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ECONOMIC DIPLOMACY. THE KEYNES-CUNO AFFAIR

by

Giuliano FERRARI-BRAVO

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European University Institute
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1. Financial Co-operation and 'Economie Dominante'

The very same words over and over again: that is what strikes one about the reactions of the various governments to the timid formulations of an "international solution" to the problem of European economic reconstruction about the end of the First World War. The same phrases of cold hostility recur. The "financial co-operation" proposed by French Finance Minister Mr. Klotz in April 1919 seemed to the British Treasury to be a vague formula, the real meaning of which was that "the British taxpayer was to be more or less permanently responsible for maintaining the franc at par".(1) The American Treasury saw this "co-operation" as "...nothing more than an attempt to turn over the whole serious financial situation in France onto the back of the United States".(2) But the British endeavours, a little later, to formulate a largely similar international solution were to meet with exactly the same fate. They were defined as "financially indefensible and politically impossible" by the U.S. Treasury.(3) This was precisely what Chamberlain had said about the French proposals: "Such a course even if economically desirable (which I do not think it would be) would be politically impossible".(4)

While the wartime financial entente had, painfully, achieved some results, the cessation of hostilities seemed to close the road to international co-operation. "Allied economic unity" was a volatile entity and the States shut themselves up within their own economic boundaries, delegating the last gasp of internationalization to the League of Nations, which only Fabian or Wilsonian optimism or a suspicious Congress could take for the beginning of

"world government". In every country, the treasury took back control of expenditure; national sovereignty no longer tolerated the least delegation of economic power. The war emergency was over, though the exhaustion was not. "All the countries", notes an attentive transatlantic observer, "are in a state of suspended animation...".(5)

These were the years in which the économie dominante(6) was to take shape internationally; in relations between the United States and Europe, it appears as a 'renversement des rôles' between a manufacturing sector with a surplus of goods and a consumer sector with a deficit. The "process of emulation"(7) was often less linear than would suit those who engage in broad historical reconstructions, and the reduction in trading capacity of an "aging" hegemonic power was concealed by the slower reversal of financial supremacy, due sometimes to the specific desire of the dominating economy to put a squeeze on a declining financial mechanism.(8) If "La source des impulsions de l'économie mondiale"(9) in Kindleberger's words, had moved across the Atlantic, there was not much awareness of this re-centring in the United States at a political level, and still less willingness to assume responsibility for the new hegemonic system that was emerging. The bankers were perhaps quick to understand, or at any rate guess, the favourable prospects for American private capital that the process of European reconstruction might create. But the government's decision-making machinery was not, one might say, sensitive to the theories of "hegemonic stability" or of the "consensual American hegemony". It is perhaps true that "any self-respecting Empire has had the ability to give ideological cover to its own desire for

domination";(10) but this fact does not help us to understand the reality of the immediate post-war period when the "empire" was in statu nascendi and the desire to dominate did not exist at all.

After forcibly rejecting the British proposals for international financial reconstruction at the peace conference, the United States plunged decisively into the "official" isolationism of the early Twenties, from which they were to emerge slowly, leaving a particular imbalance in diplomatic activity in Europe, no less than in international payments.(11) Detached from the central theme of U.S. financial support for European reconstruction, continental diplomacy in these years "of experiments in transnationalism"(12) moved as if in a vacuum. Of the twenty-three successive international conferences immediately after the war, each one, as Baumont says, "could be the subject of a volume; but taking them all together they amount to just about nothing". "They were only an excuse for real statesmanship," says Kennan, even more emphatically.(13) But the blockage of political power favours the politicization of the technicians. Underneath the "infinitely monotonous and sterile" diplomatic correspondence of the time, there flourished, stimulated by a Republican administration that "transfered a large part of responsibility to the private sector and to semi-official institutions",(14) the initiatives of informal diplomacy. After the phase of compression of the economic dimension brought about at Versailles and of its subordination to the needs of Europe's political reconstruction, there came almost, as Bariety has noted, an "engougement pour le postulat du primat de l'économique sur le politique." In the very early Twenties there seems to begin "un respect quasi-religieux dont sont entourés les

travaux et les propositions des divers comités d''experts'...bien souvent dans ces années pour le biais de la science des 'experts', le pouvoir de négociations et de décisions politiques passe aux mains des personnalités privées qui représentent des intérêts économiques".(15)

This is the context that is the setting of the relationship between Keynes and the German Chancellor Cuno, between May and June 1923, incomprehensibly neglected by Harrod in his classic biography and still not focused upon by Skidelsky in his more recent work.(16)

2. Cuno's Business Ministry

Keynes had met Cuno in August 1922 during his first visit to Germany after the war, and had been presented to the public, by the future Chancellor, as "the man most responsible for the changed attitude of the English-speaking world towards Germany', on the occasion of the well-known and well-received "Hamburg address" given by Keynes on 26 August.(17) The acquaintanceship between them, however, dates back further. Cuno, who had also collaborated on the Manchester Guardian supplements on European reconstruction edited by Keynes in the spring of that year, had been one of the economic experts used by German diplomacy in the peace negotiations. Originally a civil servant (in 1916 he had been assistant to the Secretary of State, Adolf von Batocki), Cuno had almost accidentally landed during the war in the management of

the big shipping company Hapag, the shipping line that linked Hamburg with the American continent. In this capacity he had taken part in the negotiations in which Keynes had been very much involved on the other side of the table: the destination of the German merchant fleet. Convinced like Keynes of the contradiction existing between the economic and political clauses of the Versailles Treaty,(18) Cuno had resigned in June 1919 - at the same time as Keynes - from government service, and after the conference had never ceased acting in favour of revision of the Treaty. The two were brought still closer by some fundamental convictions - shared by few at the time of the peace conference - concerning the irrefutability of "economic facts" and on the essential superiority of the technical expert to the politician. But whereas in Keynes, by contrast with the traditional opinion, political sensitivity dominated the technical aspect, so that in the "Hamburg address" itself he stated, in Weberian fashion, that "there is no room for the expert, the technician, the scientist, until the politicians have come down to something that can really happen", for Cuno what was important above all was the principle that "no extension of political power can change the economic facts".(19) As opposed to Chancellor Wirth, "not very efficient as a bureaucrat", Cuno was regarded inside the Chancellery as "above all a highly qualified expert from the old imperial bureaucracy, who only knew one goal: to conduct business in a purely practical manner".(20) It is no paradox that the convoluted political struggle in the very early Twenties in Germany, where "the Weimar democracy under stress amounted to little more than compacts among the strongest German interest groups",(21) could, at least provisionally, lead to the highest levels of government power "an astute man of affairs"(22)

like Cuno, who, contemptuous of "ideological prejudices", and not tied by party conditioning (though not without strong links with the industrial world), and not even particularly endowed with "political capabilities',(23) seemed, precisely because of his "technical" competence, to present a way out of Germany's difficulties. Even in 1920, at the time of the resignation of Erzberger, Keynes's interlocutor at Spa and later the victim of political assassination, Cuno had been offered the Ministry of Finance; and with the formation of the Wirth administration in September 1922 he had been spoken of as a possible Foreign Minister.(24) Averell W. Harriman, who was then one of Hapag's business associates in Berlin, advised him, it seems, not to accept.(25) The fall of the Chancellor, the disagreement on the succession among the centre parties of the governing coalition, and a rapid succession of flash-in-the-pan candidacies like that of the Mayor of Cologne, Konrad Adenauer, smoothed the way towards the formation of a Cuno business ministry,(26) at the end of November 1922. With Wirth's proposal of a compromise between the Social Democrats and industry now used up, Cuno, who had been consulted by Wirth himself as from July 1921 as a representative of industrial interests,(27) formed a government that seemed to take the internal set-up as a constant, and to propose to seek the solution to the German problem by operating on the external variable. There was no real change in foreign policy(28) then, but a concentration of government action on foreign affairs, to prevent the domestic radicalization that a policy of "equilibrium" and hence of stabilization of the mark and of fiscal reform would necessarily have meant. President Ebert's support, and fairly close links with the world of industry and finance, were no effective counterbalance, however, to the new

Chancellor's detachment from the parties' expectations and from their control. Even more than the lack of support of the socialists of the VSPD who were to enter the Große Koalition government of Cuno's successor Stresemann when the exacerbation of the social situation seemed to them to be giving too much strength to the Communist Party, it was the contradictory pressures within the three governing parties, not only in fiscal respects, that made the government's position a slippery one. Nor could support from industry in favour of the government formation be taken for granted, even though it had moved to the right in line with the wave of restoration sweeping over Europe in those months. The attacks from the sector of industry headed by Hugo Stinnes, little more than a month after the government's formation, show this clearly. But the Cuno government's precariousness was due, even more than to the catastrophic conditions of the economy and of domestic politics - which had reduced the Wirth chancellorship to "perpetual trimming, a constant exhausting search for political equilibria"(29) - to the deadlock among the Western diplomacies on the crucial question of European reconstruction. Paradoxically, in fact, the sharpening of the internal crisis brought about by the Franco-Belgian decision to occupy the Ruhr militarily at the very beginning of 1923 (confirming a forecast Keynes had made as far back as 1919) brought the German government a moment, albeit transient, of stability, because of the widespread, instantaneous emergence of the line of passive resistance.(30) But when the costs of that policy of resistance were inexorably added to the older outstanding debts, bringing about the situation of unstoppable financial chaos in which even "the humble Kohlrabi shamefacedly wore a price-tag of 50 millions",(31) Cuno's need to get the international context

moving and start off financial support could no longer be postponed. There came those few months of confused, frenetic diplomatic activity at every level, ending with clearly negative results, so that even at the beginning of summer 1923 - even before the August bread riots - one can say that the Cuno interlude had come to an end.(32)

Cuno's difficulty in getting results internationally proved considerably greater than he had expected. The Chancellor, supported in this effort by President Ebert, who had perhaps appointed him above all for that reason, looked insistently towards the U.S. and Britain for a favourable signal, both in the sense of immediate financial assistance and in that of an all-round solution to the apparently inextricable problem of the war reparations. This was the aim of Cuno's frequent secret encounters in the Hapag offices with the American ambassador, Houghton, of which even the Wilhelmstraße was unaware.(33) The intervention of a body of "international experts", of technocrats aware of the logic of business as usual and of the hard reality of economic facts, but with decision-making powers, was what Cuno, and Ebert, were aiming at, seeking to concretize the American Secretary of State's vague invocations to "men of the highest authority in finance".(34) But there was no real room for such bodies, since Britain, a debtor country to the United States but a creditor of the other European states, could conceive at most of a partial cancellation of reparations, plus the reduction in inter-allied debts that the United States simply did not accept. This American non-acceptance was reflected in a hardening of the French policy of total exaction of the reparations, since even abstracting from any consideration of

the general question of national security, it was absolutely inconceivable for Poincaré that France should pay the Allies war debts without Germany paying France war reparations. "The crux of the European situation lies in the settlement of reparations", insisted U.S. Secretary of State Hughes in his speech at New Haven.(35) But the system of reparations had now brought diplomatic relations in European countries into a blind alley: while Britain was firmly opposed to "external" financial assistance to Germany unless Germany first effected financial reforms domestically, the latter in practice refused to embark on a policy of fiscal restrictions without the assurance of foreign support. But this support - even in the form of a moratorium on payments - was made dependent by France on concrete guarantees, in "gages productifs", which Germany could not give, or so it said, without foreign assistance. And whereas France was in any case opposed to acceptance of unilateral reduction in reparations as a preliminary condition for an international loan, the United States linked financial support to a reduction in the financial insecurity caused precisely by the reparations system. In such an "inextricable imbroglio" as it was defined by Bonar Law, the fact that U.S. private capital was more flexible than government policy - that a Vanderlip or a J.P. Morgan Junior, as the latter's contacts with Poincaré show, were more realistic than the Secretary of Commerce Hoover or Secretary of State Hughes - did little to alter a situation that only decisive action of American financial support could resolve. "Without American assistance", as Maier well summarizes, "the balance of payments problems involved in reparations and world debts seemed politically insoluble".(36)

The short-circuit of military occupation of the Ruhr, whereby Poincaré intended to force the impasse, did not lead to the expected move by official diplomacy, which on the contrary remained entrenched in the various positions, but did set up a further series of individual initiatives, more or less detached from the positions of the various governments. This surge of informal, secret diplomacy leaves few traces as a rule in official archives, and often ends with evanescent results, but is not without importance for understanding the particular historical moment.

