UNIVERSITY OF CAMBRIDGE
Department of History of Art

KING'S COLLEGE
CAMBRIDGE

JOHN MAYNARD KEYNES IN KING'S COLLEGE
AND
THE GENERAL THEORY OF EMPLOYMENT, INTEREST AND MONEY (1936)

Keynes Conference, King's College, Saturday 8th October 2016

Proceedings

The conference was organised at King's College for the 80th anniversary of the publication of *The General Theory of Employment, Interest and Money* (1936) by John Maynard Keynes.

John Maynard Keynes was intimately connected to King's College. He came as an undergraduate in 1902 and was a Fellow from 1909 until his death in 1946. As part of the Bloomsbury group comprising artists, writers and intellectuals, he was close to Roger Fry, Duncan Grant and Vanessa Bell. Keynes's rare books and art collection were bequeathed to King's College.

The morning session – Keynes in King's College- highlighted two remarkable facets of Keynes's personality: his appreciation of art and his interest in books.

The General Theory caused a revolution in economic thought. It was first translated into German in 1936 and then into French in 1939. For several decades following the publication of *The General Theory,* Keynesian economic policies were carried out in various countries, in general quite successfully, but they seem to have been abandoned now for quite a while.

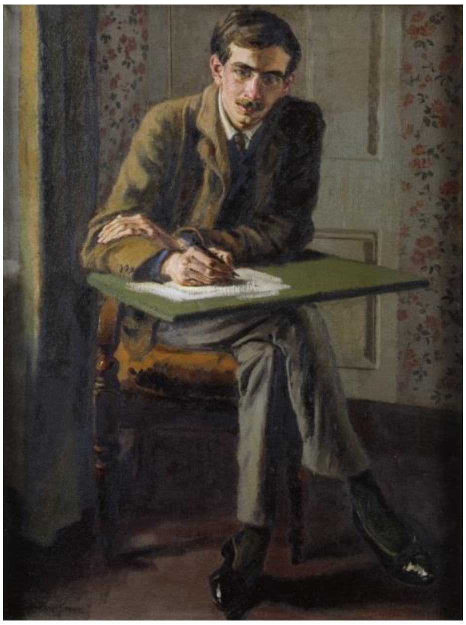
The afternoon session - Keynes and *The General Theory* - dealt with *The General Theory*'s translations into German and French and with its impact on economic policies during the last three decades in United Kingdom, Germany and France.

After the Conference, participants could visit an exhibition on Keynes in King's College before having dinner in King's Hall.

The entirety of the Conference programme, biographies and papers related to the afternoon session of the Keynes Conference are available on this website: **www.kingsmembers.org/KeynesConference**

1. MORNING SESSION: *KEYNES IN KING'S COLLEGE*

1. The Image of Keynes by Julien DOMERCQ (King's College, Cambridge)



Duncan Grant, *John Maynard Keynes,* 1908

Abstract Duncan Grant and John Maynard Keynes were in their early twenties when they spent two months together at the end of the summer of 1908 in splendid isolation on the island of Hoy in the Orkneys, an archipelago to the very north of Scotland. However, this two-month holiday was far from being only a romantic idyll. Keynes revisited his *Treatise on Probability*, the Fellowship Dissertation which had failed to win him a prize-fellowship at King's College, Cambridge, while Grant produced several drawings and paintings of the barren and inhospitable landscape, as well as his striking *Portrait of John Maynard Keynes* (1908). Reproduced in almost all publications on Keynes and on Grant, this intimate portrait, owned by King's since 1958, has often been described as one of Grant's 'most vivid likenesses'. Centred on this portrait, the talk claims that it was painted at a pivotal moment in the development of Grant and Keynes's professional, and indeed emotional, lives, and argues that its making had a key influence on the development of Keynes's interest in art.

