Keynes and the Ethics of Socialism
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Abstract: This paper examines John Maynard Keynes’s ethical theory and how it relates to his politico-economic thought. Keynes’s ethical theory represents an attack on all general rules. Since capitalism is a rule-based social system, Keynes’s ethical theory is incompatible with capitalism. And since socialism rejects the general rules of private property, the Keynesian ethical theory is consistent with socialism. The unexplored evidence presented here confirms Keynes advocated a consistent form of non-Marxist socialism from no later than 1907 until his death in 1946. However, Keynes’s ethical theory is flawed because it is based on his defective logical theory of probability. Consequently, Keynes’s ethical theory is not a viable ethical justification for socialism.

Introduction

John Maynard Keynes (1883–1946) was the most influential economist of the twentieth century. However, ethics and probability were Keynes’s primary intellectual interests for the first seventeen years of his academic career. In fact, his early ideas on ethics and probability inspired and suffused his politico-economic theory. His biographer, Robert Skidelsky, agrees: “His theories of politics and economics were expressions of his beliefs about ethics...
and probability” (1991, 104). The Keynes scholar Athol Fitzgibbons states, “His economics has not been adequately recognized as an expression of his probabilistic and moral philosophies. These are the implicit and inseparable foundations of Keynes’s economic policies” (1988, 5). The editor of The Further Collected Writings of John Maynard Keynes, Rod O'Donnell, writes, “To comprehend the political-economist adequately, we must first understand the philosopher” (1989, 1–2). Simply put, a complete understanding of Keynes and his economics requires an understanding of his ethical theory and his theory of probability.

Unfortunately, Keynes’s theories of ethics and probability were almost completely unknown for five decades after he published The General Theory of Employment, Interest and Money (1936). These theories only started receiving serious scholarly attention in the 1980s. Still, the literature remains problematic. Specifically, the literature never connects his radical stance on general rules to capitalism and socialism, and the literature never addresses potential problems with the Keynesian probability theory. First, this paper shows that Keynes’s ethical theory is an intellectual justification for violating general rules. Then the paper shows that Keynes was a non-Marxist socialist, and his ethical theory is consistent with his non-Marxist socialism. Finally, the paper explains why Keynes’s probability theory is flawed.

**GENERAL RULES AND PROBABILITY THEORY**

Keynes’s ethical master was the British philosopher George Edward Moore (1873–1958). Moore’s *Principia Ethica* (1903) was “the most important book in [Keynes’s] life” (Skidelsky 1983, 119). Keynes first read *Principia Ethica* in October 1903, just after starting his second undergraduate year at the University of Cambridge. He described the book as “a stupendous and entrancing work, the greatest on the subject” (1903). He exclaimed, “It is impossible to exaggerate the wonder and originality of Moore…. How amazing to think that we and only we know the rudiments of the true theory of Ethic” (1906, 123–24).

Opposed to natural law, Moore argued it is impossible to prove that a general rule of conduct is correct. He writes, “It is plain that no moral law is self-evident” (1903, 148). Still, Moore was highly
skeptical that human beings could know all the consequences of their actions: “Our causal knowledge is utterly insufficient to tell us what different effects will probably result from two different actions…. We can only pretend to calculate the effects of actions” (1903, 202). Despite his claim that general rules can never be proved universally true, Moore concluded that general rules must always be obeyed: “With regard to any rule which is generally useful, we may assert that it ought always to be observed…. Though we may be sure that there are cases where the rule should be broken, we can never know which those cases are, and ought, therefore, never to break it” (1903, 162–63). In short, Moore rejected natural law and advocated a form of rule consequentialism.

On reading *Principia Ethica*, Keynes embraced Moore’s view that it is impossible to prove a general rule is universally true. While he adopted Moore’s attack on the truth of general rules, however, he was revolted by the conclusion that general rules must be obeyed. Like Moore, Keynes rejected natural law. But he went even further and categorically rejected all general rules: “What we ought to do is a matter of circumstance; metaphysically we can give no rules” (1905a, 2). He wanted to overturn Moore’s case for following rules, so he developed a variation of Moore’s ethical theory. He kept the basic structure of Moore’s framework, but he modified it in a way that allowed actors to violate general rules. Keynes declared in a 1938 speech called “My Early Beliefs,”

[1 rejected] the part [of Moore’s theory] which discussed the duty of the individual to obey general rules. We entirely repudiated a personal liability on us to obey general rules. We claimed the right to judge every individual case on its merits, and the wisdom, experience and self-control to do so successfully. This was a very important part of our faith, violently and aggressively held…. We repudiated entirely custom morals, conventions and traditional wisdom. We were, that is to say, in the strict sense of the term, immoralists…. I remain, and always will remain, an immoralist. (CW 10, 446–47)

Keynes’s rebellion against general rules propelled him into probability theory. As he saw it, Moore’s conclusion that rules must be obeyed followed from his theory of probability. Keynes recalled in

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1 On Keynes and natural law, see Dostaler (2007, 82) and O’Donnell (1989, 286; 1991, 6).
1938, “[Moore] has a section on the justification of general rules of conduct. The large part played by considerations of probability in his theory of right conduct was, indeed, an important contributory cause to my spending all the leisure of many years on the study of that subject [probability]” (CW 10, 445). Although he studied mathematics at Cambridge, he wrote his fellowship dissertation on the philosophy of probability. The dissertation was rejected in 1908 and accepted in 1909, meaning Keynes was elected a fellow of King’s College, Cambridge for his theory of probability, not for his economics. A revised version of the dissertation was published twelve years later as *A Treatise on Probability* (1921). Although he published two works before 1921, *A Treatise on Probability* must be considered his first book.

On Keynes’s interpretation, Moore’s conclusion that rules must be obeyed was premised on the frequency theory of probability. As Keynes noticed, the frequency theory of probability places strict limits on the scope of probability. According to the frequency theory, probability can only be applied to repeatable events. The mathematician Richard von Mises was a leading developer of the frequency theory, and he writes: “In order to apply the theory of probability we must have a practically unlimited sequence of uniform observations” ([1928] 1981, 11; Gillies 2000, 89–90). In short, probability can only be applied when it is possible to construct a long series of homogeneous repetitions.

Significantly, the frequency theory’s requirement of repeatability makes probability inapplicable to human action. Mises writes, “The theory of probability can never lead to a definite statement concerning a single event” ([1928] 1981, 33; Gillies 2000, 97). Human actions are singular events because the conditions of human action are never homogeneous and repeatable. Thus, on the frequency theory, it is illegitimate to apply probability to human action. Keynes realized the “narrow limits” of the frequency theory and concluded, “If we allow [the frequency theory] to hold the field, we must admit that probability is not the guide of life” (CW 8, 103–04).