In Cuno's Germany, the extemporary mediation missions of the American financier Kent in spring 1923 - brought to light by Artaud - and by the lawyer J. Foster Dulles in July of that year - discovered and described by Rupieper - fill the gap left by the "official" inaction of Foreign Minister von Rosenberg.(37) Between the first mission and the second, ignored by historians and almost without references in archives, was the mission by Keynes.

In early November 1922, just a few days before the fall of the Wirth government, Keynes had been officially invited to Germany along with Gustav Cassel, at the Chancellor's personal request, to give an opinion on the possibilities and procedures for stabilizing the mark, which in that month underwent yet further acceleration in its apparently unstoppable fall.(38) Characteristically, Keynes, before leaving for Berlin, contacted Britain's official representative on the Reparations Commission. "I want to be as well informed as I can about the whole position up to date," he wrote imperiously to Bradbury, asking him for the "authentic version" of the general settlement plan put forward at

the Commission, since "your latest proposals as summarized by the journalists are barely intelligible".(39)

But on 14 November Wirth unexpectedly fell, and after hard negotiations Cuno presented his government to the Reichstag on 24 November. It was in fact a government "a little more to the right than was Wirth's and a little more under industrialistic influences" as Keynes had precisely anticipated in a letter to his friend Melchior on 17 November. "...Such a government cannot survive for long and will be succeeded by something looking primarily to Socialist support",(40) Keynes added, accurately foreseeing Gustav Stresemann's succession to Cuno, a few months later.

During his brief stay in Berlin Keynes noted, following direct contact with government circles, how "psychologically mistaken" were Wirth's expectations "in putting foreign assistance in the forefront of their plan". Perhaps he still had fresh in his memory President Wilson's curt response to his great plan of April 1919,(41) when the frustrating solution given to the reparations problem had, paradoxically, brought about further disillusionment at the lack of American financial support for European reconstruction, causing in Keynes a shattering nervous crisis and his resignation from government service. Back in London, Keynes found this impression of his confirmed "very strongly", and was, in a letter to his old friend Melchior, to hope that the new German government was going "to be better" from this point of view. But of course the hope proved vain. How could it be otherwise: the mark fell to a level even lower than the Austrian crown, and the Reichsbank did not seem able to get any stabilization programme going. "All

awaited a providential turning in foreign policy".(42) The President of the Republic, Ebert, who did not seem to have had much in common with Cuno on domestic policy, supported him particularly in foreign policy, and it was the latter, conducted by Cuno in person over the head of Foreign Minister von Rosenberg and in strict collaboration with such experts as Bergmann(43) and the Hamburg banker and former colleague of Keynes in the peace negotiations, Melchior, that marked the destiny of his government.

3. Keynes and Melchior. An anomalous correspondence

Nine days before the Franco-Belgian invasion of the Ruhr, the rather thin hope(44) of overcoming the stumbling-block of reparations through the complicated technical mediations of the Bradbury plan, that Bonar Law himself had put on the conference table, had vanished in the Paris inter-allied conference. The enormous technical complications reflected the absence of real agreement. "I would rather pay reparations than try to understand the Bonar Law Plan," was the unexpectedly humorous comment of the German representative, Bergmann.(45) The "mésentente cordiale" that ensued between France and Britain made the likelihood of French occupation of the Ruhr greater(46) and increased the agitation of German diplomacy and its anxious attention towards Britain. The conference was attended also by Melchior, who did not, because of the obviously incurable divergence between France and Britain, put forward the German plan; though he regarded it as "reasonable enough", it contained lower figures for the reparations than those

in the British plan rejected by France. Back from the conference, Melchior wrote to Cuno on 8 January 1923, including an extract in English from a letter sent to him earlier by Keynes. Keynes's letter, written presumably on 5 January,(47) accompanies the analysis of the international situation with some rather sybilline hints about the "action" undertaken by the British government in the direction indicated in the Berlin report, of which Keynes himself was as we have seen one of the signatories. "We have now got, all of us, to be very cool and careful," Keynes concludes his letter; "I'm not sure that I don't envy Cuno his job".(48) We do not know the Chancellor's exact reaction. On the immediate eve of the invasion of his country, with the nightmare of the political murders of Erzberger and Rathenau behind him and that of economic catastrophe in front of him, it might have come as some surprise to him that his "job" was "envied" in a quiet university town by the river Cam. The "channel" of which Melchior held out the prospect, however, was not deemed to be negligible. We know that the correspondence between Melchior and Keynes continued to be frequent (even though many of Keynes's letters to Melchior have unfortunately been lost), and the nature of the exchange gradually but clearly altered into something different from a succession of personal letters. "Keynes, although not a member of the government," wrote Melchior to Cuno,(49) "is nevertheless a frequently consulted expert and attentive reporter," and he continued to pass Keynes's correspondence to the Chancellor. "The more so," he added, "as I am quite convinced that his letters, even though addressed to me, are not intended exclusively for me".(50) This was of course true. Keynes did like what Cuno was doing. The converse relationship is also true: Melchior's meticulous letters to Keynes

were not written in order for the load of information and ideas coming from within the German decision-making machinery to be restricted to the attentive reading of the addressee.(51) The old informal working relationship between the two "experts", which had scored a clear success at the Spa meeting(52) outside the orthodox channels of official diplomacy, was energetically resumed. This time what was at stake was not the immediate survival of defeated Germany, but the economic reconstruction of Europe. The anomalous correspondence became more detailed and took on political depth. Melchior enclosed a letter from Cuno to Prime Minister Bonar Law, and his own correspondence with a high official of the Austrian government. Keynes enclosed his own correspondence with Reichsbank president R. Havestein, containing his viewpoint on monetary stabilization.(53) Both were however aware that a theoretical type of analysis of the international situation and of the technical proposals for strengthening the mark "appear already rather antiquated now that we are practically at open war and facing events, the consequences of which we are unable to weigh".(54) The invasion of the Ruhr brought new diplomatic initiatives, but U.S. diplomacy was blocked, despite the efforts of Cuno and the favourable attitude of Ambassador Houghton, who however had little credit at home; nor did British foreign policy, towards which the German government was insistently looking, seem capable of movement. "Mr. Bonar Law, without the strength to construct a new policy," Keynes commented publicly, "can only brood, sceptical and helpless, amidst the ruins".(55)

From the new political observation point Keynes had acquired in May that year - control of the authoritative liberal weekly The

Nation and Athenaeum, of which he became chairman of the editorial board and leading figure, as well as being an active front-page journalist - his analysis of the international situation became broader, more persuasive, richer in practical suggestions. While in the columns of the Nation Keynes continued to stress the "political" need not to lose sight of the "solid national interests" of his own country and the need for initiatives that were "frank and in cool relation to the facts,"(56) with Melchior he followed a different pattern.

German Foreign Minister von Rosenberg's attempt, contained in the note of 2 May (on which Melchior had largely collaborated), to block the no longer sustainable economic repercussions of the Franco-Belgian action, had not brought the hoped-for effect,(57) nor shaken the inter-allied "community of intent".(58) The note of 2 May - the first, abortive, official diplomatic initiative - had sought to set a figure for the total amount of reparations not too much below that proposed by Bonar Law in the January conference, nor too much above the one demanded by the German parliamentary forces, and in the difficult mediation had encountered manifest failure.(59) France "without previous consultation with the Allies" and Belgium had immediately rejected the note of 6 May, and on 12 and 13 May Italy - "so as not to be left out"(60) - and Britain did likewise. In Berlin the first rumours of the Cuno government's resignation were circulating and only the difficulties of replacing him seemed to keep it provisionally alive. From the British side, however, the rejection had been accompanied by a request for a new offer, and both Bradbury and Niemeyer, Keynes's old competitor at the Treasury, indicated that they regarded the

notes as "jumping point"(61) for further steps. "The Italian and British notes," wrote Mussolini to De Bosdari in those very days, "have the fundamental aim of allowing further development...".(62) The Wilhelmstraße therefore intensified its activity, and a new proposal began to take shape in the course of May. This activity was increasingly closely interwoven, up to the point of becoming identified with it, with Keynes's public and secret actions.