2. The Keynes Set and the Painted Panels by Robert HAWKINS (King's College, Cambridge)

Abstract In 1909 Maynard Keynes took up his Fellowship at King's College, Cambridge, moving into P4, a room in Webb's Court. Duncan Grant, then his lover, decorated the room's wooden panels with an exuberant painted scene, depicting dancers and Mediterranean grape-pickers. Painted in a number of campaigns from 1910 to 1911, this mural is an important work of Grant's pre-Omega period. However, in 1920 Grant returned to Keynes's rooms to begin a new scheme of decoration, this time a collaborative project with Vanessa Bell: this second version was part of an holistic scheme of decoration, complete with appliquéd curtains, and a unified colour scheme; Grant and Bell's new series of painted panels of the 'muses of the arts and sciences' would cover Grant's earlier mural completely. This paper re-examines a range of archival material relating to the two decorative campaigns in order to explain why a second decorative scheme seemed desirable, so soon after Grant's original work. It connects the two schemes with a range of precedents and also uncovers changes of heart during the painting of each scheme, thus enlarging our understanding of the process of their creation.

3. Keynes as a Book collector by Peter JONES (King's College, Cambridge)

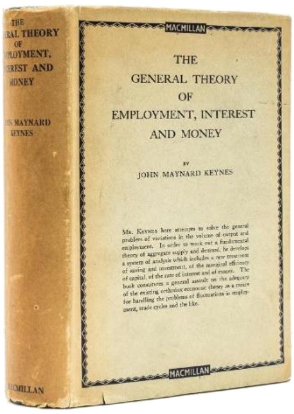
Abstract Maynard Keynes began collecting books while a schoolboy at Eton, and was an enthusiastic bibliophile and purchaser of books in Cambridge. There are good records in the Keynes personal papers revealing his lifelong passion for buying books. But he never collected economics books, except for purposes of study and teaching; he left that to Herbert Foxwell, his colleague in teaching economics in Cambridge. Keynes's early interests were in classical texts and gradually he came to concentrate on books illustrating the development of thought in Europe from the fifteenth to the twentieth century. He pioneered this approach to book collecting, and loans from the Keynes collection were critical to the great exhibition on Printing and the Mind of Man (1963), the catalogue of which is still

taken as an authoritative guide to important milestones in intellectual history. Keynes's book collecting always reflected his personal resources and the state of the market in antiquarian books. He was able to focus on rarities in the 1930s when his own success as an investor in financial markets gave him more money to spend, and when prices for books were generally low. Towards the end of the decade he pursued the alchemical and theological manuscripts of Isaac Newton which were sold at Sotheby's in 1937, and expanded his interests to include books of English drama and poetry from the sixteenth to the eighteenth centuries. King's College is now engaged on a digital catalogue of the Keynes books which is revealing new information about the owners, illustrations and bindings of his books.

4. Keynes and his Art Collection. An Investment? by Jean Michel MASSING (King's College, Cambridge)

Abstract In the words of his friend *George* (Dadie) *Rylands* (*John Maynard Keynes*, *1883-1946, Fellow and Bursar: A Memoir*, published by *King's College* in *1949), "Keynes believed in art as education because he was a Victorian, and he believed in it as pure entertainment because he was ahead of his age. But his own discovery of art was to a very great degree the result of his friendship or liking for particular artists", especially those of the* Bloomsbury group*.* After 1925, with his wife Lydia Lopokova, Maynard Keynes put together an important collection of paintings by these artists (including four works by Vanessa Bell, two portraits of Keynes by Roger Fry and twenty-five paintings by Duncan Grant). Through their influence, however, he also purchased French paintings, including three works by Delacroix, one by Courbet, four by Cézanne, two by Renoir, one by Seurat, two by Picasso, two by Braque and a Matisse; the artists whose works on paper he collected include Ingres, Daumier, Degas, Signac, Picasso, Derain, Modigliani and Henry Moore. The collection was bequeathed to King's College in 1946. According to Rylands, "he did not rest satisfied with collecting the famous for his own pleasure, but turned his thoughts to the struggles and potentialities of the young and the unknown"; this can be seen in his patronage of the London Artists Association, and the work of William Roberts, for example. Were Maynard's paintings good investments? Some certainly were, though he failed to buy Seurat's *La Grande Jatte* when it was offered privately to him. Maynard was involved in numerous artistic ventures. He became a member of the Contemporary Art Society in 1911, and patronised artists through the London Artists Association from 1925 until the disbanding of the society *c.* 1935. Keynes took office as Chairman of the Council for the Encouragement of Music and the Arts on April 1942, and he was also instrumental in the creation of the Arts Council.

