

Keynes on Judgment, Moral Science, and the Civilization of the Few

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The irony is that, for so long, Keynes has been portrayed as a positivist who promoted the political and scientific neutrality of economics. Yet he was neither a positivist nor a socialist. He stood for the principle of a just and wisely managed economy, directed toward an ethical ideal “with intellect and feelings in tune.”

—Athol Fitzgibbons¹

[Keynes] concluded that civilization was a precarious crust erected by the personality and will of a very few.

—John Toye²

Introduction

In his 1924 Ball Lecture at Oxford, Maynard Keynes announced that, finally, the end of laissez-faire was close at hand: “For more than a hundred years our philosophers ruled us because, by a miracle, they nearly all agreed or seemed to agree on this one thing [i.e., laissez-faire]. We do not dance even yet to a new tune. But a change is in the air.”³ *The General Theory*⁴ was still more than a decade away; indeed, *A Tract on Monetary Reform*⁵ and its extended version, *A Treatise on Money*,⁶ had seemed to confirm Keynes’s place in the laissez-faire-oriented Cambridge tradition. Yet Keynes was already prepared to turn away from the classical tradition of Smith, Mill, Marshall, and Pigou and champion the end of laissez-faire.

Employing the tactic of quoting those he opposed, Keynes went on in his 1924 lecture to reference Jeremy Bentham:

We cannot therefore settle [the issue] on abstract grounds, but must handle on its merits in detail what Burke termed “one of the finest problems in legislation, namely, to determine what the State ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion.” ... We have to discriminate between what Bentham, in his forgotten but useful nomenclature, used to term *Agenda* and *Non-Agenda*, and to do this without Bentham’s prior presumption that interference is, at the same time, “generally needless” and “generally pernicious.” ... Perhaps the chief task of economists at this hour is to distinguish afresh the *Agenda* of government from the *Non-Agenda*; and the companion task of politics is to devise forms of government within a democracy which shall be capable of accomplishing the *Agenda*.⁷

My task in this article is twofold. First, to explore Keynes’s understanding of the moral character of the economic science that could inform the means to “distinguish afresh” the “Agenda” of government from its “Non-Agenda.” Secondly, to suggest that his new understanding of economics as a moral science implied that few were fit to provide leadership to a democratic society willing to adopt that fresh Agenda. To put it succinctly, the battle he fought was not only with the friends of laissez-faire; he sought to battle the forces of irrationality in the social world that would, in his estimation, destroy civilization. Moreover, he could not envision the tools of a new scientific, technocratic method as particularly useful in either part of his battle, no matter how useful they might be in some of the smaller skirmishes. Success required, instead, a new understanding of the moral character of economics as well as a new elite: those prepared to defend a reconstituted civilization that could provide prosperous “economic possibilities for our grandchildren.”⁸

My argument will therefore depart from the frequently made argument that Keynes’s turn from laissez-faire was itself an encouragement of the adoption of the technocratic approaches seen across the mainstream of modern economics since World War II. In my initial quotation from Keynes’s 1924 lecture, it is easy to glance over Keynes’s reference to direction “by the public wisdom.” We readily assume that he means by “public wisdom” something like the use of technocratic expertise in the pursuit of democratically selected objectives. There is little doubt that the Keynesian redefinition of the “Agenda” of government after World War II, especially in the United States, was shaped by technocratic, even mechanistic, approaches to economics. The best-known version is Keynesian macroeconomics:

once labelled by Alan Coddington “Hydraulic Keynesianism.”⁹ However, that Keynesianism shared none of Keynes’s fear about social and political irrationality; they claimed certainty where he saw uncertainty; they employed decision sciences and technocratic expertise while he sought wise judgment. What did he mean by “public wisdom”?