The activism of German diplomacy was imposed by the increasing costs of the policy of passive resistance in the occupied zone, which were interacting in a scissors effect with the already disastrous all-round financial position. The domestic conditions - the resistances of parties and of industrial circles - marked unsurmountable boundaries to the diplomatic autonomy of a fairly fragile government, and nevertheless the domestic social blocking, with the Reichsverband making industrial support for the government conditional on abolition of the eight-hour working day, which the working-class was not prepared to put up with, compelled the government to act on the foreign policy pole. The whole Cabinet - not only Foreign Minister von Rosenberg, linked with the most conservative interests(63) - a priori ruled out any possibility of offering a reparations figure acceptable to France while the occupation lasted, and the more or less obligatory direction the Chancellor had to take was that of endeavouring to drive a wedge between France and Belgium on the one hand and Britain and the United States on the other. More exactly, the obstinate resistance of the Republican administration to any attempt at involvement on the European scene forced Cuno to favour the British viewpoint, as apparently more flexible and hence suitable for the action of

isolating France that appeared to be the most obvious way to allow Germany to get out of its ruinous impasse. The putting into "cold storage" of U.S. ambassador Houghton - he returned home in May and was made by the State Department to stay two months, with the singular prohibition of making public speeches(64) - made this road absolutely necessary. The factors regarded as helpful in securing British support - acceptance of an international commission of experts of the type proposed by Secretary Hughes and the finding of a total figure close to the one proposed by Bradbury in January - were carefully weighed. The British political set-up was closely examined, and it was no hazard that Melchior, right from the beginning of his correspondence with his old friend, showed particular curiosity to know the attitudes of the "circles connected with the government now in office".(65) Initially, the impression Melchior gained was not very comforting: "...The predominant feeling is still decidedly francophile," he stated in early March, and "in the Prime Minister's entourage and around the Foreign Office" the situation did not seem "psychologically ripe" for a German initiative. German attention therefore concentrated all the more on the few openings that did come from across the Channel. In the press - which was a vehicle of increasing pressure after the war on the decision-making machinery of official policy - there weren't many. Among them, Keynes's articles in the Nation stand out for the persuasiveness of their well-founded technical argumentation and the practical nature of the proposals. On 12 May, Keynes contemptuously criticized the style of the German note of May, but simultaneously invited Curzon and Bonar Law "to hold open a door, keep a ray of light visible" on the substance of foreign policy. Certainly, the form annoyed him, timid, contorted and

passionless as it was: "One might suppose that her statesmen, as well as her students, were nourished upon potatoes". Of the first 59 words of the diplomatic document, Keynes pungently notes, only 20 are not "redundant or objectionable". Beside the literary form was the "great error" of formulating the German offer on the basis of an international loan - which Keynes rightly considers not feasible then - instead of on a scheme of annual payments; but the total figure indicated, a little less, counting the initial moratorium, than 30 billion gold marks, as well as the preparedness to accept some form of international intervention, do not in Keynes's view justify the curt negative response by France, where "the small, malignant figure of Poincaré lacks even the grim, ingratiating quality of the old grey owl, Clemenceau".(66) In sum, for Keynes it was necessary to keep the door open and reply in the same tone, precisely because "more will depend on the tone of our communication than on its substance".

The British government's reply of 13 May, duly interlocutory, did not however fill Keynes with enthusiasm. In the Nation of 19 May(67) he used very hard words against his old wartime Chancellor, even though he was linked to him by bonds of friendship. "The degree to which Mr. Bonar Law's Cabinet lacks both nerve and intelligence becomes painfully apparent in the face of big issues". The tone of the British reply exasperated him no less than the German note: "Our ministers also are potatoes-fed".

4. Keynes's "Suggested German Reply to Lord Curzon"

But Keynes, as Skidelsky observed, "is one of those people who is capable of both thinking and acting at the highest level". (68) Three days before publicaton of his thoughts in the Nation, he took up his pen and wrote directly to Chancellor Cuno. He was tired of commenting, and had precise ideas as to the tone of the diplomatic notes, even German ones. "Dear Dr. Cuno," he wrote from Cambridge, in a letter marked "private",

> "I have of course been following recent events with deep pessimism and profound sympathy for the efforts you have been taking. Nothing, in my opinion, is of any utility at present, except something which makes clear to the average Englishman and the average American the true purposes of France and Germany respectively. It is hopeless to attempt to satisfy France. Any further reply you may make to Lord Curzon can have no object except to affect favourable British and American opinion. It may be useless to say anything. But I venture, very humbly, to enclose a suggestion of the line which a further reply might take. I have shown this suggestion to no one. The reply must be short and simple and dignified. What I suggest does not amount to anything novel. Please excuse my presumption in sending it. A foreigner naturally feels much delicacy in making a suggestion.
> Yours sincerely, J. M. Keynes.(69)

There follow the suggestions, set out in order.

Keynes's initiative may appear extraordinary, though it will in fact surprise only those who have the partial image of Keynes as economic theorist and do not bear in mind how Keynes had already, off his own bat, written a crucial message to President Wilson, which bore only the signature of the British Prime Minister, and that he was to write other, fundamental, State papers in the future. At any rate, the Chancellor did not seem too surprised. Those were special times for official diplomacy, and

only four days after Keynes's letter Mussolini reminded his own ambassador in Berlin: "Nor should it be forgotten that any practical idea or concrete project announced to the public before being conveyed at high level would in all probability be undermined in advance by those whose interest it is that a peaceful solution not be arrived at".(70) Secrecy was compulsory. Nor did it belong solely to official diplomacy. Cuno showed the letter extremely confidentially to Melchior, asking him to answer the Cambridge don in his name, adding his own feelings of gratitude for the "extremely interesting suggestions". It is probable that he interpreted the "Suggested German Reply to Lord Curzon" included in Keynes's letter of 16 May as an original way of furnishing a further informative" contribution. Keynes instead had rather exact ideas on the content and form of a German note, and had appeared in public with Weberian(71) conviction as to the need, in those times, for a "statesman who could speak with fire and strength"; (72) he really meant to write that German document himself. What is even more extraordinary in this episode of informal diplomacy is that he effectively ended up doing so within a fortnight.

Keynes's "German Reply to Lord Curzon", divided into four short paragraphs, did not in fact contain entirely original proposals. The first point introduced, beside the offer of payment on the basis of an international loan - "because she [Germany] had understood that an arrangement of this kind was contemplated by the Allies" - the more realistic offer of payment in yearly instalments. The second paragraph repeats in full the proposal for an "independent tribunal" to decide on the amount of annual payments due as from 1927 (a starting-point different from Bonar

Law's general plan of January, which was otherwise substantially taken over). The knottiest problem, particularly for its repercussions on domestic political balance, of guarantees of payment was dealt with in the third paragraph, which asked the Reparations Commission to set out the guarantees for the case of interruption of payment itself. The fourth and last point - the most crucial one - linked payment of reparations to occupation of the Ruhr, stressing, in "short and dignified" fashion,(73) that Germany "regrets that reparations payments must remain materially impossible so long as such occupation continues". Since the French official viewpoint was exactly the opposite, the "German Reply" suggested by Keynes clearly could not resolve the international impasse, but only extend the area of consensus for the German viewpoint, especially in Britain, "and perhaps also in Italy and even in Belgium", as Melchior himself hoped.

The highly confidential correspondence with Cuno - "nobody else knows of this exchange", Melchior assures him(74) - continued apace. Melchior let Keynes know "in the name of our mutual friend" that because of the likely change in the composition of the British cabinet due to Bonar Law's mortal illness(75) and of "the still necessary deliberations on this side", no official answer would be formulated during that week. In relation to the strictly confidential nature of the correspondence, Melchior asked Keynes for a telegram containing the single word "received", as a reply. Characteristically, the telegram contained one more: "received, replying". Keynes did not miss the chance to go in still further. (76) He accepted Melchior's observation on the need for the new

German note "not to irritate" France, by making too insistent reference to Bonar Law's January proposals (which France had rejected then and could not accept now, but which Keynes had deliberately included in the proposal in order to ingratiate it with British public opinion). In other respects, he repeated his conviction of the inappropriateness of insisting on the international loan, which he regarded as unrealistic,(77) and on a giving of a total figure for reparations that was bound to provoke irritation. Melchior "immediately" forwarded Keynes's letter to the "mutual friend", and replied in haste, stating exactly the government's point of view.(78)

Looked at in retrospect, the situation was at the time more blocked than the two friends wanted to admit even to themselves. The new Note, in fact, in order not to "irritate", obviously had to be different from the old one of May. But since for domestic reasons it was impossible to move towards the position of the French occupier, the only alternative was to come closer to the British point of view, ipso facto making France's attitude more rigid. The total figure, in particular, could not go back to proposing the assessment of thirty billion gold marks put forward by Bergmann at Paris and repeated in the first German Note, without "irritating" the French government. But a higher figure - even if technically possible - would now inevitably have discredited the German government, while a lower one would have "irritated" even the British government. Silence on this point, which Keynes proposed, was probably the only road open for a new Note, which in that deadlock situation could probably not expect to do more than aim at psychological effects on public opinion. It was at this

level that Keynes, with experience behind him,(79) felt himself called on to put it more decisively. "Let Germany instead of making moan about how badly she is being treated", the British former civil servant concluded, "insist rather on her capacity of indefinite resistance and even introduce a slight note of menace. Her present propaganda about how cruelly she is oppressed produces the impression that she will break down before long. In the long run firmness and a proud bearing will produce more effect on opinion than conciliation and moans".

Bonar Law's disappearance from the political stage seems to have suddenly introduced new factors onto the international political scene. The previous government's line of "benevolent impotence" seems to give way to the "new and sharp statement of the aims and methods of British policy in Europe" which Keynes had energetically advocated from the columns of the Nation.(80) The announcement of the new Baldwin ministry came on 26 May, and on that very day Keynes and Melchior wrote each other letters. The inclusion of Lord Robert Cecil in the new cabinet and the initially announced appointment of McKenna as Chancellor of the Exchequer seem to have had an electrifying effect on Keynes, who again even thought of a "flying visit" to Germany. Both of them - particularly McKenna(81) - were old friends, and Keynes was well aware of their flexible attitude to the problem of European reconstruction, and he had past experience of his own ability to impress them with his political judgement. "There are now two very influential figures who do not believe in huge figures," he immediately wrote to Melchior,(82) at the same time announcing that he would visit Germany soon. McKenna did not in the event secure the

post in the Baldwin administration, and it was Neville Chamberlain who became Chancellor. But this did not stop Keynes, who saw the conditions for finally effective intervention, rather than comment or theoretical assessment, coming into being. A "big difference", a "distinct possibility of a new orientation," had arisen, he writes, "all this means that time is important. I think now that Germany should neither make a new offer nor reiterate her old one. But should simply write a very conciliatory reply asking for a conference at once, or, if preferred, in three months time". On the text of the message, as usual, Keynes had clear ideas: "I can see very well what lines such a reply can take". These were not words thrown out at random. Among Keynes's documents, Elizabeth Johnson has unearthed a manuscript headed "Dear Mr. Prime Minister", which, for its interest in this context and in the reconstruction of the operative and psychological dimension of Keynes should be reproduced in its entirety. The extraordinary missive, head of government to head of government, continues as follows:

> "Perhaps it is permitted in the unusual conditions of today for one holding my office to write a few words to one holding yours, as a private man, yet expressing feelings of public consequences.I have held my office six months. It lies outside the scope of my career and my ambition. I would gladly lay it down. I accepted it with the thought that I might contribute something, because as a business man I have been trained to discuss frankly in international negotiations. I hoped to meet face to face those who speak for the Allied countries. But time passes by. Great misfortunes accumulate. I am imprisoned in Berlin, powerless to escape from the sterile interchange of diplomatic notes. I still think that we can only get out of this impasse by establishing a direct contact."