AFTERNOON SESSION: *KEYNES AND THE GENERAL THEORY (1936)*



PANEL 1: German and French translations

Chairmen: **James TREVITHICK,** King's College, Cambridge and **Jörg BIBOW,** Skidmore College, New York; PhD University of Cambridge

1. The German Translation by Harald HAGEMANN (University of Hohenheim, Stuttgart; President of the German Keynes Society)

Abstract The German edition of *The General Theory* (Allgemeine Theorie der Beschäftigung, des Zinses und des Geldes) translated by **Fritz Waeger**, was published in Berlin by **Duncker & Humblot** in 1936, the same year as the English original. J.M. Keynes was well known and admired in Weimar Germany since his *The Economic Consequences of the Peace.* His books, *Treatise on Money* and *The General Theory* were immediately published in German and had many reviewers. However, after 1933, a watershed year, many of the best reviewers of the *Treatise* had been forced to emigrate.

J. M. Keynes's Preface to the German edition of *The General Theory* has often been criticised for expressing sympathies for the nationalist socialist regime. However, the difference between the English original and the published German version of his preface has to be seen in the context of Keynes's discussion of wage flexibility in chapter 19.
Answering an old controversy on wages and employment, *The General Theory* shows that in the Great Depression, falling wages and prices could only reduce aggregate demand, output and employment and also increase the real burden of debt, causing insolvencies and bankruptcies.
Keynes's article *National Self-Sufficiency*, (*The Yale Review*, June 1933), published the same year in Germany can lead to different interpretations. But J.M. Keynes's action in 1940 to liberate emigrated economists shut in British internment camps, in particular Piero Sraffa and Hans Singer, bears proof of his aversion to fascism.

The German translation by Fritz Waeger (1936) by **Harald Hagemann** (Slides)

In the discussion**,** Prof. Dr. Ingo Barens (Technical University of Darmstadt, Germany) announced that a new second translation of *The General Theory* will be published by Duncker & Humblot early 2017.

2. The French translation by Hélène de LARGENTAYE (Former S.G. of the *Conseil d'Analyse Economique* of the French Prime Minister; King's College, PhD University of Cambridge) and Ghislain DELEPLACE (Emeritus Professor of Economics , Paris 8 University)

Abstract The 40 letter correspondence between J.M. Keynes and **Jean de Largentaye** (the French translator), now in the Keynes Archive Centre (King's College), is a testimony of their close collaboration during the 18 month process of the translation which started in Paris in April 1938 and ended in September 1939, more than three years after the publication of *The General Theory* in Great Britain. The translator, a 35-year old *Inspecteur des Finances*, was working in the French Treasury. He discovered that *The General Theory* provided solutions to the economic problems that Leon Blum's "Popular Front" government was facing in the context of a rising threat of war against Nazi Germany. He offered J.M. Keynes to translate his theory. J.M. Keynes asked Piero Sraffa, a lecturer at King's College and economist, to help him supervise the translation. The first drafts, severely criticised by Piero Sraffa, showed how backwards economic culture was in France in the 1930s. Whereas Jean de Largentaye wished the French edition to be accessible to non-specialist readers, adding a lexicon at the end of the book with definitions of technical terms in French, J.M. Keynes - who had written *The General Theory* for English speaking professional economists - resisted this initiative but in the end accepted it and validated its content. Another divergence, this time a theoretical one, appeared between the three players, as Jean de Largentaye questioned J.M. Keynes's use of the "commodity-rate of interest"("own-rate of interest" in *The General Theory*), a concept invented by Piero Sraffa, and proposed an amendment which the author accepted.