What does all this have to do with general rules? As Keynes interpreted Moore, it is best to follow general rules because it is impossible to have any probabilistic knowledge about action. To Keynes’s mind, the strict limits of the frequency theory forced Moore to conclude that general rules must always be obeyed.
Keynes developed his logical theory of probability to replace the frequency theory in Moore’s ethical framework. On the frequency approach, probability theory is a branch of empirical science. But for Keynes, it is a branch of logic. In classical logic, the logical structure of the human mind can intuitively perceive whether a conclusion follows from the premises. In the same way, Keynes argues the logical structure of the human mind can intuitively perceive probability. The human mind can naturally grasp probability without empirical observation of repetitions. This means that, in sharp contrast to the frequency theory, the logical theory allows one to apply probability to singular events. Consequently, the logical theory makes probability applicable to human action. Compared to the frequency theory, the logical theory greatly magnifies the human capacity to intuitively understand the probable consequences of actions.\(^2\) In this way, the logical theory of probability sets actors free to violate general rules.

For example, consider the general rule “Thou shalt not steal.” While stealing is bad for the victim, it is good for the thief. To Moore, it is impossible to comprehend and weigh all the good and bad consequences of stealing in a probabilistic manner. Thus, the rule “Thou shalt not steal” must always be obeyed. But the logical theory amplifies the human ability to understand the consequences of action. It allows the actor “to judge every individual case on its merits” (CW 10, 446). The logical theory permits the thief to form (objective) probabilistic beliefs about the consequences of stealing. While objective, these probabilities are non-numerical rather than numerical. In fact, for Keynes, most probabilities are non-numerical: “Not all probabilities are numerical ... Numerical measurement is often impossible” (CW 8, 70).\(^3\) Still, non-numerical probability enhances the thief’s ability to understand the consequences of stealing. If the probable consequences of stealing are good, then the thief should steal the property. This example illustrates that the logical theory functions as an intellectual justification for breaking


general rules such as “Thou shalt not steal,” “Thou shalt not kill,” “Thou shalt not aggress against person and property,” and the like.

**KEYNES ON SOCIALISM**

Keynes categorically rejected all general rules, but how does this relate to his political vision? Unfortunately, controversy over his political thought has muddled the relation between his ethics and politics. The standard interpretation is that Keynes was a great liberal. Robert Skidelsky writes, “Keynes was a lifelong liberal” and “He was not a socialist” (2009, 135, 157; 1992, 233; 2000, 478). Contrary to Skidelsky, important Keynes scholars have aligned him with socialism. For example, Rod O'Donnell writes, “Keynes envisaged and espoused a particular form of socialism” and “It is clear, explicit and unambiguous; he used the term socialism to characterise his own views” (1999, 149, 164; 1989, 322; 1992, 781–82). To comprehend the real significance of Keynes’s ethical theory, it is necessary to explore his politico-economic thought.

The evidence confirms Keynes was a non-Marxist socialist throughout his adult life. Although O’Donnell’s work on Keynes’s socialism is noteworthy, there are several problems with his account. First, O’Donnell (1999, 149) avoids defining capitalism or socialism, and this leads him to neglect Keynes’s policy views. Second, O’Donnell (1999, 150) argues Keynes first embraced socialism in the mid-1920s. However, his ethical theory was on display by January 23, 1904, and he wrote a draft outline of his dissertation *The Principles of Probability* by September 5, 1905 (1904a, 1905b, document

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4 Also see Backhouse and Bateman (2011, 148), Clarke (2009, 101, 179), Davidson (2007, 13–14), and Harrod (1951, 192).


Hence, O'Donnell faces a temporal problem when he connects Keynes's ethical and political thought. Contrary to O'Donnell, the evidence indicates Keynes advocated a stable form of non-Marxist socialism from no later than October 1907 until his death in 1946.

Just after reading *Principia Ethica*, Keynes supported the motion “that this house approves of the rise of the Independent Labour [socialist] Party in present day English Politics” (1904b). He was an early member of a socialist club at the University of Cambridge called the Cambridge University Fabian Society (Dow 2016, 11n24). The Fabian leader George Bernard Shaw spoke to the club on October 24, 1907, and Keynes wrote to his lover Lytton Strachey the next day: “Mr. Bernard Shaw converted us all to socialism last night” (1907, document 2). At the Cambridge Union on February 7, 1911, Keynes argued publically that “the progressive reorganisation of Society along the lines of Collectivist Socialism is both inevitable and desirable” (1911). He was extremely close to his father John Neville Keynes, and Neville recorded in his diary on September 6, 1911: “Maynard avows himself a Socialist and is in favour of the confiscation of wealth” (1911, emphasis added, document 3). This shows that Keynes described himself as a socialist, and did so in the first decade of the twentieth century.

Keynes celebrated the Bolshevik Revolution of 1917. He wrote to his mother, “I was immensely cheered up and excited by the Russian news” (1917). On December 24, 1917, he proclaimed, “The only course open to me is to be buoyantly bolshevik” (CW 16, 266). That month, he cofounded the socialist 1917 Club with Ramsay MacDonald, the man who became Britain’s first socialist prime minister (Thomas 1973, 68). In February 1918, he confessed to “being a Bolshevik” (CW 16, 267). The famous financial journalist Clarence W. Barron met Keynes in September 1918, and he reported: “Lady Cunard says Keynes is a kind of socialist and my judgment is

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7 Skidelsky faces a similar temporal problem. He incorrectly claims Keynes's life before 1914 was a period of “political indifference” (1983, 229, 262). Even a cursory examination of the Keynes Papers (OC/1–6) will show Keynes was deeply interested in politics when he was developing his ethical theory.

8 Keynes and Shaw were lifelong friends. Keynes wrote in 1927, “What a debt every intelligent being owes to Bernard Shaw!” (CW 9, 320). In 1946, Keynes noted the “love and honour in which I hold G.B.S.” (CW 10, 381). Shaw was a socialist and a supporter of Hitler, Mussolini, Lenin, and Stalin. Also see note 27.
that he is a Socialist of the type that does not believe in the family” ([1918] 1930, 189).

