



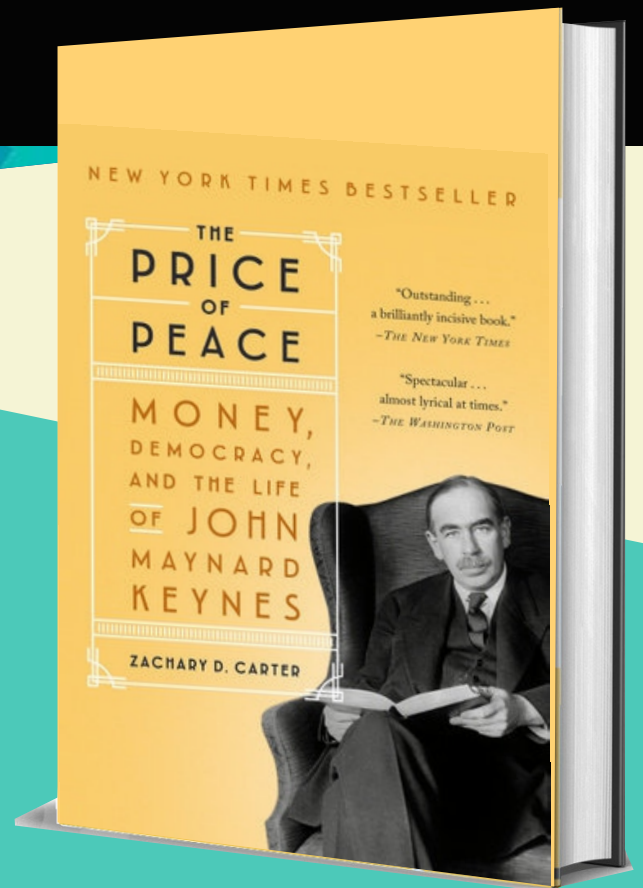
Webinar

Brief 74:2021

Book Launch Event

THE PRICE OF PEACE

By Zachary D. Carter



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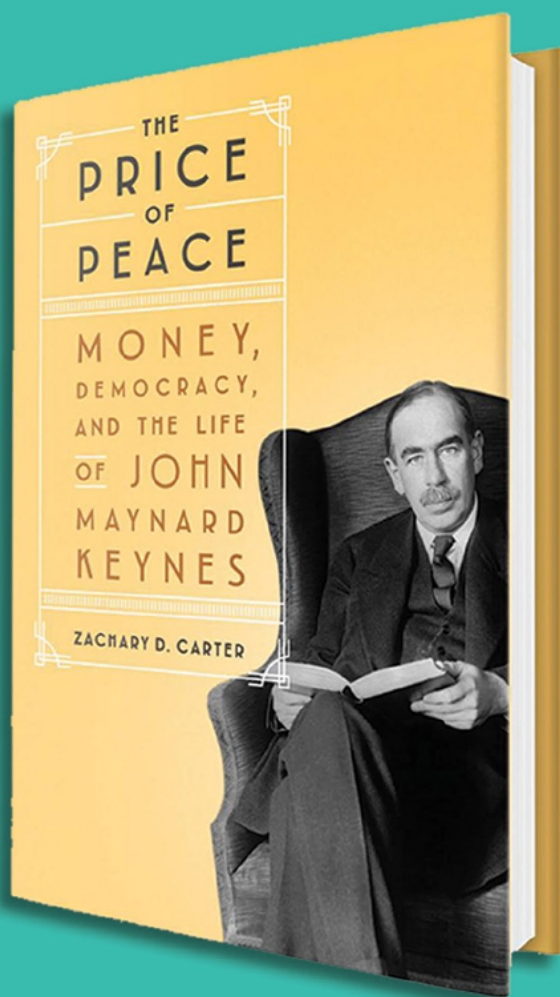


PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

BOOK LAUNCH EVENT

THE PRICE OF PEACE BY ZACHARY D. CARTER

Thursday, 26TH August 2021
7:00 PM PAKISTAN STANDARD TIME



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Author



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Zachary D. Carter is a Writer in Residence with the Omidyar Network's Reimagining Capitalism initiative. He spent 10 years as a senior reporter at Huff Post, where he covered economic policy and American politics. He is a frequent guest on cable news whose work has appeared in The New York Times, The Wall Street Journal, The Washington Post, The New Republic, The Nation, The American Prospect and other outlets. Zachary began his career at SNL Financial (now a division of S&P Global), where he was a banking reporter during the financial crisis of 2008. He wrote features about macroeconomic policy, regional economic instability, and the bank bailouts, but his passion was for the complex, arcane world of financial regulatory policy. He covered the accounting standards that both fed the crisis and shielded bank executives from its blowback, detailed the consumer protection abuses that consumed the mortgage business and exposed oversight failures at the Federal Reserve and other government agencies that allowed reckless debts to pile up around the world. His story, "Swiped- Banks, Merchants and Why Washington Doesn't Work for You" was included in the Columbia Journalism Review's compilation Best Business Writing. He lives in Brooklyn, New York.

Core Theme of the Book

In "The Price of Peace: Money, Democracy, and the Life of John Maynard Keynes", Zachary D. Carter offers a new intellectual biography tracing the life and legacy of the influential economist, which argues that in the years since Keynes's death, Keynesian economics has been stripped of Keynesian thought. Weaving together a dazzling array of Keynes's private letters, journalistic works and academic research, this accessible book helps to hasten Keynes's revival. In this riveting biography, veteran journalist Zachary D. Carter unearths a forgotten set of ideas about democracy, money, and the good life that carry transformative implications for today's debates over inequality and the power politics that shape the global order.

The beginning of the book details Keynes' personal life and his education, as well as some of the social groups that he was a member of. Just as the Great War consumed Keynes' life, so too does it consume the story. Carter shifts back, occasionally, to Keynes' social exploits as they are frequently the most interesting aspects of his life. Bretton Woods is the last chapter of Keynes' life, but not of the Price of Peace; Keynes may have passed, but his ideas did not. Carter chronicles Keynesian thought through McCarthyism, LBJ, Kennedy, Nixon, Reagan, Clinton, and Obama. Often this history revolves around John Kenneth Galbraith and his prominence through the ages.

Discussion and Questions

Mr. Afzal started the session by lending his gratitude to Mr. Zachary for being available for the talk. Proceeding to the discussion on the books he started by asking a few questions about the subject of the book which is John Maynard Keynes.

Q. 1. Describe Keynes to those who may not be familiar with his name, his body of work and his time, keeping in perspective the notions of involuntary unemployment, the fiscal stimulus and Bretton Woods?

Mr. Zack recounted that since he was in college and was taking introductory courses in Economics, Keynes was taught to be as godfather of deficit financing as he was the one who introduced the idea of Fiscal stimulus in the face of deficits. And he justified it thoroughly and successfully. There is nothing particularly nefarious about this line of thought we can take a very narrow interpretation of general theory and come with some sort of policy but to take a narrow interpretation of general theory is a foolish idea. If we look at Keynes's entire body of work, in particular going back to his education, he had been thinking about economics from a very early age though his major degree was in mathematics. But at the turn of the twentieth century he specialized in Economics. This was a strange thing that he identified with all other philosophers. He can be thought of as someone who is deeply embedded into a sort of broader enlightenment of philosophical tradition. Zach further explained that is why he bought up Newton Newton in there in that point of the book.

