness, insolence, confused cries from without, –all the elements of ancient tragedy were there. Seated indeed amid the theatrical trappings of the French Saloons of State, one could wonder if the extraordinary visages of Wilson and of Clemenceau, with their fixed hue and unchanging characterization, were really faces at all and not the tragi-comic masks of some strange drama or puppet-show. The proceedings of Paris all had this air of extraordinary importance and unimportance at the same time. The decisions seemed charged with consequences to the future of human society; yet the air whispered that the word was not flesh, that it was futile, insignificant, of no effect, dissociated from events; and one felt most strongly the impression,

described by Tolstoy in *War and Peace* or by Hardy in *The Dynasts*, of events marching on to their fated conclusion uninfluenced and unaffected by the celebrations of Statesmen in Council: Spirit of the Years Observe that all wide sight and self-command Deserts these throngs now driven to demonry Edition: Nought remains But vindictiveness here amid the strong, And there amid the weak an impotent rage. Spirit of the Pities Why prompts the Will so senseless-shaped a doing? Spirit of the Years I have told thee that It works unwittingly, As one possessed not judging. Yet there in Paris the problems of Europe were terrible and clamant, and an occasional return to the vast unconcern of London a little disconcerting. For in London these questions were very far away, and our own lesser problems alone troubling. London believed that Paris was making a great confusion of its business, but remained uninterested. In this spirit the British people received Edition: But it is under the influence of Paris, not London, that this book has been written by one who, though an Englishman, feels himself a European also, and, because of too vivid recent experience, cannot disinterest himself from the further unfolding of the great historic drama of these days which will destroy great institutions, but may also create a new world. And its population was adjusted to this state of affairs. After there was developed on a large scale an unprecedented situation, and the economic condition of Europe became during the next fifty years unstable and peculiar. The pressure of population on food, which had already been balanced by the accessibility of supplies from America, became for the first time in recorded history definitely reversed. As numbers increased, food was actually easier to secure. Larger proportional returns from an increasing scale of production became true of agriculture as well as industry. With the growth of the European population there were more emigrants on the one hand to till the soil of the new countries, and, on the other, more workmen were available in Europe to prepare the industrial products and capital goods which were to maintain the emigrant populations in their new homes, and to build the railways and ships which Edition: Up to about a unit of labor applied to industry yielded year by year a purchasing power over an increasing quantity of food. But the tendency of cereals to rise in real cost was balanced by other improvements; and one of many novelties the resources of tropical Africa then for the first time came into large employ, and a great traffic in oil-seeds began to bring to the table of Europe in a new and cheaper form one of the essential foodstuffs of mankind. In this economic Eldorado, in this economic Utopia, as the earlier economists would have deemed it, most of us were brought up. That happy age lost sight of a view of the world which filled with deep-seated melancholy the founders of our Political Economy. Before the eighteenth century mankind entertained no false hopes. For half a century all serious economical writings held that Devil in clear prospect. For the next half century he was chained up and out of sight. Now perhaps we have loosed him again. What an extraordinary episode in the economic Edition: The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could despatch his servant to the neighboring office of a bank Edition: But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable. The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper, and appeared to exercise almost no influence at all on the ordinary course of social and economic life, the internationalization of which was nearly complete in practice. It will assist us to appreciate