Keynes wrote in 1922, “An extraordinary experiment in socialism is in course of development. I think there may be solid foundations on which to build a bridge” (CW 17, 420). That year, he stated Vladimir Lenin’s “political control of affairs was of a high intellectual competence. The histories of revolution contain nothing more remarkable or more coldly and splendidly glittering than the career of Nicholas [sic] Lenin” (CW 17, 436–37). He demanded in 1923, “Liberals must move towards Labour [socialism] and not in the other direction” (1923a). He declared in a 1924 speech, “In many respects [the Labour Party] want[s] the same thing [as the Liberal Party]” (1924a, 262). Although he was a member, Keynes always wanted to transform Britain’s Liberal Party into a socialist party of the far left.9

In February 1924, he boasted that he joined a “new USSRian Society,” and in May he joined “a new Society… for getting into intellectual touches with Russians!” (1924b, 1924c). On June 8, 1924, he drafted an outline for a book called Prolegomena to a New Socialism (1924d, document 4). In July 1924, Keynes was a founding vice president of the Society for Cultural Relations with the USSR (SCR 1924, document 5). This explicitly pro-Soviet society was financed and controlled by VOKS, the Soviet government’s international propaganda agency (Miner 2003, 228, 248). In September 1925, he visited the USSR and he addressed the Soviet politburo. Leon Trotsky attended, and Trotsky described Keynes as an advocate of socialism: “Even the most ‘progressive’ economist Keynes told us only the other day that the salvation of the British economy lies in Malthusianism! And for England, too, the road of overcoming the contradiction between city and country leads through Socialism” (1925, 286).

Contrary to O’Donnell, the evidence above shows Keynes aligned himself with socialism long before the mid-1920s. Overlooked

9 Keynes’s affiliation with the Liberal Party does not mean he was a liberal. Keynes’s friend Kingsley Martin recognized that most British socialists at this time “aimed at the permeation of the existing political parties” (1970a, 33). Although Keynes, Leonard Woolf, Gerald Shove, David Garnett, Francis Birrell, Rupert Brooke, and James Strachey were involved in Liberal Party politics and clubs, they all aligned themselves with socialism. This shows not all members of liberal parties are liberals.
evidence confirms he aligned himself with socialism until his death in 1946. For example, in 1926, his close friendship with the leaders of Fabian socialism, Sidney and Beatrice Webb, led Virginia Woolf to observe: “Lydia [Keynes’s wife] and Maynard are both completely under the sway of the Webbs…. [The great Keynes] is at [Beatrice Webb’s] feet” ([1926] 1978, 289). Beatrice wrote, “There is no reason why Keynes … should not be among the leaders of the Labour Party—[he] is certainly more advanced than [the socialist Ramsey] MacDonald” ([1926a] 1985, 103). Keynes proclaimed, “I am less conservative in my inclinations than the average Labour [socialist] voter; I fancy that I have played in my mind with the possibilities of greater social changes than come within the present philosophies of, let us say, Mr Sidney Webb…. The republic of my imagination lies on the extreme left of celestial space” (CW 9, 309).

After his 1928 trip to the Soviet Union, he noted “my sympathy with communists over money motives” (1928a). That year, he endorsed the socialist program Labour and the Nation: “Since this motion was framed, [the] Labour Programme [Labour and the Nation was] published. The Lib[eral] Summer School met with pleasure and no false sense of proprietorship how much of it overlaps … [The] Lib[eral] and Lab[our] [Parties] shall cooperate. For there is a large enough measure of agreement on what to do next” (1928b). This program was concerned with “transforming Capitalism into Socialism” and “the establishment of the Socialist Commonwealth” (Labour Party 1928, 3, 14).

In a 1929 speech, “Social Reform as the New Socialism,” he sketches his “type of social[ist] action for the future” (1929).12


11 Keynes made these statements in a debate with Labour politician Thomas Johnston. In that debate, Johnston “regarded many of the proposals in the Liberal Yellow Book as proposals for which Socialists could vote with both hands” (1928, 11). Moggridge notes, “Keynes’s contributions to the Inquiry’s report Britain’s Industrial Future, or the Yellow Book as it was and is known, were substantial” (1992, 458). Mises writes, “The English ‘Liberals’ of today are more or less moderate socialist” ([1922] 1981, 17). He continues in a footnote, “This is shown clearly in the programme of present-day English Liberals: Britain’s Industrial Future” ([1922] 1981, 17n3).

12 Hayek notes that the term ‘social reform’ is a euphemism for socialism: “Efforts for social reform, for something like a century, have been inspired mainly by the ideals of socialism” ([1960] 2011, 369)
Keynes abandoned the Liberal Party after the 1929 general election, and he proclaimed, “England must break sharply with the Liberal tradition” (quoted in Martin 1970a, 198). He became an important economic advisor to Britain’s first socialist prime minister, Ramsay MacDonald, after the 1929 election. At a meeting with MacDonald on June 1, 1930, Keynes described himself as “the only socialist present” (quoted in Dalton 1986, 115). His first major work on economic theory, *A Treatise on Money* (1930), imagines “socialistic action by which some official body steps into the shoes which the feet of the entrepreneurs are too cold to occupy” (CW 6, 335).

Keynes began meeting with the socialist politician Oswald Mosley frequently in late 1930 (Mosley 1968, 238; Smith 1996, 244). That year, Mosley produced his famous Mosley Manifesto, a socialist proposal calling for “industrial reorganisation in the form of the big merger involving standardisation and the pooling of resources” (Mosley 1930, 11). Keynes thought the socialist proposal was “a very able document and illuminating,” and “I do not see what practical socialism can mean for our generation in England, unless it makes much of [Oswald Mosley’s] manifesto its own—this peculiar British socialism” (Henderson 1930; CW 20, 475). Mosley founded a socialist political party in early 1931 called the New Party, which later became the British Union of Fascists and National Socialists. Harold Nicolson, another leader of the party, reported to Mosley:

Dined with Clive Bell and Keynes. Keynes is very helpful about the economics of the New Party. He says that he would, without question, vote for it…. He feels that our Party may really do an immense amount of good and that our Programme is more sound and certainly more daring than that which any other party can advance. (Nicolson [1931] 2004, 79; Mosley 1968, 237–38)\(^\text{13}\)

In early 1931, Keynes became the chairman of Britain’s leading socialist newspaper, *New Statesman and Nation*, and he maintained that position until his death in 1946. He described the paper as “an independent organ of the Left,” and the paper’s historian

\(^{13}\) Mosely recalled, “I had the massive support of Keynes, not only in his theory but as already noted in his personal intervention” (1968, 253). Mosley says, “The background of my economic thinking was first developed by a study of Keynes—more in conversation with him than in reading his early writings” (1968, 178).
acknowledges it was an “unequivocally socialist weekly” (Smith 1996, 249, 156). On December 13, 1931, he gave a speech to the Society for Socialist Inquiry and Propaganda called “A Survey of the Present Position of Socialism.” He declares, “I should like to define the socialist programme as aiming at political power,” and he discusses the “grand experiment of the ideal [socialist] republic,” (CW 21, 34; Moggridge 2012, 58). Around this time, he joined the New Fabian Research Bureau, Britain’s leading socialist think tank (Cole 1961, 235). The New Fabian Research Bureau was the sister organization of the Society for Socialist Inquiry and Propaganda (Cole 1961, 230), and it amalgamated with the Fabian Society in November 1938.