With our present knowledge, we cannot know Cuno's reaction to this proposal from Keynes for a direct line, which the Chancellor

himself, in his capacity as "man of business", was to have put to the British Prime Minister. But the fact that once again he did not regard them as the extravagances of an academic - or that the "unusual" situation in any case convinced him to pay attention to any kind of signal, even if not official, coming from the other side of the Channel - is shown by the reaction of the Chancellor's close collaborator, Melchior. The Hamburg banker, who had already, from the outset, assisted the Wirth administration - which like Cuno he had refused to enter - at that time constituted the connecting link between the banking community and the government machine. He shared with the Chancellor the bitter experience of the peace negotiations, and common origins in the financial world of the Hanseatic towns; in these difficult days he was continually called upon to assist the fragile Cuno government with his recognized technical competence and tested experience of international economic relations. Melchior considered Keynes's arrival "quite excellent from all points of view". "We on this side are under the impression that certain hopes may for the first time be entertained that the questions which have hitherto prevented the realization of peace may be solved with the cooperaton of the new English cabinet".

However, time was short. The mark had crashed from 200 thousand to 2 million against the dollar - compelling the Reich statistical office to introduce the valuable new technique of graphical representation on a logarithmic scale(83) - so that no hesitation could be permitted, because "that state no longer in the position to halt the collapse of its currency," as was stated within the Cuno administration itself, "necessarily loses its

authority and ultimately its right to existence".(84) Those same days saw the end of a further attempt by von Rosenberg to force the Allied blockade and isolate France by the confidential proposal - which would if leaked have been denied by the Foreign Minister himself - made to only the British and Italian governments. Von Rosenberg's initiative, "progress" by comparison with the note of 2 May according to Mussolini,(85) was blocked by Curzon on 30 May. By contrast with the head of the Italian government, the British Foreign Minister refused a priori to receive proposals not simultaneously communicated to all the Allies, and immediately conferred with the French ambassador. Mussolini, in order to maintain "uniformity of language", followed suit - though reluctantly. That "veritable amateur in foreign policy", as Curzon defined him in those days, had not during April resisted the temptation to work out a five-point plan, to pass in "absolute secrecy" to Germany, which was in turn to be presented as its own to France; and it was only the firmness of the Foreign Office, disinclined to get involved in "the ineffectual way of doing business which is characteristic of the Italians",(86) that blocked the Mussolini plan. Curzon, however, though naturally opposed to being entangled by von Rosenberg or by Mussolini in officially giving "concrete advice" to Germany, "which might lead the two Allies to establish inappropriate solidarity with it, and even bring in their own responsibility to Germany itself should France not accept the ensuing German proposals...",(87) had a rather more conciliatory attitude towards unofficial initiatives that did not openly commit the responsibility of his own government. Von Rosenberg, from the other side, had for some time been convinced of the need, in one way or another, to introduce into

the elaboration and negotiation of the financial proposals the more flexible viewpoint of the "bankers", in partial substitution for the much more rigid one of the governments.(88) There was, then, room for action by informal diplomacy; time perhaps was lacking. The great question," as Melchior summed it up, "is whether we shall be able to bear long enough the strain at home and from abroad".(89)

5. Keynes in Berlin. The German Note of 7 June

Keynes rushed off to Germany. From this crucial visit to Berlin few direct traces remain; they were often intentionally effaced by Keynes himself, as always careful to disguise his own action in government. Before leaving, on 30 May, Keynes asked with extreme urgency to see the Prime Minister at 10 Downing Street. "I have something I want badly to ask you. I have had certain communications with Germany in the last few days... [the Germans] might be influenced into more fruitful paths...".(90) The meeting with Baldwin(91) - of which Keynes has left nothing in writing - and the one with the Chancellor designate, McKenna, preceded by one day the meeting of Melchior with the Chancellor, Cuno, and the Foreign Minister, Von Rosenberg, who had called the Hamburg financier to Berlin to discuss the formulation of a new Note. The evening of the following day, Friday 1 June, Keynes arrived in Berlin. Keynes had told Melchior he would visit Hamburg, but the change of destination was obligatory, and emphasized the operational, albeit informal, nature of Keynes's mission. The very

night of his arrival Keynes discussed with Melchior the draft Note which Melchior himself was preparing at Cuno's request. By telephone, Melchior asked Cuno for permission to show the note to Keynes. Keynes suggested changes. The following morning the Chancellor and the Foreign Minister met for a private discussion with Keynes. Melchior joined the company later, when the object of discussion had become the actual formulation of the Note. Melchior and Keynes's draft, prepared the previous night, was discussed in parallel with the one prepared by the Foreign Minister. Von Rosenberg's proposal to include an explicit reference to specific figures, which resumed the line adopted by Rathenau right from the Genoa conference,(92) was naturally opposed by Keynes and Melchior, who were acting in agreement. On the afternoon of the same day, it was agreed to produce a new draft, including Keynes's viewpoint and eliminating that of the Foreign Minister. In the evening, Keynes, Melchior and von Rosenberg were guests at the Chancellor's house, and the afternoon draft was rediscussed and approved. Keynes undertook the task of polishing the English translation of the text of the Note. For someone who like him had enthusiastically reviled the vices of "professional translators", (93) and whose studies of mathematical logic had sharpened his knowledge of German, this would certainly have been an intellectually satisfactory operation. The translation of the Note was approved the following afternoon, Sunday 3 June, and Melchior (who unlike Cuno had a perfect knowledge of English) and Keynes met in the residence of the Foreign Minister for the inevitable afternoon tea, and once again, for the last time, discussed the text of the Note.(94) Keynes's hand is obvious from the mere comparison of the

terse, dry style of the document with that of the previous Note of 2 May.

The following day, 4 June, Keynes went back to London "without doubt to prepare" as Melchior notes in his diary, "public opinion, especially at the Times".(95) Confidentiality was extreme. That day, the British Chargé d'Affaires telegraphed from Berlin to give assurances that according to "an unimpeachable source" the Cuno government had not yet decided the "main lines of their new reparation offer".(96) The very same day, however, we know from a German source that Keynes met the Prime Minister and communicated the contents of the Note.(97) Curzon's prejudices were thereby overcome. On 5 June, Keynes's fortieth birthday, he prepared to defend the new German note, which was eventually handed over on 7 June, in the columns of the Nation (because the Francophile Times, though it had effectively suspended its ostracism of Keynes with the passage from the Steed editorship to Dawson's at the beginning of the year, was obviously not the main vehicle for his journalistic influence).

"The new German note," Keynes was to write in the anonymous editorial in the Nation,(98) "has been received by the British press with a remarkable unanimity of quiet approval". "The Note is important for its tone and method of approach," its writer commented with detached balance, "rather than for what it adds to the previous Note". In an article in the same journal, this time signed, Keynes added: "The new German Note affords a fair basis for the settlement of the economic problem of reparations as it is within the power of any German government to give... it is a

moment when 'diplomacy' has vast powers for good or for evil". What the Baldwin government had to do "is not difficult": it should publicly state that "the German Note offers an acceptable basis of negotiation".(99) The problem was a political one, Keynes maintains, since economically the German position was indisputedly right, and it was therefore on it that the Baldwin government's political line ought to fix itself.

It should nevertheless be noted that Keynes's contribution from the columns of the Nation, however appreciated it might be by the Germans, does not help much towards an understanding of the real facts of the international political situation. The diplomatic recipe Keynes was proposing, in assuming the economic reasonableness of the German line and the danger that a negative reply by the Allies would lead to the collapse of the Cuno government and its replacement by an "irresponsible coalition of the extreme left," could end only in an invitation to isolate the policy of Poincaré. The French line was defined by Keynes as an attempt to secure "the capitulation of Germany and the signature by the German government of a blank cheque which has no relation to 'Germany's so-called capacity of payment'." Economic assumptions, in sum, led Keynes to exaggerate the political implications contained in his viewpoint, touching the most sensitive chords in the British political vision of the continental balance of power: "The main fact would be the devertebration of the German Reich, and the establishment by France of a military empire in Europe beyond challenge by any visible forces. France would have achieved what Germany was broken in attempting".(100) But "the old story", as

Keynes himself calls it, could not, in the international conditions of summer 1923, bring about sufficient effort of "diplomatic energy" to produce the isolation of France. Mussolini's Italy and even the Belgium of Theunis were closer by inclination to British caution than to Poincaré's extremism. Italy in particular, after the pro-French turn imposed in the inter-allied Paris conference by Tomasi Della Torretta, who on that occasion replaced the better balanced Mussolini of the London conference of December 1922, adopted a clear line of rapprochement with Britain (101). But it was the absence of the United States that counted, with its resilience in the matter of reparations and war debts. Keynes used this, rather unpersuasively, as an argument a fortiori: "We cannot dissociate ourselves from the affairs of the Continent and the working out of the Treaty of Versailles, as the Americans have done". The optimism of the will, however, came up against insurmountable barriers in the deadlocked context of international relations in that period. The American administration's line weighed too heavily on the cautious attitude of the Foreign Office, and Curzon, who should have replaced Bonar Law as head of government and as Foreign Minister, found himself inheriting from the Treasury competency in matters of economic reparations, had adopted a position of cautious waiting which the Prime Minister, Baldwin, was not capable of budging, even if he had wanted to. The German Note appeared abroad to open up a "serious crisis in Anglo-French relationships", and Curzon has been described as "[he who was] examining possibilities for diplomatic action leaving out France, so as to arrive with Germany at a solution of the reparations problem",(102) but the crisis was apparent only and Curzon's meditations did not last long. The "diplomatic interlude" that the

German government desperately wanted was coming to its inevitable end. The prolonged silence by the Foreign Office regarding the Note of 7 June - though it was indeed well received by the British press, by the Italian government and even by the American one, (103) a rather more important matter for the long-term solution of the question - did not seem to produce initiatives of any kind, other than the improbable rumour of a "British threat to negotiate separately with Germany".(104) This encouraged the German Chancellor to make one more attempt at informal mediation - the last one. The weakness of his government within the Reichstag, where, since he could not count on support from the Deutsche Volkspartei he could not permit himself open discussion of foreign policy either, again compelled him to act on the level of secret diplomacy. This time John Foster Dulles was to be the protagonist of a further attempt at mediation between Germany and the European powers, which was to take him, between 4 and 25 July, from the Hapag offices in Hamburg to those in Berlin, Brussels, Paris and again Berlin, until he came to realize what Keynes had always been convinced of: "American unwillingness to abolish or reduce the Allies' war debts, was the real stumbling bloc while all other problems could be solved".(105)

The "illusionary policy" of the German government, of playing Britain against France using the spectre of Germany's impending economic catastrophe, thereupon came to an end in barely three weeks with the fall of Chancellor Cuno.