Keynes doesn't have all such scientific breakthroughs in the physical world as Newton had but Newton was somebody who engaged in all of the political questions of the day. Newton was the final word in the Royal Mint and he was effectively overseeing monetary policy in addition to all of his major scientific breakthroughs. Keynes is a thinker who is not just engaged in economic issues, he was engaged in issues of human rationality, choice, future speculations and all of the abstract ideas that are more pertaining to philosophy and not to economics. Economics as a profession has changed over the last 75 years since he died. That sort of philosophical approach to the field has become redundant in US. There is a large section of the field that seems as un-scientific or illegitimate or at least mathematical devoid of observable reality. That makes Keynes the thinker who still has the legitimacy to his word in serious economists. There are only a few people in 21st century who can be legitimately called serious philosophers. Keynes can be seen as last major figure philosophical tradition we had. It is just like that it is the time for another thinker or philosopher of the same par especially in the aftermath of 2008 financial crisis. We have been trading waters in search of new ideas this is what makes Keynes more important as a figure that sees crisis, politics, arts and love more than just prioritizing on politics.

Q. 2. Keynes is phrased as “Tangle of paradoxes” in the book. Would you tell more about his ideas as they were accepted or at least they became more dominant from Great Depression until New World Order?

Keynes was not the first person to come up with the idea of deficit spending other people had also discussed it. It was sort of in the intellectual ethers since 1920's but it was not taken seriously by the economists. Even when Franklin Roosevelt got the copy of the ideas from economists about injections in the economy to bring it out of doldrums, he responded “you cannot get something from nothing. But when general theory hit in 1936 suddenly the consensus within the profession changed drastically. The ideas that were considered radical, erratic, irresponsible and strange now seemed to be the stuff of science. Even Keynes didn't invent the idea of deficit spending in 1936 he had been advocating it since 1929. What was in the general theory is a sort of comprehensive explanation addressed to the requirements of the time establishing why this is a good policy idea and why if you think about the world this way, this particular policy would make sense. In Economics courses he has been taught as some sort of national thinker that someone who sees that nation-state is managing everything from demand supply to making sure that unemployment is low, inflation is low and there is enough demand to sustain production and employment. He always saw himself as someone engaged in British Empire's liberal imperialist project. He believed very deeply in British Empire's ability to bring peace, stability and prosperity to different parts of the world. He was disillusioned by the idea of American exceptionalism post World War I. He was aware of America's rise as a superpower that will eclipse The Great Britain that was obvious by Bretton Woods but he wanted to create a global world order in which the hegemonic powers were doing things that are humane, broadly egalitarian and aimed at shared prosperity and peace. These lofty ideas are supposed to end International conflict but these ideas were idealists and opposed to the cold war period were worked on resulting in global economic cooperation.

There are so many tragedies and ironies embedded in his body of works as are in his personal life. He was a liberal imperial who was disillusioned by British Empire. He was a pacifist who helped finance the both World War I and II for British Empire but these are not contradictions these are paradoxes and that The Legacy of his thought. Bretton Woods became the part of the Cold War and American government's prosecution of the Cold War around the world but it is also an instrument of cooperation and stability within the American sphere of influence. So Keynes is somebody whose legacy is enormously complex. He is an intellectual who has influenced the shape of the world after his death in particular more than anyone since Newton.

Q. 3. You recently wrote an article about the end of Friedman omics. Is there a connection between Friedman's ideas and neoliberal ideas? Were these ideas the intellectual counterweight to Keynesian ideas? Please explain what convinced you that this is the end of Friedmanomics as many people have said the same about Keynes ideas as well?

There has a sort of an understanding built up in our enlightenment tradition. Going back through history it looks like it has always been Milton Friedman all the way to Adam Smith and Newton. Friedman was enormously successful in claiming the intellectual legacy of the enlightenment of the liberal political tradition and in that he had allied with Friedrich Hayek, who was Keynes nemesis in 1930's as Hayek just revised Keynes' economic ideas. But in terms of the political fight there was a very serious battle going on between them. Friedman picked of his political intellectual projects from Hayek but Hayek adopted much of his conceptual framework from Keynes. A lot of Friedman's success as a policy maker lies in that he popularized the paradigm and appealed to people's sense of justice, to right and wrong and believed about goodness of human beings. He achieved much of his goal through something else then economics. So what made Friedman successful is not hard right in American politics. Such practices and approach made Friedman a servant of hard right in US which was damaging to his economic ideas which were not as quirky as his political ideas.