Keynes lived with members of the socialist Bloomsbury group throughout his adult life. Skidelsky writes, “The Bloomsbury group [was] a commune of Cambridge-connected writers and painters” (2015, xvi). The Bloomsbury “communal household” was conceived by Virginia Woolf in late 1911, and Keynes was one of the first residents (Delany 2015, 147, 156). Woolf’s biographer reports, “Virginia looked back on this communal household as one of her pioneering achievements,” and Virginia referred to the residents as “inmates” (Lee 1997, 301, 288). Virginia nicknamed Keynes “dear old Hitler” ([1938] 1984, 163; Lee 1997, 680, 715), and she recorded in 1933: “We are going over to Tilton [Keynes’s country home], to be converted by Maynard to what I suspect of being a form of Fascism [national socialism]” ([1933] 1979, 222). That same year, “Mosley wrote to him [Keynes] congratulating him on his ‘fascist’ economics” (Skidelsky 1975, 306).

14 Harrod and Skidelsky argue the editor Kingsley Martin was responsible for the newspaper’s socialist policy. Skidelsky notes the paper’s “sympathy for Soviet communism” and says “the New Statesman was unmistakably Kingsley Martin’s” (1992, 389). However, Martin refutes this notion: “Maynard was the only active director of the N.S.&N…. His biographer, Sir Roy Harrod, mentions his intimate connection with the Nation and then says that as the years went by he fell out of sympathy with the N.S.&N. policy. This does not tell the story” (1970b, 41). Also see Hyams (1963, 125) and Martin (1970a, 198).

15 On Bloomsbury’s socialism, see Marler (1993, xviii) and Rosenbaum (2003, 85).

16 Although Skidelsky denies Keynes’s socialism, he admits that “Keynesianism was [Mosley’s] great contribution to fascism. It was Keynesianism which in the last resort made Mosley’s fascism distinctively English” ([1975] 1990, 302). Murray N. Rothbard notes “Keynes’s strong fascist bent,” and states “Keynes was a fascist” ([1992] 2010, 51, 56).
Keynes supported the socialist Labour Party in the 1930s, and he declared in October 1935, “I do not really agree with … maintaining the separate identity of the Liberal Party” (CW 21, 373). In the general election of 1935, he voted for Britain’s Labour Party just three months before The General Theory was published. Notably, the Labour platform was entitled For Socialism and Peace, and it called for “creating a new social order and a British Socialist Commonwealth” (Labour Party 1934, 29). He wrote, “I scarcely know where I stand. Somewhere, I suppose, between Liberal and Labour, though in some respects to the left of the latter [Labour]” (CW 21, 372–73).

He praised the Soviet experiment just four months after The General Theory was published: “Until recently events in [Stalin’s] Russia were moving too fast and the gap between the paper professions and the actual achievements was too wide for a proper account to be possible. But the new system is now sufficiently crystallised to be reviewed. The result is impressive” (CW 28, 333). Keynes’s engagement diaries show that he met with the Webbs at least twenty-two times between 1931 and 1937. And just five months after The General Theory was published, Beatrice Webb recorded that he desired “a modified socialism” ([1936] 1985, 371). The novelist John Buchan dined with Keynes regularly for over a decade, and Buchan reported Keynes was a “gentlemanly Communist” and “His line is that he despises capitalism” (1936, 105–06). Keynes confirmed, “Private capitalism is an out-of-date institution incapable of meeting the requirements of the twentieth century” (CW 21, 491).

In 1939, he praised “the splendid material of the young amateur communists” and applauded the socialist Left Book Club as “one of the finest and most living movements of our time” (CW 21, 496). That year, Stafford Cripps attempted to unify the Labour

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17 Moggridge agrees, “In the course of the 1930s [Keynes] frequently commented on Labour policy proposals, more often than not sympathetically…. He was more inclined to support individual Labour candidates” (1992, 465). O’Donnell writes, “Keynes identified three main political ‘parties’ or groupings—the Socialists, Liberals and Conservatives. It was with the ‘Socialist’ grouping that his general sympathies lay” (1999, 158; Clarke 1988, 221). As Scott Newton recognizes, “Harrod concealed the drift of Keynes’s sympathies from the Liberal Party to Labour in the 1930s” and “felt it his duty to protect the public name of Keynes from association with the socialists” (2001, 15–16, 24). Like Harrod, Skidelsky conceals Keynes’s support of Labour after 1929.
and Communist Parties, and Keynes announced, “I am all for Sir Stafford Cripps, and I would join his movement” (CW 21, 496). He congratulated Cripps: “I am in full sympathy with what you are doing” (CW 21, 502). Critically, Keynes proclaimed in 1939, “The question is whether we are prepared to move out of the nineteenth century laissez-faire into an era of liberal socialism” (CW 21, 500). In the early 1940s, he described Beatrice Webb as “the greatest woman of the generation,” and she reported that he was still “going ‘left’” (Keynes 1943; Webb [1942] 1985, 488). In 1944, Keynes was running the British Treasury and planning the new world monetary system at Bretton Woods. Still, he remained vice president of the socialist Society for Cultural Relations with the USSR, an arm of the Soviet propaganda agency VOKS (SCR 1944, document 6).

KEYNES AND SOCIALIST POLICY

Keynes aligned himself with socialism throughout his entire adult life, and he described himself as a socialist. But can he actually be defined as a socialist? Did he actually advocate socialist policy? Traditionally, socialism is defined as a system of social organization based on government ownership of the means of production. Many Keynes interpreters have used the traditional definition of socialism to argue that Keynes was not a socialist. For example, Skidelsky writes, “He had no time for public ownership” and “His demand in the *General Theory* for a somewhat comprehensive socialisation of investment was a demand not for greater public ownership—which he always opposed” (1990, 52; 2000, 274). The traditional definition of socialism leads many interpreters to conclude that “He never embraced socialism” (Skidelsky 1992, 437).

The traditional definition of socialism can lead to error, for it is misleading if ownership is not properly defined. In economics, ownership is defined as ultimate control over a scarce good. Murray Rothbard writes, “Ownership is the ultimate control and direction of a resource” ([1962] 2004, 1277, 91–92, 959, 1273–74). Rather than using the proper economic definition, interpreters who argue Keynes was not a socialist must rely on a purely legal definition of ownership. But as Ludwig von Mises warns, “It is a mistake to deal with economic problems according to legal criteria” ([1957] 2005, 73).
Ownership is power of disposal, and when this power of disposal is divorced from its traditional name and handed over to a legal institution which bears a new name, the old terminology is essentially unimportant in the matter. Not the word but the thing must be considered. Limitation of the rights of owners as well as formal transference is a means of socialization. If the State takes the power of disposal from the owner piecemeal, by extending its influence over production; if its power to determine what direction production shall take and what kind of production there shall be, is increased, then the owner is left at last with nothing except the empty name of ownership, and property has passed into the hands of the State. (Mises [1922] 1981, 45)

Again,

Ownership means full control.... This catallactic [economic] notion of ownership and property rights is not to be confused with the legal definition of ownership and property rights as stated in the laws of various countries.... nowadays there are tendencies to abolish the institution of private property by a change in the laws determining the scope of the actions which the proprietor is entitled to undertake with regard to the things which are his property. While retaining the term private property, these reforms aim at the substitution of public ownership for private ownership.... In dealing with private property, catallactics [economics] deals with control, not with legal terms, concepts and definitions. Private ownership means that the proprietors determine the employment of the factors of production, while public ownership means that the government controls their employment. (Mises [1949] 1998, 678–79, emphasis added; Rothbard [1962] 2004, 1273).