It was Versailles, it has been said, that killed Weimar. Not the "great inflation", which perhaps guaranteed its parliamentary

system. But it was not a case of "ineffective diplomacy",(106) as Stresemann reproached Cuno. Nor was Keynes's "incomprehension", of which much has been said, "technical", depending on inability to separate the budgetary aspect from that of transfer.(107) That the problem of transfer "is solved once the budgetary problem - the problem of raising the domestic funds without resort to credit creation - is solved",(108) was something Keynes was aware of. But reparations were a tangled knot, with two ends: one might seek to unravel it from the "external" end, by securing the necessary loans, or else from the "internal" end, through a rigorous fiscal programme and a plan for stabilizing the mark that would meet with the co-operation of German industry. The alternative was purely political, precisely because "a German government... could be no stronger than the social groups it represented...".(109) The Cuno experiment in essence represented the external option, the government of technicians looking for an international financial solution to their emergency. "Von der äußeren Gesundung hängt die Gesundung der inneren Verhältnisse ab", as Cuno himself had stated .(110) But this was rendered simply impossible by American rigidity. Keynes, then, was not "getting his sums wrong" but pursuing the impossible path that had already compelled him to resign in 1919 and was at the end of 1945 to take him to Washington to negotiate the British loan personally: the controlled involvement of American financial power in Europe. In summer 1923 the times were not favourable to Keynes; though conventionaly criticized as a "technician", he failed, if anything, as a "politician".

"The Note [the German one] of 7 June ," as the situation was summarized in those difficult days to an American correspondent by

Keynes, who at his desk completely recovered that detached objectivity which was sometimes clouded over by action in the channels of secret diplomacy, "has done all it was capable of doing and has ranged virtually the whole of British opinion on its side. I don't know when the Press has been more unanimous in quiet approval. Germany having done what she can, the game is now between England and France. It is impossible to be particularly hopeful..."(111)

6. Conclusions

Two conclusions may perhaps be drawn from the Keynes-Cuno case. Above all, the need for historiographical review of the period after the First World War - "that swarm of revisionists," as Gordon Wright has called them, "that has descended upon the carcass of Europe of the Twenties," - to concentrate on the difficult informal relationship between high policy and economic foreign policy. The movement of classic diplomacy is in essence a distorting mirror of the movement for construction of the économie dominante in a world in which the trans-national model of international relations temporarily prevails and those who, like Schuker and others, have taken as a central theme of analysis "to blend diplomatic, economic and business history" are the ones who are right. "In the 1920's and early 1930's, financial issues were not merely arcane matters relegated to bankers and economists... economic issues dominated diplomacy".(112) They were a normal instrument in effective international negotiation. It was not a case purely of the expansion of the State's role in the economy that the world

conflict had brought in its wake, and which meant, as Howson and Winch have noted for the British case, a growing awareness "of the need to strengthen the machinery of financial intelligence at departmental if not cabinet level".(113)

"The inter-war period is perhaps the high-noon of politicized international finance", as de Cecco well summarizes it.(114) The importance of economic problems grew throughout the Twenties, as did - rather more slowly - the weight of the technician and economic adviser in the foreign policy making apparatus, and as did, above all, the general conviction inside and outside the "official mind" that it was the technician rather than the professional politician who "possessed the flexibility and expertize necessary to build a viable world economy". The "doctrine of salvation through science" had a rapid, though not lasting, spread. The "scientific spirit" counterposed to the "sterility of the party attitude", the "substantially intellectual nature of the economic question", "capable of rational solution" by its very structure, had the effect of bringing onto the scene of international negotiation, at least temporarily, those "forces entirely divorced from political origin or action" that the Secretary of Commerce Hoover, though not only him, earnestly hoped for.(115)

From the U.S. refusal to ratify the Versailles Treaty to the London conference of 1924 on reparations, when the United States re-emerged as Schuker says "as a limited participant in European affairs" there was a diplomatic lacuna in which the lines of search for stabilization moved underneath the official surface. In this sense a crucial step was Wilson's rejection of Keynes's

plan in spring 1919, since it had stifled at birth the prospect of an Anglo-American partnership founded on long-term government loans and on the assumption - a rather hazardous one considering the aggressive activity of the National City Bank within the American International Corporation - of increasing American use of the then hegemonic British financial system. The Morgan-British partnership of the immediate post-war years was to prove an inadequate substitute. That great rejection, then, imposed recourse to private channels of finance for European reconstruction and essentially took the German problem out of Allied control, thus removing the real questions from the agenda of formal diplomacy. It was not reparations which were the "dominant issue in postwar international politics,"(116) as Trachtenberg well says, but "America's unwillingness to go along with these plans" for intergovernmental co-operation, the failure of which was to lead France to stiffen its postion on the line of exaction of the reparations themselves. From this point of view the political significance of the Note of 7 June is that of closing, to use Curzon's words, the phase of "the waiting game,"(117) that is, the period, in Secretary of State Hughes's more detached expression, in which each side, after "having each amused itself with its own little bit of chaos",(118) was moving towards a "fair agreement". The necessary solution after that could only be "external", that is, through U.S. financial participation(119) and through an international conference, since, as the Note of 7 June said, "decisive progress cannot be made by written expositions but only by oral intercourse at a conference". The failure of the Note - and the fall of Cuno - are thus posed as the preliminary conditions for the success of the line of involving the American government, for its fateful option to "go in"

rather than its determination to "stay out".(120) This was, for Germany - and for Keynes - the matter of "supreme importance". (121) Its immediate failure was thus the reason for its long-term success, when pressures within the U.S. financial world(122) ultimately met up with the finding of the British government that "that unity of thought which either renders common action possible or will be successful in finding an early solution, appears to be lacking among the European Powers".(123) The Dowes solution was taking shape already in autumn 1923, and logically followed the failure of the German Note of 7 June. "In the last analysis," as McDougall correctly summarizes, though the observation ought to be confined to the initial period, "it was the misapplication of American financial power which shaped the political economy of interwar Europe".(124) And it was precisely this that made the early Twenties a period of delayed stabilization in international relations.(125) The policy of productivity that was to constitute the framework of U.S. foreign policy after the Second World War was thus still far off, and the Americans in those years insisted on asking for political stability first in order to discuss financial support later. As Feis notes, "The dollar chaperon of the first decade, discouraged, stayed at home".(126)

In this situation of deadlock, of obscuration of the "official mind" (a situation often more suited in fact to producing "bricolage rather than architecture",(127)), particular importance is to be attached to the action of people like Lamont, Kent, Mayrisch or Foster Dulles. Or Keynes. And if Keynes succeeded where Mussolini had failed, this symbolically underlined the degree of

"transnationalism" and of blockage of official diplomacy in that period.

In the second place, the Cuno case suggests the need for a historiographical revision of Keynes himself. As Ricossa has recently noted,(128) "It is not beyond question that the conventional image of him that circulates is really exact or even complete..." Indeed it is not. "I have felt," wrote Austin Robinson, "that he was being appraised by a group largely composed of theoretical academic economists as if he were a theoretical academic economist. But that is not Keynes, or not the complete Keynes..." (129) By contrast with the stereotyped image of the great economic theorist, which historians seem to have taken over quite uncritically from the economists, Keynes in reality "was not, or was rather seldom, a theoretical innovator," as Austin Robinson forcibly insists, "...he was a uniquely clear-headed civil servant... in the very best sense of those words", "an operator", even if "as with any real politician, nine-tenths of the Keynes iceberg was invisible".(130) And Keynes, as we have seen, was particularly careful to maintain that invisibility.

If, as Maier maintains, "the pre-eminent Western diplomatic task... [was] integrating German economic dynamism into an international system of exchange...",(131) we can see Keynes operating precisely and concretely in that direction. "The pro-German scribe from Cambridge", as Tardieu described him, was in fact no more pro-German (as Harrod's silence on Keynes's action in Germany seems almost to confirm) than he was to be pro-American at the end of 1945. He "looked at the capitalist system as a system, a

structure, in movement"(132) on which to operate, because Keynes, as now seems to be largely accepted at the recent Keynes Centenary Conference, was above all a "do-gooder".(133) The recent acquisition that revisionist historiography of the period after the First World War has arrived at concerning the technical reasonableness of the reparations demanded from Germany thus contradicts Keynes as a technician, not the more important Keynes, the politician. If the "clever dilettante with a great potential for public mischief",(134) "the abstract theoretician",(135) "the brilliant but fickle and unreliable intellectual"(136) of the period after the First World War was to seem in the period after the Second to rise "to the highest levels of maturity, balance of judgement, and world-oriented statesmanship",(137) if, as one now begins to see, after the opening of the official archives, he was to appear during and after the Second World War as "the dominant figure in the formulation of British economic foreign policy"(138) and "dominated"(139) Whitehall, this is due less to an unlikely subjective transformation than to the difference in the objective conditions in the period after the Second World War when, finally, according to Keynes, the United States were able "to contribute to the process of building up the good forces of Europe".(140)

Behind the facade of the economist "who failed to understand the degree to which politics and economics were interwined in such questions as the Allied war debts",(141) of the "bitter and sometimes irresponsible critic of the treaty of Versailles ",(142) there was, then, an active and conspicuous subject in the "barren fields and waste lands of financial diplomacy",(143) there was "a

man of action".(144) "I am not, and I never have been, a Professor..." Keynes was to thunder,(145) and he could delight in disagreeing with George Bernard Shaw on the major themes of Marx's work and of the achievement of communism in the Soviet Union, but on one thing - at least one thing - he could intimately agree. That is the Irish wit's rather cutting maxim: "He who can, does. He who cannot, teaches."

NOTES

1 France and the Treasury in Collected Writings of John Maynard Keynes (CWK), vol. XVI, London, 1971, 409.

2 G.W. Whitney of the U.S. delegation to the peace conference to N. Davis of the U.S. Treasury, in D.P. Silverman, Reconstructing Europe after the Great War, Harvard, 1982, 35.

3 A. Rathbone of the U.S. Treasury to N. Davis, ibid., 34.

4 Ibid., 37.

5 T.W. Lamont, U.S. representative at the peace conference, member of the Young Committee, partner and "guiding spirit" of J.P. Morgan & Co. The definition in S. A. Schuker, The End of French Predominance in Europe, Chapel Hill, 1976, 111. See also, id., "Finance and Foreign Policy in the Era of the German Inflation: British, French and German Strategies for Economic Recontruction after the Firt World War" in O. Büsch and G.D. Feldman (eds.), Historische Prozesse der Deutschen Inflation. 1914-1924, Berlin, 1978.

6 For an earlier discussion of the économie dominante, see F. Perroux, Esquisse d'une théorie de l'économie dominante, Paris, 1949.

7 N. Bousquet, From Hegemony to Competition: Cycles of the Core? in T.K. Hopkins and I. Wallerstein (eds.), Processes of the World System, vol. III, Beverly Hills, 1980, 75.

8 On the House of Morgan's line to "americanize" the British banking system, see C.P. Parrini. "The postwar profits of the House of Morgan did not come from arranging the export of American goods, but from floating securities for development projects under the overall control of the integrated British financial mechanism". C.P. Parrini, Heir to Empire. United States Economic Diplomacy, 1916-1923, Pittsburgh, 1969, 60 and, in particular, 265.