The French edition of *The General Theory*, **Théorie Générale de l'Emploi, de l'Intérêt et de la Monnaie,** was well received in France after its publication by *Payot* in **1942** and no doubt contributed to the economic and social successes of the subsequent 25 year period in terms of quasi- full employment and welfare policies.
A revised edition of the French translation was published by *Payo*t in 1969, shortly before Jean de Largentaye died, in 1970. It included a second translator's introductory note, underscoring two limitations of *The General Theory*. First of all, when economies of scale exist, real wages have to rise faster than the marginal productivity of labour so as to facilitate full employment, a rule which is contrary to the Classics' first postulate accepted by J.M. Keynes. The second limitation relates to the nature of money i.e. credit money- which makes the reconciliation of full employment and price stability impossible. According to the translator, only a currency backed by commodities can achieve this reconciliation.

Hélène de Largentaye announced that a new edition of the French original translation (1969) of *The General Theory* was going to be published by Payot in January 2017.

Gained in Translation: The French Edition of *The General Theory* by JM Keynes by **Hélène de Largentaye**
A triangle for a translation: Keynes, Sraffa and Largentaye by **Ghislain Deleplace**
The French translation by Jean de Largentaye (1942) by **Hélène de Largentaye & Ghislain Deleplace (Slides)**

PANEL 2: The impact of *The General Theory* on economic policies in UK, Germany and France over the past 30 years

Chairman: **Paul DAVIDSON,** Co-founding Editor, Journal of Post-Keynesian Economics, author of *Post Keynesian Theory and Policy*, Edward Elgar, 2015

1. As if Keynes had never lived by Geoff TILY (TUC, London, author of *Keynes betrayed*, 2010)

Abstract Keynes's *General Theory* demonstrates how investment is determined both by the long-term interest rate and the marginal efficiency of capital. In order to achieve a high level of economic activity, monetary policy must maintain permanently low real interest rates across the spectrum. After the Volcker shock (1979), real interest rates rose sharply in the 1980s across the world. This meant greatly reduced investment growth and hence aggregate activity. The generally depressed conditions were punctuated by occasional excess –most obviously over the 'dot.com' episode, when expectations of yields on investment became excessive (in the context of the dear rate of interest), and debt inflation was the result. The economy finally caved in only after further speculative excess in the property and financial sectors and in consumer credit.

The scale of monetary and fiscal reform that took place over the 1930s mainly under Roosevelt's and Keynes's initiative is not widely recognised. Conversely, in the aftermath of the 2007/2008 crisis, finance dictated the terms of its own rescue, involving large-scale mobilisation of central bank and public funds. With economic collapse arrested, austerity had been imposed. As a result, any expansion has been muted; on the global level, private debt remains severely inflated; and economic hardship is increasingly the norm.

In this context, the rise of nationalism is unsurprising. Keynes's analysis- properly understood- remains relevant and still offers the means to an alternative way forward, as it did in the 1930s.

As if Keynes had never lived: the second UK (and world) crisis of financial globalization by **Geoff Tily**
As if Keynes had never lived: the second UK and world crisis of financial globalization by **Geoff Tily (Slides)**

Geoff Tily at the lectern of the Mill Lane Lecture Room 3

2. How Germany's anti-Keynesianism has brought Europe to its knees by Jörg BIBOW

(Skidmore College, New York; PhD University of Cambridge)