There is no economic difference between government ownership and government control of the means of production. To avoid error, it is best to define socialism with the term control rather than the term ownership. Specifically, socialism is a system of social organization based on government control over the means of production. Although Mises used the term ownership to define socialism, he also frequently used the more precise term control: “Socialism is a social system based on public control of the means of production” ([1922] 1981, 505).18 Keynes’s friend Sidney Webb, the leader of

Fabian socialism, defines socialism as “control by the community of the means of production” (1890, 4). Joseph Schumpeter writes, “By socialist society we shall designate an institutional pattern in which the control over means of production and over production itself is vested with a central authority” ([1943] 2006, 167).

To determine whether Keynes was a socialist, it is necessary to examine whether he advocated government control over the means of production. As it turns out, Keynes’s main policy recommendation was government control, or socialization, of investment. To him, socializing investment is the only way to permanently solve cyclical and secular unemployment: “A somewhat comprehensive socialisation of investment will prove the only means of securing an approximation of full employment” (CW 7, 378, emphasis added). It must be remembered that in economic theory, investment refers to real investment, not financial investment. Investment goods refers to property, plant, and equipment—that is, the means of production (Garrison 2001, 37). Thus, Keynes’s call to socialize investment is a call for government control over the means of production. Therefore, Keynes fits the definition of a socialist.

It is important to emphasize that Keynes advocated government control over investment long before The General Theory. In February 1910, he already expressed the cynical view of private investment contained in The General Theory: “[The investor] will be affected, as is obvious, not by the net income which he will actually receive from his investment in the long run, but by his expectations. These will often depend upon fashion, upon advertisement, or upon purely irrational waves of optimism or, depression” (CW 15, 46). Like the other Cambridge business cycle theorists, he did not believe private businessmen can make good investment decisions; “There are still a good many perfect fools amongst our business men” (1910).

1998, 183, 712). Still, he stressed, “To avoid any misunderstanding we will henceforth use the words, ‘ownership of the means of production’ in the generally accepted sense, i.e. to signify the immediate power of disposal [control]” ([1922] 1981, 32).

He stated in 1923, “The present organisation of investment is not such as to maximise the individual investor’s self interest, even in so far as it does this, it does not follow that it maximises the national income” (1923b, 252). He said the day before drafting *Prolegomena to a New Socialism*, “The state encouragement of new capital undertakings... is becoming an inevitable policy” (CW 19, 229). He verifies government control of investment is a socialist policy in *Prolegomena to a New Socialism*: “Investment of Fixed Capital” is one of the “Chief preoccupations of the State” (1924d, document 4). He says, “A great deal of money was being invested by those who had no special knowledge” (1924e, 313). On December 12, 1924, he said that private investors could not “direct the new savings of the community into ideal channels” and government must “improve our organisation for employing our capital” (1924f, 315, 318).

He exclaimed in his 1925 speech to the Soviet politburo, “I direct all my mind and attention to the development of new methods and new ideas for effecting the transition from the economic anarchy of the individualistic capitalism which rules today in Western Europe towards a regime which will deliberately aim at controlling and directing economic forces” (CW 19, 439). He continues, “I believe that there are many other matters, left hitherto to individuals or to chance, which must become in future the subject of deliberate state policy and centralised state control. Let me mention two—(1) the size and quality of the population and (2) the magnitude and direction of employment of the new national savings year by year” (CW 19, 441).

He wrote during 1926, “I do not think that these matters [investment] should be left entirely to the chances of private judgment and private profits” (CW 9, 292). It was Keynes who inspired the socialist Labour Party to include “centrally planned investment” in its 1926 program, *Socialism in Our Time* (Walker 1988, 84). Beatrice Webb penned after Keynes attended the Socialist Summer School in 1926: “Keynes seems such a treasure!... I see no other man that might discover how to control the wealth of nations in the public interest” ([1926b] 1985, 93–94).

During 1928, he devised a National Investment Board “to mobilise and to maintain the supply of capital and the stream of savings” (1928c, 69). In “Social Reform as the New Socialism,” he states, “Modern economic organisation is liable to produce unintended
and undesired results unless it is controlled from the centre” (1929, 187). Again, “I conceive that the greatest contribution that the politically minded can now make to Social progress is by thinking out the central controls scientifically sound” (1929, 191).

In *A Treatise on Money*, he wants to “control the rate of investment,” and “perhaps the ultimate solution lies in the rate of capital development becoming more largely an affair of the state, determined by collective wisdom and long views” (CW 5, 151–52, 190; CW 6, 145). He declared, “I am in favor of an admixture of public works, but my feeling is that unless you socialize the country to a degree that is unlikely, you get to the end of the public works program.... You have shot your bolt, and you are no better off.... I should be afraid of that as the sole remedy” (1931, 494). He declared during his 1931 speech to the Society of Socialist Inquiry and Propaganda, “The central control of investment” is “urgently called for on practical grounds” (CW 21, 36). Clearly, Keynes advocated the socialist policy of controlling investment many years before he started developing his general theory in late 1931.

In September 1932, he advocated “a large measure of control over the volume of new investment” (CW 21, 130). Importantly, Keynes conceived socialism as government control over investment: “The chief problem would be to maintain the level of investment at a high enough rate to ensure the optimum level of employment.... The grappling with these central controls [on investment] is the rightly conceived socialism of the future” (CW 21, 137). This passage shows that Keynes viewed socialism as government control over investment, and he can be identified with socialism because he advocated this policy.