9 P. Kindleberger, Le rôle des Etats-Unis dans l'économie européenne in L'Europe du XIX et XX siècle, tome 3, III, Milano 1959-67, 424, 448.

10 G. Migone, "Le origini dell'egemonia americana in Europa", in Rivista di Storia Contemporanea, 4, 1974, 446.

11 For a revision of the notion of American isolationism in the Twenties, see the classical analysis by W.A. Williams, "The Legend of Isolationism" in Science and Society, Winter 1954. The active economic foreign policy pursued by the American government, particularly in Latin America, coexisted, however, with a negative attitude in the field of European reconstruction. See, on the subject, D. Artaud, La question des dettes interalliès et la réconstruction de l'Europe, Paris, 1979; C.P. Parrini (n.8) F. Costigliola,

"Anglo-American Financial Rivalry in the 1920's" in Journal of Economic History, 4, 1977. N. Gordon Levin, Jr., Woodrow Wilson and World Politics, New York, 1968. M.E. Falkus, "United States Economic Policy and the 'Dollar Gap' of the 1920s" in Economic History Review, 2nd series, XXIV, 1971.

12 M. de Cecco, International and Transnational Financial Relations, EUI working paper, Firenze, 1984, 4.

13 Quoted in M. Trachtenberg, Reply in Journal of Modern History, 51, 1979, 84. For a significant caricature of the diplomatic activity, see the description made by the British representative in the Young Committee: "...it is still a madhouse, in a way, - all are mad in a very genteel way, the main occupation being elaborate proofs, from different angles, of sanity. One half sit round a hat, saying with Couê reiteration: There is a rabbit - there is. The other half try to make a noise like a succulent lettuce. There is a general conviction that the more eminent the conjurors convened, the more certainty is there of the existence of the rabbit". Sir Josiah Stamp to Keynes, undated, CWK, XVIII, London, 1978, 306-7.

14 M.P. Leffler, The Elusive Quest. Americans Pursuit of European Stability and French Security, 1919-1933, Chapel Hill, 1979, 364.

15 J. Bariety, "Le rôle d'Emile Mayrish entre les sidérugies allemande et francaise après la première guerre mondiale" in Relations internationales 1, 1974, 134.

16 R.Harrod, The Life of John Maynard Keynes, London 1951. R.S. Skidelsky, J.M.Keynes. Hopes Betrayed. 1883-1920, London 1983. See, however, R. Skidelsky, "Verdicts on Versailles" in The Times Literary Supplement, 15 September 1978, 1028. Unpersuasive the comments by S.A. Schuker in his review of CWK XVII and XVIII in Journal of Economic Literature, March 1980.

17 CWK, XVIII, 18-26. Daily Telegraph: "His remarks are reported in the German press at length and with a prominence which is usually reserved for the heads of governments".

18 "In my opinion, all German counterproposals should stress the contradiction between the economic and financial clauses. We should stress Germany's readiness to pay an indemnity, but we should also make our position clear that if we are expected to pay, we must be allowed to work." Wilhelm Cuno Nachlaß, quoted in H.J. Rupieper, The Cuno Government and Reparations, 1922-1923. Politics and Economics, The Hague, 1979, 16.

19 From Cuno's speech at the Brussels conference of December 1920. See H.J. Rupieper, (n.18)17.

20 Max von Stockhausen, Sechs Jahre Reichskanzlei. Von Rapallo bis Locarno. Erinnerungen und Tagebuchnotizen 1922-1927, Bonn, 1954, 53.

21 C.S. Maier, Recasting Bourgeois Europe, Princeton, 1975, 356.

22 R.P. Grathwol, Stresemann and the DNVP, Lawrence, 1980, 15. H. Holborn, "Diplomats and Diplomacy in the Early Weimar Republic" in G.A. Craig and F. Gilbert (eds.) The Diplomats 1919-1939, vol.I, The Twenties, New York, 1972(7), 157.

23 R. Hilferding, Minister of Finance in the Great Coalition. See J.A. Craig, Germany, 1866-1945, Oxford, 1978, 445; H.J. Rupieper (n.18), 18. Opposite the judgement given by the American ambassador in Berlin, who stated in July 1922 that "...Cuno is one of the really great constructive forces in Germany. His indirect power with the Government is tremendous...". H.J. Rupieper, "Alanson B. Houghton: An American Ambassador in Germany, 1922-1925" in International History Review, 4, 1979, 500. The Author's opinion, however, is that Houghton was exaggerating Cuno's political influence.

24 See J.A. Craig (n.23), 445.

25 H.J. Rupieper, "Alanson H. Houghton..." (n.23), 501.

26 W.A. McDougall, France's Rhineland Diplomacy, 1919-1924, Princeton, 1978, 237; E. Eyck, A History of the Weimar Republic, Cambridge Mass., 1967, vol. I, 228. S.A. Schuker, (n.5).

27 C.S.Maier (n.21), 257.

28 E. Eyck (n.26), 228. S.A. Schuker speaks of a striking continuity" in foreign policy. S.A. Schuker (n.5), 22; (n.26), 358.

29 C.S. Maier (n.21), 269.

30 W.A. McDougall (n.26), 269; J.C. Favez, Le Reich devant l'occupation franco-belge de la Ruhr en 1923, Genève, 1969, 66. See also Documents on British Foreign Policy, (DBFP), 1919-1939, First Series, vol. XXI, doc. 160, Sir A. Head to Curzon, Berlin, 12 April 1923, 167-8; also doc. 181, D'Abernon to Curzon, Berlin, 12 April 1923, 209-212.

31 J.A. Craig (n.23), 451.

32 Ibid., 456. Craig's opinion is that towards the end of June 1923 Cuno's government had already lost contact with the country.

33 H.J. Rupieper (n.23), 501.

34 Foreign Relations of the United States, (FRUS), 1922, vol. II, 202.

35 Ibid., 199.

36 C.S. Maier (n.21), 288 (emphasis added). Paradoxically, as Hogan has noted, the bankers then asked for "governmental control", while the Government insisted that "the private initiative should be restored". Cf. M.J. Hogan, Informal Entente: The Private Structure of Cooperation in Anglo-American Diplomacy 1918-1928, Columbia 1977, 33. Also C. P. Parrini (n.8), 55.

37 Of Kent's activity of mediation in May 1923 between Paris and Berlin, there is no trace in the Quai d'Orsay documents as stated by D. Artaud who had disclosed this important episode of unofficial diplomacy. (D. Artaud, La question des dettes interalliés et la reconstruction de l'Europe, thèse multigraphiée, Université de Lille III, 1978, vol.II, 571). Nor does J. Bariety make any reference to it in his voluminous research on L'évolution des relations franco-allemands après la première guerre mondiale, Paris 1977. (Cf. also McDougall (n.26), 274 and M.P. Leffler (n.14), 81.) Rupieper who has the merit of being the first to focalize on this mouvement of informal diplomacy, merely mentions it ((n.18), 150 no.244), while he presents the action of mediation pursued by J. Foster Dulles in great detail. None of the quoted authors makes any reference to Keynes's far more penetrating action in this regard.

38 The exchange rate, which had already been 5,074 DM to the pound in August, had fallen to 14,45 DM to the pound in October and 32,146 in November. Besides Keynes and Cassel, R.H. Brand, J.W. Jenks, G. Vissering, L. Dubois and B. Kamenka also went to Berlin, but rather as a counterbalance, as the Chancellor himself stated. "Cassel and Keynes" Wirth told the British ambassador in Berlin "were both men of extreme theoretical views and quite indifferent to what anybody else thought of their own subject". He had therefore "watered" them, enlarging the number of experts. Lord D'Abernon, An Ambassador of Peace, vol. III, The Years of Recovery. DBFP, XX, doc. 105, 110, D'Abernon to Curzon, Berlin, 5, 11 November 1922, 281, 9. D. Felix, Walter Rathenau and the Weimar Republic, Baltimore, 1971, 179-180.

39 Keynes to Sir John Bradbury, 20 October 1922, CWK, XVIII, 61-2.

40 Keynes to Melchior, 17 November 1922, ibid., 65. In his letter of 1 December (ibid., 85), Keynes will be even more straightforward : "...from the small knowledge I possess, the Cabinet he has collected together looks like a wretched

affair. Am I right, or not?". Melchior, it should be noted, had declined the offer to enter Cuno's Cabinet.

41 "How can anyone expect America to turn over to Germany any considerable measure of new working capital to take the place of that which the European nations have determined to take from her?". Wilson to Lloyd George, 5 May 1919 in R.S. Baker, Woodrow Wilson and World Settlement, New York, 1923, vol. III, 346. On Keynes's plan, "a sort of Marshall Plan albeit on a smaller scale", see S.P. Tillman, Anglo-American Relations at the Paris Peace Conference, Princeton, 1961, 269; M. Gordon Levin Jr. (n.11), 145ff; G. Ferrari Bravo, "Politicus. J.M. Keynes nella prima guerra mondiale" in A. Agnati, A. Covi, G. Ferrari Bravo, I due Keynes, Padova, 1983, 66ff..

43 C.S. Maier (n.21), 367. "Diligent scrutiny of Reich Chancellery files suggests that both the Wirth and Cuno governments consciously and knowingly postponed the tax and budget reform that alone could provide the basis for monetary stabilization because they sought first to obtain a reduction of the reparation bill ", S.A. Schuker, Finance and Foreign Policy (n. 5), 351. Id., "American 'Reparations' to Germany" in G.D. Feldman (ed.), Die Nachwirkungen der Inflation auf die Deutsche Geschichte 1924-1933, München, 1985, 340.

43 On Bergmann, a protagonist on the background of German economic policy between 1919 and 1924, cf the interesting judgement by Keynes: "...he was one of the most successful of that invaluable class of persons who do not occupy gilded chairs, but estabish friendly informal relations with the opposite side and are the vehicles of those private communications exploring the possibilities of the situation, yet committing no one to anything, which are the indispensable preliminary to success in formal conferences, especially in those conferences which concern more parties than two... such gifts are required to smooth the edges of international life and to combine the advantages of secret with open diplomacy". CWK, XVIII, 290-1.

44 W.A. McDougall (n.26), 238-9; C.S. Maier (n.21), 292. On the Paris conference, see DBFP, XXI, docs. 2, 4, Crewe to Curzon, Paris, 2-3 January 1923. On the invasion, see in particular D. Artaud, "A propos de l'occupation de la Ruhr" in Revue d'Histoire moderne et contemporaine, 17, 1970, 1-21; id., "La question des dettes interalliées et la reconstruction de l'Europe" in Revue historique, 530,1979. Artaud's thesis has been well received by recent revisionist historiography of French foreign policy after World War I. See J. Jacobson, "Is there a New International History of the 1920's?" in American Historical Review, 3, 1983, 633; id., "Strategies of French Foreign Policy after World War I" in Journal of Modern History, March 1983, 78-95.