His ideas were hard to sustain when the financial markets obliterated themselves in 2009, because his ideas were shared with political interest. It is more important what you propose for the next. The political consensus on what you actually do next is much trickier. So Keynes in his time proposed that what Friedman could not. At the time of Great Depression people were clueless what to do next and people were not happy about the economic management of the time. To some extent we are in that same moment right now.

Q. 4. it has been argued that Keynes ideas mainly were mainly significant during economic crisis, we are facing a massive economic crisis in the wake of covid-19 where a new political consensus has been forged at least in the advanced economies like US, this new fiscal consensus involves using macro policy to increase aggregate demand and the chosen policy is fiscal stimulus for example Biden administration's American Rescue Plan of about \$2 trillion which comes on the top of \$2.8 trillion s that was already put into the economy by the Trump administration. The question is you satisfied with this policy response thus far? Is inflation a threat because people like Summers and Herbert have been talking about inflation raising its ugly head very soon?

Biden is a very pretty moderate to conservative politician he is taking aggressive steps and imagining the government to be an expression of democratic will. When you announce that you are going to spend \$5 trillion in next year the question is not how much money you going to spend but what kind of world you want to make so even that American war in Afghanistan was not popularly back in US it is still not clear what America's role is going to be in rest of the world or even in Afghanistan the sustainability. Fiscal deficit is a kind of intellectual idea. It is clear that prices have been on the rise as there are some supply chain descriptions given covid-19 situation but it is not clear how long it's going to last but the idea is that it is being considered fake or wrong inflation the real inflation is excessive demand in the economy but with pandemic dragging on it is pretty much obvious that economies are coming back to normal.

Q. 5. What would Keynes advise to policymakers in US and IMF about the fiscal challenges in developing countries like Pakistan?

The keynes was aware that Great Britain is not the same economic superior or super power and its clout had weakened and it wanted weaker countries to influence. Keynes believed in the idea that a country is running with deficits is not the only country responsible for correcting deficits but also those with surpluses. It is more aesthetically appealing principle but in case of Afghanistan it is a thorny corollary. In developing countries where there is political animosity what can others do to change situations? But Keynes believed that developed world had obligations to developing world.

Q. 6. Can we think of Keynes as imperialist?

Separating Keynes from Keynes the Economist and the philosopher from Keynes the liberal imperialist is not possible. He had no qualms about the role of British government in India. He believed that the British government had obligation to rule world. He believed that there would be democratic cooperation between India and Great Britain. He was advocate of free trade because he saw prosperity in Great Britain was due to free trade. Keynes has paternalistic view of rest of the world. so we have to see Keynes as somebody who is embedded into that kind of Imperial project.

Q. 7. What can be the best policy to reduce tax avoidance in countries like Pakistan?

It is more of a psychological question than that of a policy question. We have to see, to what lens people can go to avoid taxes and how effectively higher tax rates can be welcomed by the riches. The question is embedded in social political and institutional norms and how marginal tax rates impact a political move and have political implications in US.

Q. 8. What books are you reading currently?

Mr. Zach explained that he is working on another book, which is related to history of American populism. It is a biography of John Stuart mill trying to look at Mill through a similar lens, taking him not only as an economist but also philosopher, a sort of enlightenment thinker who is engaged in a political project of his day. There could be a right to change of mind but the research is going on right now.

Q.9. what is the role of government according to Keynes? How big or small is the role of the government and is she supposed to be a regulator or something else?

Keynes did not declare any limiting principle for the role of government. He just said that government needs to have a big role but where does it stop, Keynes did not explain it. So the question of the extent of the role of government has no limiting principle.

Closing note

Keynes was, no doubt an amazing thinker and an exceptional economist of all times. His legacy must go on. It high time we develop ideas that are more resonant and reflective of current dynamics of the global economy. It is high time the world produces another thinker like Keynes.



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