Keynes developed his general theory by mid-1933, and it must be stressed that he invented the theory to serve as an economic justification for his previously held political and policy views.20 He wrote,

20 This is not controversial. Don Patinkin writes, “the purpose of the theory is to provide a rigorous underpinning for a policy” (1976, 18, xxiii, 9; Meltzer 1988, 5, 303). According to Gilles Dostaler, “The economic theory he developed, known more appropriately as ‘political economy’, was subordinate to politics” (2007, 80). In short, Keynes was not a value-free economist: “economic theory was seen by Keynes as being scope-dependent. It had lost all presumptions of neutrality from values” (Carabelli 1988, 159; Fitzgibbons 1988, 43–44).
“I am not one of those who believe that the business cycle can be controlled solely by manipulation of the short-term rate of interest, that I am indeed a strong critic of this view.... My proposals for the control of the business cycle are based on the control of investment” (1933a, 675). Under capitalism, “there should be on the average a tendency to severe unemployment” (KL, L9); but there is “no unemployment [in a] Socialist or Communist state” (KL, I3). He declared in November 1934, “Private capitalism is in this matter [i.e., investment] an open scandal and grossly inefficient. There may be no remedy except the direction of long-term investment by the State” (KL, H32). The Labour Party put Keynes’s National Investment Board in its 1935 program, For Socialism and Peace, and thereby certified that he advocated socialist policy (Walker 1988, 123). Labour leader Hugh Dalton recognized, “Such a board will, I believe, be one of our most effective instruments of Socialist planning” (quoted in Pimlott 1985, 218).

In The General Theory, he asserts that the “functionless investor” has “uncontrollable and disobedient psychology” (CW 7, 376, 317). Investors’ “animal spirits” mean “the mass psychology of a large number of ignorant individuals is liable to change violently” (CW 7, 161–62, 154). For Keynes, “The weakness of the inducement to invest has been at all times the key to the economic problem” (CW 7, 347–48). Therefore, “I expect to see the State, which is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage, taking an ever greater responsibility for directly organizing investment” (CW 7, 164). He declares, “I conclude that the duty of ordering the current volume of investment cannot safely be left in private hands” (CW 7, 320; CW 29, 232).

He writes in a 1938 letter to President Roosevelt, “Durable investment must come increasingly under state direction” and investors should be treated like “domestic animals” because they...
have “delusions” (CW 21, 438). For Keynes, “The Board of National Investment would in one way or another control by far the greater part of investment” (CW 14, 49, emphasis added). He warned in 1943, “Public works at short notice is a clumsy form of cure and not likely to be completely successful” (CW 27, 326). Instead, he demanded “the bulk of investment … under public or semi-public control” (CW 27, 322). Three months before his death in 1946, he boasted that the idea of a “National Investment Board … is a very ancient one with me” (1946). In summary, Keynes must be defined as a socialist because he wanted to transfer ultimate control over investment from private investors to government.

Keynes realized that government control over investment leads to government control over virtually all economic activity. As Mises writes, “People can consume only what has been produced” ([1955] 2007, 53). Comprehensive government control of investment means government determines what is produced and, consequently, what is eventually consumed. Keynes admits, “It is not possible to control production without controlling consumption in an equally drastic manner” (CW 16, 114). But investment and consumption are the only components of aggregate demand in the Keynesian framework. Keynes knew that socializing investment gives the government control over both components of aggregate demand. In short, Keynes’s call for government control of investment was a call for government control over the entire economy.

In addition to the non-human factors, Keynes advocated government control over the human means of production. If the government controls investment goods, it must also control the workers that work with those goods. The government must control each person’s occupation, meaning it must control where each person lives and works. Simply put, government control of investment requires extensive government control over the population. Actually, Keynes went beyond simple control of the workforce. In addition, he advocated systematic government control over the quantity and quality of the population.

Keynes was a lifelong eugenicist. He became treasurer of the Cambridge University Eugenics Society in 1911 (Marshall 1911, 284; Toye 2000, 141), and he was vice president of the British Eugenics Society from 1937 to 1944. Just sixty-seven days before his death, he
endorsed “the most important, significant and, I would add, genuine branch of sociology which exists, namely eugenics” (1946b, 40). In Prolegomena to a New Socialism, he confirmed a direct link between his socialism and ideas on population by listing “Population, Eugenics” as “Chief preoccupations of the State” (1924d, document 4). He proclaimed to the Soviets in 1925, “There is no more important object of deliberate state policy than to secure a balanced budget of population” (CW 19, 437). Keynes declared in another speech,

In the light of present knowledge I am unable to see any possible method of materially improving the average human lot which does not include a plan for restricting the increase in numbers [of population]…. It may prove sufficient to render the restriction of offspring safe and easy … Perhaps a more positive policy may be required…. [I] would like to substitute schemes conceived by the mind in place of the undesigned outcome of instinct and individual advantage playing within the pattern of existing institutions. (CW 17, 453, emphasis added)

Beyond quantity, Keynes wanted government to control the quality of the population: “the community as a whole must pay attention to the innate quality as well as to the mere numbers of its future members” (CW 9, 292). He was chairman of the Malthusian league, and that organization’s motto was non quantitas sed qualitas (not quantity but quality). He declared in his 1927 address, “We of this society are neo-Malthusians,” and “I believe that for the future the problem of population will emerge in the much greater problem of Hereditary and Eugenics. Quality must become the preoccupation” (1927, 114). These passages show that Keynes called for comprehensive government control over all aspects of production, including the human beings who comprise the labor force.22

Keynes and Marx had similar visions, and Keynes had far more sympathy for the Soviet experiment than is commonly recognized. However, Keynes was a non-Marxist socialist. First, he rejected

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Marx’s revolutionary approach to socialism. Opposed to Marx, he wanted to implement socialism gradually: “Socialisation can be introduced gradually,” and “We have everything to lose by the methods of violent change” (CW 7, 378; CW 9, 267). Second, Keynes was an elitist, and his elitism made him allergic to Marx’s proletarian class analysis: “The Class war will find me on the side of the educated bourgeoisie,” and “The right solution will involve intellectual and scientific elements which must be above the heads of the vast mass of more or less illiterate voters” (CW 9, 297, 295). Opposed to Marx’s proletarian socialism, he advocated elitist socialism. Keynes was a non-Marxist socialist, and he viewed his brand of “anti-Marxian socialism” as “the true socialism of the future” (CW 7, 355; CW 19, 222).

THE ETHICS OF CAPITALISM AND SOCIALISM

Although the significance of Keynes’s ethical theory is often emphasized, its extreme radicalism is not. Keynes’s categorical rejection of general rules is radical to the extreme. General rules make society possible. Hayek writes, “Life of man in society, or even of the social animals in groups, is made possible by the individuals acting according to certain rules” (Hayek [1960] 2011, 216). In fact, “Rules of conduct [are] the basis of a prescriptive science of ethics” (Hayek [1982] 2013, 24). By overthrowing general rules, Keynes seems to overthrow the basis of society and ethics. Thus, from an ethical standpoint, he was certainly correct to describe himself as a “radical” and “heretic” (CW 20, 265, 527; CW 13, 489). How is Keynes’s radical ethical thought related to his views on capitalism and socialism?