Austrian economists, of course, use the hydraulic analogy to sharpen the distinction between Keynes—who is depicted spinning the dials to increase or decrease the flow of government spending that is pumped into the economy—and F. A. Hayek, who sits in a book-lined university seminar room talking about the “pretence of knowledge.”¹⁰ However, just as it is a mistake to assume that Keynes’s turn away from *laissez-faire* was done on technocratic grounds so, too, is it a mistake to assume that the criticism of scientific economics necessarily leads us to classically liberal conclusions. Keynes worried that the pervasive irrationality of expectations, guided by petty jealousies and the general wickedness that is the lot of humanity would ultimately destroy all social processes without sensibility on the part of individuals and wisdom from their leaders.

But who was fit to be a wise leader? If not technocratic experts guided by democratic agenda-setting, who would society call on to make such judgments? For Keynes, wise judgment required both the knowledge of the well-educated and the moral sensibility of the artist; the ability to judge not only the truth of science but also of the qualities of human well-being. Not everyone was capable of such wisdom. Civilization was preserved by the few among society’s elite who could create a new Agenda by adapting the wisdom of the moral science of economics to new circumstances.

Uncertainty and the Limits of Scientific Knowledge

Keynes’s first publication was *A Treatise on Probability*.¹¹ The central question was epistemological: What, if anything, can we usefully infer about as-yet-unobserved events in a probabilistic universe from statistical descriptions of the characteristics of events already observed?¹² His conclusion is striking:

To apply these [statistical] methods to material, unanalyzed in respect to the circumstances of its origin, and without reference to our general body of knowledge, merely on the basis of arithmetic and those characteristics of our material with which the methods of descriptive statistics are competent to deal, can only lead to error and delusion.¹³

Furthermore, the ability to calculate the probability of error in statistical measures does not, Keynes argued, rescue us from error. Indeed, it might merely delude us

into thinking that our knowledge about observed events was certain enough to rely on for decisions about unobserved events. But were the circumstances surrounding the unobserved events similar to those of the events we used to calculate our statistical measures? Is statistical inference sufficient, Keynes might well have asked, to help a jurist decide when weighing conflicting trial testimony?

As Jeff Biddle recently argued, Keynes's argument here suggests that the use of statistical inference requires "argument by analogy."¹⁴ If we are to use statistical inference, we need to know that the circumstances of the unobserved events to which we wish to apply statistical measures are analogous to those of the observed events from which the statistical measures were derived. Thus, the use of statistical inference for scientific inquiry requires, as its complement, another kind of knowledge: one that is nonstatistical in nature and considers what constitutes analogous circumstances.

When writing the *Treatise*, Keynes was not yet a social scientist, but he was clearly interested in more than mere epistemological concerns. The *Treatise*'s problems largely revolved around the way he depended on a moral theory—G. E. Moore's version of emotivism¹⁵—as the basis for an epistemological argument. Moore's emotivism made moral truth claims self-evident propositions.¹⁶ In a similar fashion, Keynes argued that the intuition that leads a scientist to accept a probabilistic claim as true implied recognition of the truthfulness (I'm tempted to say "truthiness"!) of the "real" relationships among the variables. As a purely epistemological investigation, then, Keynes's *Treatise* is inadequate; if science knows the true relationship among variables in a model already, why engage in statistical inference? But Keynes's own interests were not merely epistemological. Uncertainty, for him, was not only an epistemological problem but also a moral one. His mention of a jurist examining trial testimony suggests what is missing: the interplay among individuals and judgment informed by watching the interaction of individuals in society.

The technocratic response, of course, is that Keynes's argument can be satisfied by the inclusion of other factors. We could incorporate more variables into our model or broaden our range of analytical tools to engage institutional, cultural, psychological, behavioral, geographic, or other factors. Certainly, that is what economists made of Keynesian theory after World War II. Notice the sly way that the technocratic turn avoids Keynes's problem of judgment: Expertise is simply the accumulation of more statistical and scientific knowledge. Is not that what science requires? Wise judgement is like God—driven to the margins of the world by the expansion of scientific knowledge, and to be mentioned only in conjunction with things that are as-of-yet not scientifically explained. Or, put

in the more common way, greater judgment is surely just the outcome of more education—especially in math, economics, and the sciences.