Abstract Germany learned the wrong lessons from its 20th century economic history with its obsession of hyperinflation (in 1922-3), a view which overshadows the 1929-33 deflation and depression. While actual economic history features a symmetry of failure on the part of the independent Reichsbank, both hyperinflation and deflation, the Bundesbank masterminded a peculiarly asymmetric "monetary mythology" to bolster its own independent position and anti-inflation bias. It owed to the peculiar circumstances prevailing at the time – pegged exchange rates under the Bretton Woods regime – that this model also worked well for (West) Germany. In particular, the "German miracle" of the 1950s and 60s was not only the result of supply-side policies that Germany's peculiar "ordo-liberalism" received credit for, but was in great part due to a covert Keynesian type of demand stimulus – essentially, an export-led growth model that worked well for (West) Germany as long as its main trading partners behaved differently and had higher inflation rates. By contrast, the instability of the 1970s, featuring currency appreciation, a surge in wages and plunge in the terms of trade, were blamed on Keynesianism. A swift return to the old wisdom thus occurred in the 1980s when the establishment of the European Monetary System (EMS) enabled the restoration of (West) Germany's old export-led growth model. Intra-European imbalances surged under the EMS. But German unification and the EMS crises of 1992/93 rebalanced the continent. Exporting the German model to Europe through the creation of the European Monetary Union (EMU) involved a "fallacy of composition": a model whose working depends on others behaving differently runs into trouble when all are required to become alike, and like Germany. That is of course exactly what the Maastricht Treaty with its EMU goal did. And when Germany's old (misunderstood) model stopped working, the country fatefully embarked on "restoring" its competitiveness under the euro. Once again intra-European imbalances surged – and then imploded with the euro crisis. The German-led crisis response caused more wreckage. Germany's peculiar anti-Keynesianism has brought Europe to its knees. Today, it is hard to see a good ending to it all.

How Germany's anti-Keynesianism has brought Europe to its knees by **Jörg Bibow**

How Germany's anti-Keynesianism has brought Europe to its knees by **Jörg Bibow (Slides)**

3. When, why and in what way France gave up Keynesian policies Renaud du TERTRE

(Associate Professor, Paris 7 University) **and Hélène de LARGENTAYE** (Former S.G. of the *Conseil d'Analyse Economique* of the French Prime Minister; King's College, PhD University of Cambridge)

Abstract The 62- year period (1954-2016) was a succession of three different "growth regimes", using a concept invented by the French regulation school which complements Keynesian analyses by bringing in institutional features explaining long-term trends.

First, the **"Fordist growth regime"** (1954–1973) involved active state intervention while exposure to global markets remained limited. Buoyant real wages kept aggregate demand at a level guaranteeing quasi- full employment. This regime ended with the collapse of the Bretton Woods system (1971) and with the first oil shock (1973).

Second, an 18-year **era of chaos and ruptures** (1974-1992) began with the demise of fixed exchange rates and accelerating inflation. In 1983, policymakers opted for the European integration process, including the "European single market" and a prospective monetary union. This meant losing monetary autonomy without setting up an appropriate coordination of fiscal policy at the European level. After 1985, banks and capital markets were deregulated and public companies were privatised. These domestic choices, clearly at odds with those of the previous period, sowed the seeds for a "neo-liberal" era.

The "**neo-liberal growth regime**" (1993-2016) started with a severe recession triggered by the 1992-93 European Monetary System crisis. Liberalisation, increasing globalisation in trade and finance, and European ordo-liberalism became the key-words of this period marked by slow and unstable GDP growth with record high unemployment, approaching 10%.

The speakers considered that France's problems could only be solved by transposing Keynesian policies at the Eurozone level, hopefully setting up the conditions of a new **"sustainable development regime"**.

When, why and in what way France gave up Keynesian policies **by Renaud du Tertre and Hélène de Largentaye (Slides)**

CONCLUSION by Paul DAVIDSON (Co-founding Editor, Journal of Post-Keynesian Economics, author of *Post Keynesian Theory and Policy*, Edward Elgar, 2015)

The impact of *The General Theory* on policy in the last three decades has become less and less as the presentations of economic policies since 1980 in UK, Germany and France have shown. This is because few people have read *The General Theory* and even fewer have understood it. Contrary to Keynes's teachings, policy makers have insisted that government regulations of markets and large government spending policies are the cause of all our problems. They have been freeing up financial, product and labour markets.