Traditionally, capitalism is defined as a social system based on private property in the means of production. As this definition indicates, capitalism is a social system based on rules—precisely, the general rules of private property. Fundamentally, free market capitalism is a social system based on one supreme ethical rule: never use violence against the person or property of another human being, unless defending person and property from aggressive violence. This general rule of conduct is called the non-aggression
principle.\textsuperscript{23} Pure capitalism is a social system in which the non-aggression principle is universally obeyed. Rothbard writes, “the free market is a society in which all exchange is voluntary [non-violent]. It may most easily be conceived as a situation in which no one aggresses against person or property” (\cite{Rothbard1962} 2004, 1067).\textsuperscript{24} Free market capitalism is predicated on an ethical position that accepts a general rule of conduct—the non-aggression principle.

For Moore, it is impossible to prove the general rules of private property are universally correct. Still, he insists they should never be broken: “The common legal rules for the protection of property must serve greatly to facilitate the best possible expenditure of energy…. A general observance of them would be good as a means” (1903, 157). In sharp contrast, Keynes’s ethical system is an attack on rules and, by extension, the rules of private property. The Keynesian ethical theory is utterly incompatible with the non-aggression principle. He wrote, “I am afraid of principle” and “What a very odd, and sometimes terrible, thing are strict principles!” (CW 20, 379; CW 10, 234). Actually, Keynes emphatically rejected capitalism’s non-aggression principle, and ridiculed it as “dogma” and the “political economist’s religion” (CW 9, 280–81).\textsuperscript{25} Capitalism is a rule-based social system, and Keynes categorically rejected all rules. Therefore, Keynes’s ethical theory is incompatible with capitalism.

\textsuperscript{23} Murray N. Rothbard was the twentieth century’s most consistent champion of the non-aggression principle (\cite{Rothbard1962} 2004, 1053n4; \cite{Rothbard1973} 2006, 27, 55, 282; \cite{Rothbard1982} 1998, 24, 42, 52, 82, 131). Among economists, similar ideas are found in Friedman (\cite{Friedman1962} 2002, 14, 22, 39), Hayek (\cite{Hayek1982} 2013, 221), and Knight (1939, 5).

\textsuperscript{24} This idea is not unique to Rothbard. Mises writes, “In the market economy the individual is free [from violence] in his actions as far as private property and the market extend … no force is used unless for the protection of private property and of the market against violence” (\cite{Mises1940} 2011, 14). Rothbard writes, “A society formed solely by the market has an unhampered market, or free market, a market not burdened by the interference of violent action” (Rothbard [1962] 2004, 90–1; 1982 [1998] 40).

\textsuperscript{25} Keynes’s rejection of non-aggression explodes the claim that he was liberal. Mises writes, “For the liberal, any system which does not exclude every violent interruption of peaceful development is, from the very outset, out of the question” (\cite{Mises1927} 2005, 134). Frank Knight notes, “The essential social-ethical principle of liberalism … is that all relations between men ought ideally to rest on mutual free consent, and not on coercion” (1939, 5). In contrast to liberalism, “Socialism is the expression of the principle of violence” (Mises [1922] 1918, 320).
Keynes’s rejection of general rules is consistent with socialism. As Hayek writes, “Socialism lacks any principles of individual conduct” ([1982] 2013, 484).26 In distinct contrast to capitalism, socialism is always based on an ethical position that rejects the rules of private property. George Bernard Shaw, the man who converted Keynes to socialism in 1907, wrote, “Socialism, reduced to its simplest legal and practical expression, means the complete discarding of the institution of private property…. In Socialism, private property is anathema…. In Capitalism, private property is cardinal” (1929, 3).27 Keynes’s categorical rejection of general rules means he categorically rejected the rules of private property: “There is no ‘compact’ conferring perpetual rights on those who Have or on those who Acquire [property]” (CW 9, 287). On the spectrum of ethical thought that runs from pure socialism to pure capitalism, Keynes’s radical ethical theory is one of pure socialism. Although his ethical theory by itself does not make him a socialist, the Keynesian ethical theory is compatible with socialism.

Indeed, Keynes was a non-Marxist socialist, and his ethical theory was central to his socialism. Socializing investment requires government to systematically break the general rules of private property; it requires government to systematically violate capitalism’s non-aggression principle. However, Keynes does not view this as an ethical problem, for there is no need to obey general rules in his ethical theory. To him, “It is not true that individuals possess a prescriptive natural liberty…. Individuals acting separately to promote their own ends are too ignorant or too weak” (CW 9, 287–88). He argues socializing investment will benefit everyone, including the victims of government’s aggressive violence:

Whilst, therefore, the enlargement of the functions of government … would seem to [advocates of rules] to be a terrific encroachment on

26 From a legal perspective, Keynes’s ethical theory means he was a legal positivist. But as Hayek wrote, “Legal positivism is … the ideology of socialism” (Hayek [1960] 2011, 353; [1982] 2013, 211). Also, Keynes’s rejection of rules means he rejected the rule of law: “The rule of law and socialism are incompatible” (Hayek [1960] 2011, 357n64).

27 Kingsley Martin recalled, “Maynard Keynes wrote that they [H.G. Wells and G.B. Shaw] were our two schoolmasters; Wells was the stinks master, while Shaw taught divinity” (1970b, 94). Also see note 8.
individualism, I defend it, on the contrary, both as the only practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition of the successful functioning of individual initiative. (CW 7, 380)

A CRITIQUE OF KEYNES’S ETHICAL THEORY

Importantly, Keynes maintained his early ethical theory throughout his entire life. As noted above, he boasted in his 1938 speech “My Early Beliefs,” “I remain, and always will remain, an immoralist” (CW 10, 447). Keynes’s logical theory of probability is the lynchpin of his ethical attack on general rules. However, if the logical theory is flawed, then his ethical theory cannot justify violating general rules, including the general rules of private property. Is the logical theory of probability viable?

Since the very beginning, Keynes’s logical theory of probability has been almost universally rejected by philosophers of probability. As noted, he wrote his fellowship dissertation on the logical theory, and it was rejected in March 1908. One dissertation examiner, Alfred North Whitehead, reported his theory was “muddled and of very mediocre value” and parts of the theory were “very perfunctory,” “poor in quality,” and a “hopeless fog” (1908, 2). The other examiner, William Ernest Johnson, wrote that facets of Keynes’s theory were “essentially unsound” and he had “not fully understood the arguments of his opponents” (1908, 3). Even Lytton Strachey, Keynes’s lover and confidant, described the logical theory as “a mass of muddled facetiousness” ([1908] 2005, 138). Lawrence Klein, a Keynesian economist and later Nobel laureate, noted in 1951, “Keynes’s ideas on probability represent a minority position among current workers on the subject and are not those for which we shall long remember his work … He did not make a sensational advance in probability theory” (1951, 446; Runde 1994, 97).