Moral Science and Good Judgment

One way to approach the answer to the question that concluded the previous section is to recognize that the Cambridge tradition of laissez-faire had always seen economics as a moral science. So if Keynes was rejecting the Cambridge tradition of laissez-faire, and also sought not to depend on a technocratic solution, how did he reformulate the notion of a moral science? Fortunately, we have J. Neville Keynes's formulation of economics as a moral science to use as a starting point. Maynard Keynes's rejection of laissez-faire is also, implicitly, a rejection of his father's formulation of economics as a moral science.

Neville Keynes had argued that the moral art of economics combined the generalizable knowledge of political economy with a social morality, which in his case was informed largely by utilitarianism.¹⁷ The key point here is not the particular configuration of economic and moral views but the fact that Neville Keynes's defense of the art of economics combined *two independent forms of inquiry*: political economy and moral theory. Once Maynard Keynes turned from epistemological inquiry to social inquiry, he sought to understand the interdependencies of individual actions in a social world through a form of inquiry that grounded both the economic and the moral aspects of his inquiry in the same philosophical problem—uncertainty and the necessity of good judgment.

A helpful example is his treatment of the (ir)rationality of expectations in *The General Theory*.¹⁸ Rather than modeling individual decision-making as a process of rational expectation formation, Keynes saw individuals as largely irrational. They often substitute various decision heuristics (e.g., consumption as a constant percentage of income) for rational calculation or are driven by “animal spirits”—pursuing novelty for its own sake, jumping on bandwagons, and acting whimsically in important decisions. Even when they tried to be rational, the underlying uncertainty produced by the combined effect of human actions led to unfortunate results, like liquidity traps, involuntary unemployment, and loss of effective demand. Bureaucratic action by government functionaries following standard central banking and economic practices could as easily exacerbate the problem as fix it. The problem of human action, for Keynes in the *General Theory*, was the reconciliation of an underlying sphere of moral truth with the constant flux, change and uncertainty of the world around and within us.¹⁹ The underlying problem was the fundamental mismatch of expectations. To get at the problem, Keynes argued, we needed not only to rethink economics as a form

of scientific knowledge but also to rethink how we morally conceptualize the relationships among the individual, society, and the state. We needed, he argued, to reject the assumptions of traditional *laissez-faire*, and reconfigure the Agenda and Non-Agenda of the state.

But such a reconfiguration also required a rethinking of *who* could exercise the judgments that would shape the state Agenda in a world of such uncertainty. F. A. Hayek would see the issue as one of *self-organization*²⁰—as long as markets were possible and individuals had at least some resources to pursue their plans, the radical uncertainty of expectations that exercised Keynes was, while present, not a significant obstacle to the self-organizing actions of individuals and groups. Individuals planned for themselves, and they were assumed to be the best judges of their actions. The social outcome of self-organization was spontaneous order, assumed to be individually and socially beneficial. The state's Agenda in the Austrian framework, then, was to stay out of the way of our self-organizing activity. Keynes would agree with Hayek that economic activity could have been seen as the social coordination of human expectations, but he was far less sanguine about the possibility of that coordination working for human betterment without wise guidance.

Near the conclusion of “The End of Laissez-Faire,” Keynes had stated that

many of the greatest economic evils of our time are the fruits of risk, uncertainty, and ignorance.... The next step forward must come, not from political agitation or premature experiments, but from thought. We need by an effort of the mind to elucidate our own feelings. At present our sympathy and our judgment are liable to be on different sides, which is a painful and paralyzing state of mind. In the field of action reformers will not be successful until they can steadily pursue a clear and definite object with their intellects and their feelings in tune.... We need a new set of convictions which spring naturally from a candid examination of our own inner feelings in relation to the outside facts.²¹

The question, of course, is who among us “can steadily pursue a clear and definite object with [our] intellects and feelings in tune”?