the character and consequences of the Peace which we have imposed on our enemies, if I elucidate a little further some of the chief unstable elements, already present when war broke out, in the economic life of Europe. Population In Germany had a population of about 40,, By this figure had risen to 50,, Edition: In the years immediately preceding the war the annual increase was about ,, of whom an insignificant proportion emigrated. From being agricultural and mainly self-supporting, Germany transformed herself into a vast and complicated industrial machine, dependent for its working on the equipoise of many factors outside Germany as well as within. Only by operating this machine, continuously and at full blast, could she find occupation at home for her increasing population and the means of purchasing their subsistence from abroad. The German machine was like a top which to maintain its equilibrium must spin ever faster and faster. In the Austro-Hungarian Empire, which grew from about 40,, in to at least 50,, at the outbreak of war, the same tendency was present in a less degree, the annual excess of births over deaths being about half a million, out of which, however, there was an annual emigration of some quarter of a million persons. To understand the present situation, we must apprehend with vividness what an extraordinary Edition: Before the war the population of Germany and Austria-Hungary together not only substantially exceeded that of the United States, but was about equal to that of the whole of North America. In these numbers, situated within a compact territory, lay the military strength of the Central Powers. But these same numbersâ€”for even the war has not appreciably diminished them 2 â€”if deprived of the means of life, remain a hardly less danger to European order. European Russia increased her population in a degree even greater than Germanyâ€”from less than ,, in to about ,, at the outbreak of war; 3 and in the year immediately preceding the excess of births over deaths in Russia as a whole was at the prodigious rate of two millions per annum. This inordinate growth in the population of Russia, which has not been widely noticed in England, has been nevertheless one of the most significant facts of recent years. The great events of history are often due to secular changes in the growth of population and Edition: Thus the extraordinary occurrences of the past two years in Russia, that vast upheaval of Society, which has overturned what seemed most stableâ€”religion, the basis of property, the ownership of land, as well as forms of government and the hierarchy of classesâ€”may owe more to the deep influences of expanding numbers than to Lenin or to Nicholas; and the disruptive powers of excessive national fecundity may have played a greater part in bursting the bonds of convention than either the power of ideas or the errors of autocracy. Organization The delicate organization by which these peoples lived depended partly on factors internal to the system. The interference of frontiers and of tariffs was reduced to a minimum, and not far short of three hundred millions of people lived within the three Empires of Russia, Germany, and Austria-Hungary. The various currencies, which were all maintained on a stable basis in relation to gold and to one another, facilitated the easy flow of Edition: Over this great area there was an almost absolute security of property and of person. These factors of order, security, and uniformity, which Europe had never before enjoyed over so wide and populous a territory or for so long a period, prepared the way for the organization of that vast mechanism of transport, coal distribution, and foreign trade which made possible an industrial order of life in the dense urban centers of new population. This is too well known to require detailed substantiation with figures. But it may be illustrated by the figures for coal, which has been the key to the industrial growth of Central Europe hardly less than of England; the output of German coal grew from 30,, tons in to 70,, tons in ,, tons in , and ,, tons in Round Germany as a central support the rest of the European economic system grouped itself, and on the prosperity and enterprise of Germany the prosperity of the rest of the Continent mainly depended. The increasing pace of Germany gave her neighbors an outlet for their products, in exchange for which the enterprise of the German merchant supplied them with their chief requirements at a low price. In our own case we sent more exports to Germany than to any other country in the world except India, and we bought more from her than from any other country in the world except the United States. There was no European country except those west of Germany which did not do more than a quarter of their total trade with her; and in the case of Russia, Austria-Hungary, and Holland the proportion was far greater. Germany not only furnished these countries with trade, but, in the case of some of them, supplied a great part of the capital needed for their own development. The whole of Europe east of the Rhine thus fell into the German industrial orbit, and its economic life was adjusted accordingly. But these internal factors would not

have been sufficient to enable the population to support itself without the co-operation of external factors also and of certain general dispositions common to the whole of Europe. Many of the circumstances already treated were true of Europe as a whole, and were not peculiar to the Central Empires. But all of what follows was common to the whole European system. The Psychology of Society Europe was so organized socially and economically as to secure the maximum accumulation of capital. While there was some continuous improvement in the daily conditions of life of the mass of the population, Society was so framed as to throw a great part of the increased income into the control of the class least likely to consume it.

### Chapter 6 : The Economic Consequences of the Peace : John Maynard Keynes :

*The Economic Consequences of the Peace () was written after his attendance at the six-month Paris Peace Conference; it was an early contributor to the view that the Treaty of Versailles was the openi.*

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*It will assist us to appreciate the character and consequences of the Peace which we have imposed on our enemies, if I elucidate a little further some of the chief unstable elements, already present when war broke out, in the economic life of Europe.*

### Chapter 9 : The Economic Consequences of the Peace - Online Library of Liberty

*Summary of John Maynard Keynes' "The Economic Consequences of the Peace" "The Economic Consequences is a book written by J. M. Keynes, who was an economist. In this book, Keynes reveal the unseen consequence of the treaty of Versailles on Germany since there is no regard for the economic side of the unsolved problem, followed eventually by a.*