



**UNRISD**

UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT

**DRAFT**

## **The Restoration of “Universalism”**

*The Rise and Fall of Keynesian Influence on Social  
Development Policies*

Peter Townsend

prepared for the UNRISD project on  
**Social Policy in a Development Context**

in the UNRISD programme on  
**Social Policy and Development**

November 2002 ▪ Geneva



The **United Nations Research Institute for Social Development (UNRISD)** is an autonomous agency engaging in multidisciplinary research on the social dimensions of contemporary problems affecting development. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research and strengthen research capacity in developing countries.

Current research programmes include: Civil Society and Social Movements; Democracy, Governance and Human Rights; Identities, Conflict and Cohesion; Social Policy and Development; and Technology, Business and Society.

A list of the Institute's free and priced publications can be obtained by contacting the Reference Centre.

UNRISD, Palais des Nations  
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020

Fax: (41 22) 9170650

E-mail: [info@unrisd.org](mailto:info@unrisd.org)

Web: <http://www.unrisd.org>

Copyright © United Nations Research Institute for Social Development.

This is not a formal UNRISD publication. The responsibility for opinions expressed in signed studies rests solely with their author(s), and availability on the UNRISD Web site (<http://www.unrisd.org>) does not constitute an endorsement by UNRISD of the opinions expressed in them. No publication or distribution of these papers is permitted without the prior authorization of the author(s), except for personal use.

## Contents

Introduction .....	1
The Rise of Keynes in the 1930s and 1940s .....	2
Keynes and the British Welfare State .....	4
The Internationalism of the 1940s- Bretton Woods .....	5
Keynesian Strategy Re-born.....	5
Macro-Economics, Social Development and Social Policy.....	7
Universalism: Approaches to the Welfare State .....	7
Universalism: The Shortcomings of Targeting and Safety Nets.....	8
Whose Policy? Theoretical Problems .....	11
Elements of a Strategy.....	13
Re-organisation of the Bretton Woods institutions.....	13
An international financial transactions tax.....	14
Social security to fulfil the fundamental right laid down in the Universal Declaration of Human Rights.....	16
A universal benefit for children .....	18
Definition of minimal basic social services in all countries and local and national rights to establish public social services.....	20
International company law .....	21
International definition of the framework of social policy expected of transnational corporations .....	22
Conclusion: The Development of a New Strategy.....	23
Bibliography.....	25

## **Introduction**

The history of social policy in the last hundred years would be seriously incomplete without giving full account of the dramatic influence of John Maynard Keynes. He was instrumental in helping Europe recover from the second world war of 1939-1945 – in contrast to the failures after the first – and in establishing the Bretton Woods institutions and the Welfare State. Social development lay at the heart of his concern – in the construction of practical policies as much as in his astute handling of economic theory. He cut the ground beneath the feet of classical and neo-classical economic theorists, and the policies he recommended were found to work in practice. Certainly the early post-war years represent an acknowledged watershed in world history. If not exactly a thing of the past mass unemployment was no longer an immediate threat. Recovery and economic progress were real. Inequality had been reduced. Colonial powers were in retreat.

But by the 1970s Keynes' steady influence on world social development and the global market had faded. Monetarism and conservative political forces were in the ascendant. For more than three decades disciples of the free market have dismissed his ideas and successfully changed, but also shaped, the institutions of trade, communication and government as well as of the market itself. Keynes was reduced to legendary status. Neo-liberal economists could safely honour the legend without adopting its substance into their advice and action. But the legacy has turned out to be larger than many had bargained for. After being relatively dormant for more than a generation Keynesian thought is suddenly alive and well. There are accumulating signs of the re-surfacing of his ideas. The legend has become a strategy-in-waiting. Keynes internationalism and sense of planning are one thing. His universalism in constructing a socially viable economy – for decent minimal living standards and public services – is another. While pale pretences of the former certainly exist the latter is still largely denied. In 2002, both offer solutions to some of the world's most intractable problems.

In this chapter I will offer reminders of Keynes contribution to social policy – in the best sense of the term - in establishing the welfare state and international collaboration and development, and go on to trace current examples of ideas that are springing back to life in forms that are as compelling as they are necessary.