The Protection of Civilization: The Moral Role of the Elite

As Keynes made clear in the 1924 Ball Lecture, he did not see the end of *laissez-faire* as the beginning of socialism: the socialist “misses the significance of what is actually happening” as much as the advocate of *laissez-faire* does.²² *Both* socialism and *laissez-faire* endanger the potential for progress promised by

the civilization from which they came. *Both*, therefore, need to be cast aside or, perhaps better, have their best insights extracted from the detritus that remains. But civilization—the “order and pattern of life amongst communities and the emotions they can inspire”²³—should remain. Keynes’s greatest fear was not the victory of capitalism or socialism but the destruction of the “precarious crust” that was civilization. The protection of that precarious crust is essential to the future of free society but can only be entrusted to “the personality and will of a very few.”²⁴

The precariousness of this shared civilization of the English elite, and especially the shared civilization of Keynes’s circle, the Bloomsbury Group, can be seen as the backdrop to his concern during the latter part of the 1930s about population policies.²⁵ But it is also an essential element of his reformulation of the moral science of economics. Civilization is the cultural condition in which the mutuality of expectations allows social and economic orders that meet people’s needs and create the possibilities for economic progress. Through the Bloomsbury Group, Keynes came to find an even wider context for the notion of civilization: “the imaginative life” of a society, its “creative engagement with literature, the arts, and pure science.”²⁶ But only the elite of a contemporary society, those freed from the utilitarian necessity of finding the means for their existence, would lead such a creative engagement. Such was the role he assumed and that he believed the fellow members of the Bloomsbury Group assumed. Were the elite to abandon their role as moral leaders, the thin crust of civilization would break and poverty would ensue not only because of the breakdown of societal institutions but also because the coordination of societal expectations provided by the elite would fall apart.

Craufurd Goodwin tells us that Keynes saw his engagement with civic non-profit groups as part of his responsibility to strengthen civilization:

Following this principle [i.e., of the social role of the elite] Keynes himself spent many of his own waking hours promoting the arts through the Camargo Society for the ballet, the Cambridge Arts Theatre, the Royal Opera House, Covent Garden, the Contemporary Art Society, the London Artists Association, and other groups. Perhaps his most lasting imprint on the arts is as the principal designer of the Council for the Encouragement of Music and the Arts and its successor organization the Arts Council of Great Britain; these sought to provide a vehicle for public support of the arts with minimal public control.²⁷

Notice that these endeavors involved public engagement, led by the elite, with minimal state control—a model Keynes developed and encouraged as a new means of protecting civilization.

In this context, one can understand the “Economic Possibilities for our Grandchildren” essay as not only a mild form of utopianism but also as a call for others to join him in the preservation of the civilization that created those possibilities. He tells his audience that he is not issuing a call to conservatism, because aristocracy and laissez-faire had failed already. What was needed was the renewed vigor of those who combined the knowledge of the moral science of economics and the feeling of modern art. Who else other than a member of Keynes’s own Bloomsbury Group, for example, could assist the masses, now freed from the burdens of “the economic problem” to tackle their “permanent problem—how to use [their] leisure . . . to live wisely and agreeably and well”? Who else other than such an elite can lead us “into a fuller perfection, the art of life itself,” so that we, too, “will be able to enjoy the abundance when it comes”?²⁸