45 Quoted in S.A. Schuker (n.5), 23. According to Lampson, head of the Central Department of the Foreign Office, "Sir John Bradbury's schemes have the reputation of being entirely unintelligible to nine-tenths of mankind". DBFP, XXI, doc. 194, Niemeyer to Lampson, Treasury Chambers, 27 April 1923, enclosure 2, n.10, 232.

46 This perspective is lucidly examined by Keynes, publicly, in the Westminster Gazzette of 1 January 1923 and, privately, in a personal communication to the new editor of The Times, J. Dawson, two days later. Cf. "Suppose the Conference breaks down?" in CWK, XVIII, 105-12. On 1 December 1922 Keynes had written a rather pessimistic letter to Melchior about the possibilities of resolving the crisis. "...The reparations question seems to be rapidly passing out of the economic sphere". On 6 December, Melchior had handed Keynes's letter to the Chancellor. H.J. Rupieper (n.18), 85 no. 58.

47 Keynes's letter to Melchior is not in the Keynes papers and is unknown apart from the brief excerpt used by Melchior. A section of it was certainly written before 3 January 1923, CWK, XVIII, 116.

48 Ibid.

49 Melchior to Cuno, 8 January 1923, CWK, XVIII, 116.

50 Melchior to Cuno, 20 January 1923, ibid., 119.

51 See in particular Melchior's letter to Keynes of 9 January 1923, which delineates with extraordinary precision the international situation on the eve of the Franco-Belgian invasion, ibid. 118. It should be noted that Melchior, in the past, had already included Keynes in the "charm of secrecy". "I talked with Reichsminister Dr. Rathenau about your apprehensions regarding the Wiesbaden [Loucheur-Rathenau] agreement. He ordered a complete extract to be made and authorized me to send it to you, notwithstanding its secret character... Of course I promised Dr. Rathenau that the extract would serve only for your personal information and will be kept secret...". Melchior to Keynes, 5 October 1921, CWK, XVII, 283. On the Loucheur-Rathenau agreement see the correspondence between Bradbury and Blackett, DBFP, XVI, docs 656, 657. D. Felix (n.38), 75ff.

52 G. Ferrari Bravo, Politicus... (n.41), 50. D. Archibugi, J. M. Keynes e il finanziamento della prima guerra mondiale (unpublished).

53 Keynes to Melchior, 17 January 1923 and Keynes to Havestein on the same day, CWK, XVIII, 66-8. Melchior to Keynes, 2 February 1923, ibid., 120.

54 Ibid.

55 "British Policy in Europe" in The Nation, 5 May 1923, CWK, XVIII, 129.

56 "...In the huge arena of foreign policies, where everything sooner or later is found to be somewhere on the vast carpet, it is prudent to dismiss altogether the hope of universal deception...". Ibid., 131.

57 E. Weill-Raynal, Les Réparations allemandes et la France, Paris, 1947, vol.II, 415. For the text of the German note, see DBFP, XXI, doc. 201, Curzon to D'Abernon, F.O., 2 May 1923, 241-3. Curzon rightly expected that the financial proposals in the note would be defined "derisory" by the French government and Crowe from Paris promptly confirmed that the note had appeared to Quai d'Orsay as an "insult to France".

58 Mussolini's words. Documenti Diplomatici italiani, (DDI), VII s, vol.II, doc. 19, Mussolini to Della Torretta, 3 May 1923.

59 W.A. McDougall (n.26), 273; C.S. Maier (n.21), 369.

60 DDI, VII s, vol. II, docs 25, 50, Mussolini to De Bosdari, 6 and 20 May 1923, 249.

61 H.J. Rupieper (n.18), 151. DBFP, XXI, doc. 212, Niemeyer to Crowe, Treasury Chambers, 4 May 1923 and "Note by Sir J. Bradbury on the German Reparation Offer", 252-57. Bradbury's opinion was that, after the occupation, one could hardly expect to obtain more than 32 milliard gold marks from Germany. In Germany, the opinion of Bergmann and of Finance Minister Hermes were not all that divergent. As to Keynes, he said that "in England I am almost alone in thinking 30 milliards about the limit of German capacity". Keynes to Melchior, 24 May 1923, CWK, XVIII, 148 and Keynes to Smuts, 26 October 1923, ibid., 223.

62 DDI, VII s, vol. II, doc. 50, Mussolini to De Bosdari, 20 May 1923.

63 DBFP, XXI, doc. 6, D'Abernon to Curzon, 6 January 1923, 8.

64 H.J. Rupieper, "Alanson B. Houghton...", (n.23). One should also add the "somewhat surprising development", as it was defined by the British ambassador in Washington, following the invasion of the Ruhr, i.e. a contraction in the pro-German and intensification in the pro-French sentiments of public opinion, apart from the Middle West and some particular states like Missouri and Wisconsin. DBFP, XXI, doc. 118, Geddes to Curzon, Washington, 26 February 1923, 126.

65 Melchior to Keynes; 8 March 1923, CWK, XVIII, 127. The pro-French sector of public opinion, according to the British ambassador in Washington, was centered in the southern

regions and also in the Highlands, while in the Midlands and "among labour people" there was a very decided anti-French opinion. FRUS, 1923, vol. II, 53. H. Holborn (n.22), 159-160.

66 "The German Offer and the French Reply", 12 May 1923, CWK, XVIII, 136-39.

67 "Events of the Week", 19 May 1923, ibid., 140.

68 R. Skidelsky (n.16)I, 263.

69 CWK, XVIII, 143-44.

70 DDI, VII s, vol. II, doc. 50, Mussolini a De Bosdari, 20 May 1923.

71 On the "ethics of responsibility" as opposed to the "ethics of conviction" in Weber, see W.J. Mommsen, Max Weber and German Politics, 1890-1920, Chicago, 1984, 43-4, 442. Weber the "politician", as persuasively delineated by the author, well defines a contariis the political dimension in Keynes. There are some analogies, however, - such as their common experience in the peace treaty negotiations - and the subject well deserves to be further explored.

72 "The German offer..." (n.66), 139.

73 Cf. Melchior to Keynes, 22 May 1923, CWK, XVIII, 145.

74 Ibid.

75 The day following the date of Melchior's letter, Baldwin succeeded Bonar Law as Prime Minister.

76 "Immediately I receive Keynes's reply I shall forward it to you." Melchior wrote to the Chancellor Cuno, on 25 May 1923, "I am of course unable to judge from this short telegram if he has got in touch with the responsible people...". Keynes's letter, of which there is no copy in the Keynes papers, has been used by Melchior's colleague, Max M. Warburg in Aus meinen Aufzeichungen, Cf. CWK, XVIII, 147.

77 Keynes to Melchior, 24 May 1923, CWK, XVIII, 148. Keynes had published his conviction in the Nation of 12 May and returned to the subject of the "impossible and injurious chimaera" in the Nation of 26 May 1923. CWK, XVIII, 150-6. The Cuno Cabinet's insistence partly derived from the favourable attitude of the American ambassador in Berlin, H.J. Rupierper, "Alanson B. Houghton..." (n.23), 495.

78 Melchior to Keynes, 26 May 1923, CWK, XVIII, 149.

79 See G. Ferrari Bravo, "Politicus..." (n.41), 38.

80 British Policy in Europe, 5 May 1923 (n.55), 129.

81 On the close relationship between Keynes and McKenna, see R. Skidelsky (n.16), 297, 306.

82 Keynes to Melchior, 26 May 1923, CWK, XVIII, 156.

83 C. Bresciani Turroni, Teoria dell'inflazione, Varese, 1978, 16.

84 Akten der Reichskanzlei, das Kabinett Cuno, Boppard am Rhein, 1968, 682.

85 DDI, VII s, vol. II, doc. 62, Mussolini a Della Torretta, 30 May 1923. DBFP., XXI, doc. 246, Curzon to Sir R. Graham, F.O., 31 May 1923, 3008.

86 Ibid., doc. 172, mem. by Sir E. Crowe, F.O., 3 April 1923, 187. Mussolini's plan appeared to Crowe "rather jejune". For a detailed analysis, see doc. 175, Sir R. Graham, F.O., 24 April 1923, 223-5. See also Das Kabinett Cuno (n.84), 162; S. Marks, "Mussolini and the Ruhr" in International History Review, I, 1986, 65.

87 DDI, VII s, vol. II, doc. 62, cit. Curzon had dismissed the German ambassador, von Stahmer, who had complained about proceeding "upon mere guesswork", stating that he "could not possibly discuss the matter with him". The reason for this attitude in the Foreign Office was well summarized in a telegram by Phipps from Paris : "...any offer Germany may make in the near future will be considered here to be due to British inspiration and if that offer be not manifestly reasonable it were best unmade, in the interests of Anglo-French relations...". DBFP, XXI, doc. 191, D'Abernon to Curzon, Berlin, 22 April 1923, 223, no. 3.

88 Cf. Ibid., doc. 222, D'Abernon to Curzon, Berlin, 6 May 1923, 267-68.

89 The opinion of British observers in Berlin was slightly more optimistic. "The French will have the German carcass at their mercy by about October next". Ibid., doc. 271, Addison to Lampson, Berlin, 18 June 1923, 354.

90 E. Johnson in CWK, XVIII, 158. The quotation from K. Middlemas and J. Barnes, Baldwin. A Biography, London, 1969, 180. In the Keynes agenda there is no hint of his visit to the Prime Minister, whom he'd known for quite some time but with whom he had never established a close relationship. (Ibid., 76, 928.) In his notebook there are his engagements at Cambridge while Keynes was in fact in Berlin. Something, however, must have leaked out. Later on, the secretary of the British delegation to the Reparation Commission, A. McFadyean wrote to him in this vein: "...on the hypothesis that you have some influence, more or less

direct and not merely through the medium of the Nation, upon the German government...". McFadyean to Keynes, 3 August 1923, CWK, XVIII, 200.

91 It should be noted that H.J. Rupieper only mentions Keynes's meeting with Baldwin after the Berlin trip. (n.18), 153.

92 C.S. Maier (n.21), 301. A specific figure was also contained in von Rosenberg's secret move of 30 May 1923. DDI, VII s, vol.II, doc.62, Mussolini to Della Torretta, 30 May 1923.

93 "No class of person in the world is more incompetent than the average translator. How very little the ordinary man ever understands of what he reads only becomes apparent when you set him down to translate something...". CWK, XVIII, 340-1. As to Keynes's grasp of German, his well-known statement "In German I can only clearly understand what I know already", should be taken as a good example of British understatement. See R. Kahn, "Some Aspects of the Development of Keynes's Thought" in Journal of Economic Literature, XVI, June 1978, now in J. Cunningham Wood (ed.), J. M. Keynes, Critical Assessments, London, 1983, I, 554.