## **The Rise of Keynes in the 1930s and 1940s**

There are many helpful strands of analysis. Keynes had established himself as the most prominent critic of inter-war economic theories. The mass unemployment and poverty of the 1920s and 1930s had culminated in the triumph of Nazism and the start of the Second World War. In 1936 his *General Theory of Employment, Interest and Money* was published. Neo-classical theory had insisted that recession had to be countered by reductions in wages and in public expenditure. Keynes took a different course. He was the first to make a clear distinction between macro- and micro-economic theories.

There were questions affecting the management of the economy as a whole – what decided how many people were employed or the total amount a country produces or the divisions between wages and salaries or profits and rents. This was macro-economics. Then there were more specific questions affecting the individual firms, other organisations and individuals within the economy – what determined the price charged for a firm's product, the level of profitability or productivity, and the wage received by employees. This was micro-economics. The significance of making the distinction lay in Keynes argument that the factors determining the behaviour of the economy as a whole are not the aggregation of the forces determining the individual elements. Mass unemployment was not a problem of supply, and of the prices that had to be charged by individual businesses, but of demand. The remedy was therefore maximum feasible employment through unemployment benefits and government investment in jobs. He had rehearsed some of the principal arguments from the early 1920s and in preceding books, including his testimony of the value of investment in public works during a recession – *A Treatise on Money* – in 1930.

His macro-economics was linked to his insistence on planning and social development. This put economics back in the big league – re-establishing the grandeur of thinking about economics that is embodied in the work of Adam Smith, Ricardo and even Malthus. Governments contributed, and were bound to contribute, to the elaborate institutional framework of demand. Consumers did not, and could not, act in the national interest, especially at times of crisis. Neither could governments disclaim responsibility for the shaping of market demand, or indeed the developing structure of the market system itself. Since time immemorial they had been active participants, indeed dominant participants in the evolution of economies, they could not pretend to be aloof or detached. Nor could complex economics be conceived or pursued without governments being incorporated as a structural assumption. They were, and are, a necessary condition and determinant of operating markets.

To Keynes economics was more an empirical science conditioned by the economic and social constructs of many generations to explain developments and predict improvements than it was a mechanical application of deductive logic to produce ideal models for application and action.<sup>1</sup> In his thinking evidence of condition and cause had to be given the primary role. It was the key to penetration and success. It permitted conventional wisdom to be overthrown, new ideas to flourish and not merely register, and scientific authority to enhance political negotiation.

These were years when the influence of the ideas that Keynes advanced began to shape hearts and minds everywhere. By 1936 and the publication of his *General Theory* his star entered the firmament. Voices raised against the appeasement politics of powerful Conservatives and the drawing together of a political coalition for war made him a key national, and international, figure. His advice was everywhere sought. He went to the United States in the early 1930s and was made acutely aware of the effects of the slump and restorative effects of New Deal policies - to which his own work had contributed. His work on unemployment and the need for bigger public expenditure during the inter-war years had exerted influence in the US, even if it had encountered obstruction in the UK, despite strenuous advocacy and some professional support, throughout the early 1930s.<sup>2</sup> He praised some of the measures adopted in the New Deal but was severely critical of others and had a lot of publicity when he wrote an open letter to Roosevelt in 1933 (Skidelsky 1993: 489-495).

The New Deal was much more than a programme of public works, and recovery of employment. For example, the US introduced its Social Security Act in 1935. Provision for unemployment benefit was a core feature. A report prepared for the Committee on Economic Security, justifying the new law and explaining how it had come into being, declared: "The unprecedented extent and duration of unemployment in the United States since 1930 has left no one who is dependent upon a wage or salary untouched by the dread of loss of work." Relief was "expensive to distribute and demoralising to both donor and recipient. A device is needed which will assure those who are involuntarily unemployed a

---

<sup>1</sup> In the course of an ironic summary of the "virtues" of Ricardian theory Keynes wrote: "That it was adapted to carry a vast and consistent logical super-structure, gave it beauty. That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as likely on the whole to do more harm than good, commended it to authority. That it allowed a measure of justification to the free activities of the individual capitalist, attracted to it the support of the dominant social forces behind authority" (Keynes 1936 : 32).