Notes

1. Athol Fitzgibbons, “The Significance of Keynes’s Idealism,” in *Keynes and Philosophy: Essays on the Origin of Keynes’s Thought*, ed. Bradley W. Bateman and John B. Davis (Aldershot, UK: Edward Elgar, 1991), 126–32.
2. John Toye, *Keynes on Population* (Oxford: Oxford University Press, 2000), 140.
3. John Maynard Keynes, “The End of Laissez-Faire,” in *Essays in Persuasion*, The Collected Writings of John Maynard Keynes, vol. 9 (London: Macmillan, 1926), 272.
4. John Maynard Keynes, *The General Theory of Employment, Interest and Money*, The Collected Writings of John Maynard Keynes, vol. 7 (London: Macmillan, 1936).
5. John Maynard Keynes, *A Tract on Monetary Reform*, ed. Elizabeth Johnson and Donald Moggridge, The Collected Writings of John Maynard Keynes, vol. 4 (London: Macmillan, 1924).
6. John Maynard Keynes, *A Treatise on Money: The Pure Theory of Money*, ed. Elizabeth Johnson and Donald Moggridge, The Collected Writings of John Maynard Keynes, vol. 5 (London: Macmillan, 1930); John Maynard Keynes, *A Treatise on Money: The Applied Theory of Money*, ed. Elizabeth Johnson and Donald Moggridge, The Collected Writings of John Maynard Keynes, vol. 6 (London: Macmillan, 1930).
7. Keynes, “The End of Laissez-Faire,” 288, emphasis in original.
8. John Maynard Keynes, “Economic Possibilities for our Grandchildren,” in *Essays in Persuasion*, The Collected Writings of John Maynard Keynes, vol. 9 (London: Macmillan, 1930), 321–32.

9. Alan Coddington, "Keynesian Economics: The Search for First Principles," *Journal of Economic Literature* 14, no. 4 (1976): 1258–73.
10. F. A. Hayek, "The Pretence of Knowledge," *American Economic Review* 79, no. 6 (1989): 3–7.
11. John Maynard Keynes, *Treatise on Probability*, The Collected Writings of John Maynard Keynes, vol. 8 (London: Macmillan, 1921).
12. Keynes, *Treatise on Probability*, 327.
13. Keynes, *Treatise on Probability*, 384.
14. See Jeff E. Biddle, "Statistical Inference in Economics, 1920–1965" (Paper presented at the History of Economics Society, Duke University, Durham, NC, 2016). Biddle acknowledges the disagreement that exists among Keynes scholars about how to reconcile his views in the *Treatise on Probability* with his later views on expectations in *The General Theory of Employment, Interest and Money* and his encouragement later for his students to create national income accounts. Do we see the later views as a fundamental break with his earlier views? Are there commonalities between them? Or do economists take Keynes's later writings one way while he was working from a different perspective? For good summaries of the debate, see John B. Davis, *Keynes's Philosophical Development* (Cambridge: Cambridge University Press, 1994); Roger E. Backhouse and Bradley W. Bateman, *Capitalist Revolutionary: John Maynard Keynes* (Cambridge, MA: Harvard University Press, 2011).
15. See G. E. Moore, *Principia Ethica* (Cambridge: Cambridge University Press, 1903).
16. See Thomas Hurka, "Moore's Moral Philosophy," in *Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta (Fall 2015 edition), <http://plato.stanford.edu/archives/fall2015/entries/moore-moral/>.
17. See John Neville Keynes, *The Scope and Method of Political Economy* (London: Macmillan, 1891).
18. Keynes, *The General Theory of Employment, Interest and Money*.
19. See Athol Fitzgibbons, *Keynes's Vision: A New Political Economy* (Oxford: Clarendon Press, 1988).
20. See F. A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 35, no. 4 (1945): 519–30.
21. Keynes, "The End of Laissez-Faire."
22. Keynes, "The End of Laissez-Faire."
23. John Maynard Keynes, "My Early Beliefs," in *Essays in Biography*, vol. 10, The Collected Writings of John Maynard Keynes (London: Macmillan, 1938), 433–50.

24. Toye, *Keynes on Population*, 140.
25. See Toye, *Keynes on Population*.
26. Craufurd Goodwin et al., “John Maynard Keynes of Bloomsbury: Four Short Talks,” Economic Research Initiatives at Duke (ERID), Research Paper no. 23, February 24, 2009, <http://ssrn.com/abstract=1348679>.
27. Goodwin et al., “John Maynard Keynes of Bloomsbury.”
28. Keynes, “Economic Possibilities For our Grandchildren,” 329.