There are several technical problems with Keynes’s logical theory of probability. First, on the logical theory, numerical probability is only possible when all outcomes are equally probable. Keynes writes, “In order that numerical measurement may be possible, we must be given a number of equally probable alternatives” (CW 8, 44, 70). This is an extremely strict requirement for numerical probability. It essentially means probability mathematics can only be applied to games of chance. Keynes’s requirement of equal probability means his logical theory cannot explain a loaded die (Mises [1928] 1981, 69; Gillies 2000, 18). Furthermore, the equal probability requirement means the logical theory can only explain the uniform probability distribution. It cannot explain other distributions, such as the normal distribution. The normal distribution is perhaps the most important concept in statistics, and any theory of probability that is incompatible with the normal distribution must be problematic.

Moreover, the logical theory of probability cannot explain the continuous probability distribution. Keynes writes, “A rule can be given for numerical measurement when the conclusion is one of a number of equiprobable, exclusive, and exhaustive alternatives, but not otherwise” (CW 8, 122). For Keynes, numerical probability requires exhaustive and “indivisible alternatives” (CW 8, 65). However, the continuous probability distribution means the alternatives are not indivisible; the alternatives are in a continuous interval with an infinite number of values. This means the logical theory can only explain the discrete distribution, and not the continuous distribution (Gordon 1992, 155; Gillies 2000, 43, 48). But many important and successful applications of probability mathematics involve the continuous case. A theory of probability that cannot explain the continuous probability distribution must be inadequate.

Beyond all this, the entire program of the logical theory is problematic. For Keynes, probability is a logical relation between the premises and the conclusion of a logical argument: “Let our premises consist of any set of propositions \( h \), and our conclusion consist of any set of propositions \( a \), then if a knowledge of \( h \) justifies a rational belief in \( a \) of degree \( \alpha \), we say that there is a probability-relation of degree \( \alpha \) between \( a \) and \( h \)” (CW 8, 4; 1908, 139, 142). To demonstrate, consider the following logical argument:
\[ h1. \] All men are mortal
\[ h2. \] Socrates is a man
\[ \therefore a. \] Socrates is mortal

Given the premises that all men are mortal (\( h1 \)) and Socrates is a man (\( h2 \)), the conclusion that Socrates is mortal (\( a \)) is logically certain, so the probability \( \alpha = 100 \) percent. On the other hand, the conclusion that Socrates is immortal (\( -a \)) is logically impossible, so the probability is 0 percent. In the logical theory, the extreme of logical certainty is the maximum probability 100 percent, and the extreme of logical impossibility is the minimum probability 0 percent. But for Keynes, logical certainty is not achievable in most practical situations. In most cases, the conclusion only partially follows from the premises, so the probability will usually fall in a range between 0 and 100 percent. For example, consider the case of rolling a three spot on a die:

\[ h1. \] The die has six sides
\[ h2. \] The die has a single three spot
\[ h3. \] The die is fair
\[ \therefore a. \] The outcome is three

The conclusion of rolling a three spot is not logically certain and is not logically impossible. Given the premises, the conclusion only partially follows, so the probability falls somewhere between the logical extremes of 0 and 100 percent. In the case of rolling a three spot, logical intuition tells us that the probability \( \alpha = 16.67 \) percent. When dealing with a syllogism, the logical structure of the human mind intuitively perceives that the probability is 100 percent. Similarly, when rolling a die, the logical structure of the human mind intuitively perceives that the probability of rolling a three spot is 16.67 percent. Since the logical theory extends logic beyond the syllogism, Keynes viewed his theory as a more “general theory” of logic (CW 8, 106).

In logic, however, the conclusion is true only if the premises are true. This means logical probabilities can only successfully guide action if the premises are true. But how can we know whether the premises are true? How can we know the die has six sides and a single three spot? Moreover, how can we know whether the die is
fair and not loaded? Since these premises are not self-evidently true, the only way to confirm the truth of these premises is to empirically examine the die. But this introduces an empirical requirement into the logical theory. The only way to confirm the die is fair and not loaded is to roll the die numerous times in the real world, and evaluate the empirical outcomes. This example illustrates that logical probability can only describe the real world if the premises are confirmed with the frequency theory: “Without the complement of the frequency definition, probability theory cannot yield results that are applicable to real events” (Mises [1928] 1981, 221–22, 70). Contrary to Keynes, it is impossible for probability to be “purely logical” (CW 8, 4).

Keynes’s entire ethical justification for violating general rules depends on his logical theory of probability. The logical theory amplifies the human ability to understand the probable consequences of action, and thereby frees actors to violate general rules like the non-aggression principle. Keynes’s ethical justification for violating general rules is central to his politico-economic thought, because his brand of non-Marxism socialism requires government to systematically break the general rules of private property. However, since the logical theory of probability is flawed, Keynes’s ethical theory is not viable. In the end, the ethical foundation of Keynes’s non-Marxist socialism is flawed.

CONCLUSION

Not all ethical theories are compatible with capitalism or socialism. Instead, capitalism and socialism are based on irreconcilable ethical views about private property. Specifically, capitalism accepts and socialism rejects the general rules of private property. Keynes rejected all rules, and he invented his ethical theory as an intellectual justification for violating general rules. As Robert Skidelsky writes, “He invented theory to justify what he wanted to do” (1992, 344). Keynes’s categorical rejection of all rules means his ethical thought is incompatible with capitalism and consistent with socialism. He embraced the ethic of pure socialism by January 1904, and the evidence confirms he was a non-Marxist socialist from no later than October 1907 until his death in April 1946. However, the logical theory of probability, the key to his ethical justification
for non-Marxist socialism, is flawed. Therefore, Keynes’s radical ethical theory is not a successful ethical justification for any brand of socialism, including his own.

APPENDIX


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Document 2. Keynes to Lytton Strachey (1907)

King's College,
Cambridge.
25 October 1907

Dear Lytton,

I asked Shepard to get you a room and I think he has got one. This is just to reassure you—no letters follow. Mr. Bernard Shaw convoked us all to socialism last night and, of course, millions of rotten Indians floundered by name and discomfort conscience, the thought that they have not been called on. But I doubt if one is worth anything. You shall hear the petty gossip tomorrow.

I saw a great beauty yesterday.

JMK
Document 3. John Neville Keynes (1911)

WEDNESDAY, SEPTEMBER 6, 1911.

3 + 0 = 3

I had lunch with the Walsteins. He
wants to resign the Slade Professorship
and become an Honorary Professor; but I am
afraid there are difficulties in the way.

Afterwards 13 holes with Walstein
at Hoyston.

Maynard avours himself a Socialist and
in favour of the confiscation of wealth.

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Document 4: Prolegomena to a New Socialism (1924)

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