Keynes's liquidity theory – in particular Chapter 17 "The Essential Properties of Interest and Money " and the Post-Keynesian analysis explain why laissez-faire financial markets cannot be efficient. The reason is that economic future is uncertain and cannot be predicted via actuarial calculations based on past data. This is only possible assuming that the "ergodic" axiom applies, which is what mainstream economists do. Accordingly, they believe that unemployment and recession are due to administered prices and sticky wages in a slowly adjusting Walrasian system, a major mistake.

See P. Davidson's latest book *Post Keynesian Theory and Policy*, Chetenham, Elgar, 2015.

Conclusion, Paul Davidson

CONCLUDING REMARKS by Victoria Chick (Emeritus Professor of Economics, University College London)

Although the subject-matter covered in the conference comprised disparate elements - beginning with art criticism, going on to discuss questions of translation and ending with more traditional examinations of the post-war history of economic policy in three countries, I claim that there is a unifying principle in the day's work, namely the variety of ways of thinking that characterised Keynes's mind. The non-verbal reasoning central to art appreciation is here translated into words and juxtaposed with the subtleties of cross-language understanding, and finally we come to the economic-historical reasoning of the last three papers. All the mental skills entailed would have been part of the furniture of Keynes's mind. It is perhaps the unique virtue of this conference to pull all these elements together.

Concluding Remarks, Victoria Chick

EXHIBITION- Keynes in King's College

The exhibition was held in the Audit Room where the 8 panels of *"Muses of the Arts and Sciences"* (initially in Maynard's rooms in College) by Vanessa Bell and Duncan Grant-friends of John Maynard and Lydia Keynes - are hanging.

Documents related to the German and the French translations of *The General Theory* were displayed: the German translation by Fritz Waeger (1936), the first edition of the French translation by Jean de Largentaye (Payot 1942), the French pocket book edition (Payot 1969), drafts of French translations, correspondence after the publication of *The General Theory* with members of the Cambridge Circus (Roy Harrod, Joan Robinson…). A series of books, in particular *Introduction to the Theory of Employment* by Joan Robinson (1962, 2nd ed.), *A 'Second Edition' of The General Theory*, 2 Vols., by G.C. Harcourt and P.A. Riach (1997), and recent publications about Keynes were available to look through.

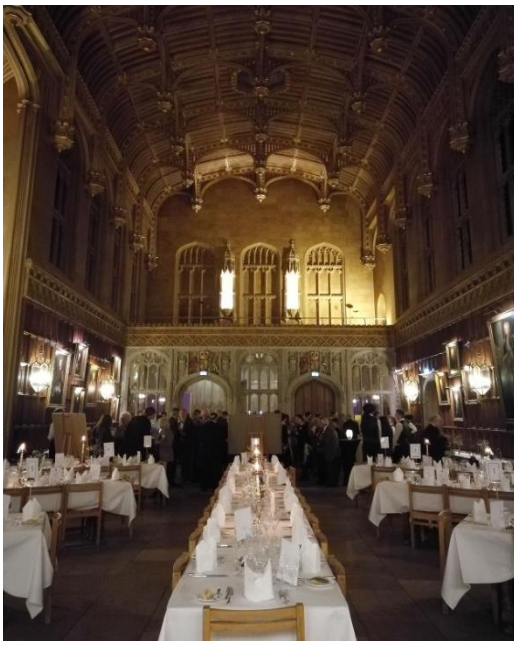
The exhibition also included books from Maynard's collection, in particular Halley's copy of *Principia Mathematica* and a 1679 edition of Beaumont and Fletcher's plays.

An announcement was made on the **crowdfunding campaign** starting in October 2016 to complete the publication of Keynes's remaining unpublished writings, organised by Rod O'Donnell, University of Technology, Sydney**: JMK's writings projects**

Vanessa Bell and Duncan Grant, *Muses of the Arts and Sciences*, 1920-22

DINNER

Stephen Keynes, J.M. Keynes's nephew, gave his personal recollections on his uncle "as a person".
[Stephen Keynes on Maynard's character]



Guests gathered for dinner in King's College Hall