<sup>2</sup> "In evidence to the Macmillan Committee on Finance and Industry in 1930; in recommendations to the committee set up by the Prime Minister under the chairmanship of Keynes later in the same year; in letters to the Times in the early 1930s, and in other ways, several of the leading economists of the day, as well as Keynes himself, called for the sort of measures (including big investment in public works) which would today be regarded as the right ones to adopt" (Stewart 1972: p. 72).

small steady income for a limited period”<sup>3</sup> Keynes had left his mark. Unemployment insurance was the vehicle that was chosen in the US. Benefit had to be as of right. Risks had to be pooled. European countries provided the model. And provision of income in unemployment could not be separated from provision of income in old age, disability and raising children. The 1935 Social Security Act represented a key turnabout in US strategy and despite the predatory incursions and threats of the Reagan and Bush years continues to represent a remarkable blip in the traditional grudging American approaches to welfare.

### **Keynes and the British Welfare State**

Given acknowledgement of Keynes’ influence on the US during the early 1930s and the following New Deal it is not surprising that during the war he had a powerful influence behind the scenes as well as directly on social developments in the UK. His backing of Beveridge at a critical juncture in the preparation of the 1942 plan for national insurance probably made the difference between failure and acceptance by the British Coalition Government of the recommendations of the Beveridge Report. Beveridge himself was too self-important to acknowledge Keynes’ role, and Keynes too wrapped up in other national and international issues to want to seek credit.<sup>4</sup> Nonetheless, Keynes had prepared the way for comprehensive government planning and massive public investment or expenditure. He was aware of the grave limitations of private insurance and the needs of the poor – whether employed or unemployed. Most important of all – he was at the time of quite central importance to the British Treasury.

The Beveridge plan had a knock-on effect around Europe. It was not simply that the pooling of risks through compulsory social insurance contributions ensured a minimal income for the unemployed, but the message influenced many governments and also influenced those wanting to meet the needs of the elderly, disabled and families with children.

Keynes’ work on behalf of national reconstruction and the reduction of unemployment was fundamentally social in character – observing the psychology of social renewal and inclusion as well as establishing minimally adequate living standards for all. This feature of his theories has not been properly recognised – even by sympathetic

---

<sup>3</sup> Committee on Economic Security (1937, p.3).

<sup>4</sup> Beveridge's principal biographer shows that Keynes not only set the scene of planning and full-employment for post-war conditions but met Beveridge repeatedly during the crucial months of 1942, prior to the publication of the report in December. For example, Keynes took a lead in advising pay-as-you-go rather than accumulating a fund in financing better pensions, and also the strengths of State social insurance compared with voluntary industrial and private insurance ( Harris (1977: 408-412). See also Timmis (1995: 15-17)).

economists and biographers (for example Harrod 1951; Skidelsky 2000; Stewart 1972) Stewart, 1967.

### **The Internationalism of the 1940s- Bretton Woods**

The fact that Keynes ideas carried so much weight needs to be explained. His theoretical work long before the war anticipated the need for the re-organisation of international institutions. Thus, his 1930 book *A Treatise on Money* suggested a Super-national Authority or Central Bank (see Harrod 1951: 411-413). His chance came in the war, and in an attempt to reconcile American and British thinking he produced in April 1943 an international plan. There was a need to buttress economic recovery. “We need a central institution, of a purely technical and non-political character, to aid and support other international institutions concerned with the planning and regulation of the world’s economic life” (Harrod 1951: 527). The plan was thought to be Utopian. Certainly there were dozens of exchanges with leading officials and ministers and new drafts. Inevitably Keynes was forced to concede ground but eventually, in late 1944, the International Monetary Fund and the International Bank for Reconstruction and Development were established. Of course, these institutions cannot be separated from the motives for setting them up and the objectives written into their policies and practices. Keynes wanted the institutions to be both more democratic and more accountable than in fact they became. He was also an advocate of writing off loans, and reducing high interest on remaining loans, that crippled the poorest countries. He backed gifts as well as low-interest loans for countries recovering from war or otherwise impoverished.

### **Keynesian Strategy Re-born**

Because Keynes was supposed to be relevant only to a special period of European history his influence has been allowed to wane (though there are powerful contemporary voices renewing his arguments, for example, Skidelsky, 1996 (Hutton 1996: 239-247;

**预览已结束，完整报告链接和二维码如下：**

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_21443](https://www.yunbaogao.cn/report/index/report?reportId=5_21443)