94 For the text of the Note of 7 June (wrongly dated 5 June in the Documents diplomatiques belges, no.16, 18, pp.20-1), cf. E. Weill-Raynal, (n.57) vol.II, 415-16. See also W.A. McDougall (n.26), 273; C.S. Maier (n.21), 370, in which there is a reference to "explorations in London" in this context. DBFP, curiously enough, published the Note of 2 May, but not the far more relevant - not only for its keynesian connotation - Note of June. DBFP, XXI, doc. 201, 241-43; doc. 254, Curzon to Addison, F.O., 7 June 1923, 319. The American Secretary of State was struck by the "tenor" of the German document (in FRUS, 1923, vol.II, 62-4) and went so far as to read aloud some passages of it, unmistakenly keynesian in style. Cf. mem. by the Secretary of State (Hughes) of a conversation with Belgian ambassador (Cartier), ibid., 7 June 1923, 64-5. Ibid., with German ambassador (Wiedfelt), 7 June 1923, 64.

95 CWK, XVIII, 158-61. It may be noted that in the Summer of that year, a public letter against "secret diplomacy" signed by 100 Labour and Liberal MPs was circulating in the Dominions Parliaments. C.A. Craig and F. Gilbert, op.cit. 35.

96 DBFP, XXI, doc. 248, Addison (acting as Chargé d'Affairs) to Curzon, Berlin, 4 June 1923, 310.

97 Keynes also met McKenna and, probably, the Governor of the Bank of England, Norman. As for Baldwin, he neither ap-

proved of the Note nor expressed himself against it. Bradbury, Niemeyer, D'Abernon, Crowe were favourable. (A detailed analysis by the Foreign Office, which had completely displaced the Treasury in the field of Reparations, is contained in the Memorandum on the German Offer of June 7, 1923, DBFP, XXI, doc. 258, 9 June 1923, 327-31.) When the Note was to be officially received on 7 June, therefore, Cuno and von Rosenberg were aware that it was not going to be rejected by the British government. Weill-Raynal's opinion is that the Note was drafted "sous l'influence britannique..." (n.57), 415. See also H.J. Rupieper (n.18), 153 no. 102; 161 no. 135. K. Middlemas and J. Barnes (n.90), 182.

98 The Nation, 16 June 1923. Later on, he was to write imperturbably: "The documents are to be published... But the documents are not likely to contain much which we do not know already...". Ibid., 4 August 1923. CWK, XVIII, 200. On 12 June Keynes had delivered a speech at the Royal Institute of International Affairs on the subject and had publicly invited Baldwin to answer the German initiative positively. Ibid. 165.

99 As to the form of the negotiations, Keynes did not miss the opportunity to formulate a "Reply by H.M.G. to German Note of 7 June", in three elaborate sections. The "Reply" was handed over to Smuts, who also had some contacts with Melchior, then in London. Smuts, however, preferred to pursue his own initiatives. Memorandum for General Smuts, Draft III, 5 October 1923, CWK, XVIII, 213-16. See also Keynes to Smuts, 21 October 1923 and Smuts to Keynes, 22 October 1923, ibid., 221-22. Cf. J. Van der Poel, (ed.), Selections from the Smuts Papers, London, 1973, vol. V, docs. 114, 127, 130, pp.186, 207, 230.

100 "The Diplomacy of Reparations" in The Nation, 10 June 1923, CWK, XVIII, 16.

101 "In April and May 1923, it seems that Mussolini wished to overcome Contarini himself in pursuing a policy of extreme docility towards Great Britain". R. Moscati, "Gli esordi della politica fascista. Il periodo Contarini-Corfù" in AA.VV., La politica estera italiana dal 1914 al 1943, Torino, 1963, 83. S. Marks (n.86), 56, 64. Contarini thought that the "restrained attitude" of Italian diplomacy vis-à-vis the German initiative would create the impression that "we are cut off". DDI, VII s, vol. II, doc. 108, Contarini to Della Torretta, 5 July 1923; doc.152, Mussolini to Romano Avezzana, 29 July 1923. The overall impression of the British ambassador in Rome was that "he [Mussolini] would prefer to work in with Great Britain at a price". DBFP, XXI, doc. 26, Sir R. Graham to Curzon, 15 January 1923; doc. 171, Sir G. Graham to Curzon, 31 March 1923, 30, 184.

102 DDI, VII s, vol. II, doc.153, Della Torretta to Mussolini, 31 July 1923; doc. 110, Della Torretta to Mussolini, 5 July 1923.

103 FRUS, 1923, II, mem. by the Secretary of State of a conversation with the Italian ambassador (Caetani), 65.

104 DDI, VII s, vol. II., doc. 111, Avezzana to Mussolini, 5 July 1923.

105 Dulles papers, quoted in H.J. Rupieper (n.18), 166.

106 C.S. Maier (n.21), 374. On the political and economic significance of stabilization, see, in particular, Id. "Inflazione e stabilizzazione dopo le due guerre mondiali: un'analisi comparata delle strategie e degli esiti" in Stato e mercato, 10, April 1984; T. Childers, "Inflation, Stabilization and Political Realignment in Germany. 1924-1928", and G.D.Feldman, "The Political Economy of Germany's Relative Stabilization During the 1920-21 World Depression" in G.D. Feldman, C.L. Holtfrerich, G.A. Ritter, P.C. Witt, (eds.), Die Deutsche Inflation. Eine Zwischenbilanz, Berlin 1982, 190ff; 413ff. H. Haller, "Die Rolle der Staatsfinanzen für den Inflationsprozess" in Deutsche Bundesbank, Währung und Wirtschaft in Deutschland, 1916-1975, Frankfurt, 1976, 151. C.P. Kindleberger "Considerazioni sulle conseguenze finanziarie delle guerre" in Rivista di storia economica, I, June 1984, 110.

107 Cf. C.S. Maier (n.21), 251; S.A. Schuker (n.5), 176, (n.16), 125. Contra, A.S. Milward in Journal of Modern History, 54, March 1982, 133.

108 H. Schacht's words quoted in C.S. Maier (n.21), 252.

109 Ibid., 254. "The choice had been between inflation and revolution and as between the two he favoured inflation". Cf. H. Stinnes in S.A. Schuker, Finance and Foreign Policy (n.26), 356.

110 Ibid., 357. The Author's conclusion that the Reich Chancellor "concentrated his efforts on developing a reparation plan upon which domestic interests could unite; he gave scarcely any thought to what might lead to reasonable accomodation with the Entente" (358), seems, however, hardly acceptable.

111 Keynes to Max Warburg, 21 June 1923, H.J. Rupieper, (n.18), 103 (emphasis added). Five days earlier, Chancellor Cuno wrote a personal letter to Keynes (in quite good English) in which he thanked Keynes ("you were very successful indeed...") and, recording with realistic pessimism the "very difficult situation", hinted at resignation. W. Cuno to Keynes, 16 June 1923, CWK, XVIII, 171. It should be noted that in his Tract on Monetary Reform, published in

1923, when the game was over, Keynes privileged internal factors as the "chief contributory cause to the fall of Dr. Cuno's government in August 1923" and underlined "the social disorganization...[and] Dr. Cuno's failure to control incompetence at the Treasury and at the Reichsbank..." The contradiction underlines the difficulty to extract the political Keynes - secret and informal - from the more public, economic theoretician. CWK, IV, 50-1.

112 F. Costigliola (n.11), 911. (My italics).

113 S. Howson and D. Winch, The Economic Advisory Council. 1930-1939, London 1977, 6. For the French and German cases, see H. Holborn (n.22), 150; R.D. Challener, "The French Foreign Office: The Era of Philippe Berthelot" in G.A. Craig and F. Gilbert (eds.), The Diplomats (n.22), 61, 63ff.

114 M. de Cecco, The International Debt Problem in the Interwar Period, EUI working paper, Firenze, 1984, 1, 22.

115 Quotations in S. Howson and D. Winch (n.113), 159 and F. Costigliola (n.11), 912. "The first condition of a satisfactory settlement is that the question should be taken out of politics. Statesmen have their difficulties...", from the New Heaven speech by the Secretary of State, Hughes (emphasis added). FRUS, 1923, II, 201.

116 M. Trachtenberg, "Reparations at the Paris Peace Conference" in Journal of Modern History, 51, March 1979, 26.

117 DBFP, XXI, doc. 192, Curzon to Sir R. Graham, F.O.

118 FRUS, 1923, III, 56.

119 Cf. Niemeyer to Crowe, 4 May 1923. "The world reaction to the Ruhr, e.g. on American participation in the financial reconstruction of Europe, is becoming more and more obvious". DBFP, XXI, doc. 212, 253.

120 FRUS, 1923, II, Mem. by Secretary of State of a conversation with UK ambassador (Geddes), 25 January 1923, 52.

121 The German ambassador in London, von Stahmer, in DBFP, XXI, doc. 254, Curzon to Addison, F.O., 7 June 1923, 320.

122 See FRUS, 1923, II, Mem. by the Secretary of State of a conversation with Belgian ambassador (Cartier): "The Secretary said that he was informed by the American business men who had been in Europe that conditions were ripe for a general prosperity, if this matter between France and Belgium and Germany could only be adjusted". 61

123 Aide mémoire of the British Chargé (Chilton) to the Secretary of State, 13 October 1923. FRUS, 1923, II, 68. It

is the first, fundamental step in the operation of drawing in the American government.

124 W.A. McDougall, "Political Economy versus National Sovereignty: French Structures for German Economic Integration after Versailles" in Journal of Modern History, 51, March 1979, 23.

125 J. Jacobson, "Is There a New International History of the 1920's?" (n.44), 627.

126 H. Feis, The Diplomacy of the Dollar. First Era 1919-1932, Handen 1965, 64.

127 C.S. Maier, "The Truth about the Treaties?" in Journal of Modern History, 15 March 1979, 58. G.A. Craig, "The British Foreign Office from Grey to Austen Chamberlain" in G.A. Craig and F. Gilbert (eds.) (n.22), 17.

128 S. Ricossa, Keynes e la perfezione in AA.VV. Keynes, Torino, 1983, 7.

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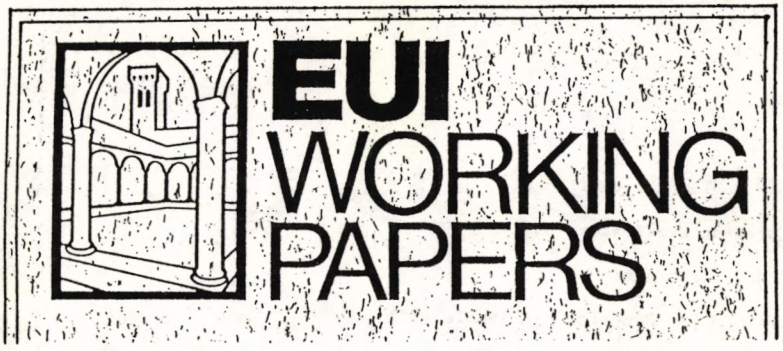

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