

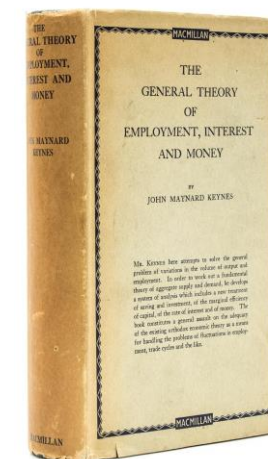


II. JM Keynes and The General Theory (1936)

1. German and French translations

The German translation by Fritz Waeger (1936)

by Harald Hagemann



Outline

1. German Translations
2. The Role of Keynes in Germany
3. Keynes's Preface to the German edition of 1936
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Introduction

The first foreign-language publication of the *General Theory* was published in German in the same year as the English original in 1936. It was in Germany that “A Monetary Theory of Production”, the outline of his research programme, had been published as his contribution to the Spiethoff Festschrift in 1933, when Keynes was half-way from his *Treatise* to the *General Theory*. However, with the Nazis’ rise to power this year also marked a deep political watershed. The dismissal, expulsion and emigration of economists had the consequence that many of the earlier reviewers and commentators of the *Treatise on Money* were not living in the German language area anymore when the *General Theory* was published. Nevertheless, the extent and intensity of the early reaction to Keynes’s book was remarkable.

1. German Translations of the *General Theory*

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1. German Translations of the *General Theory*

- *Allgemeine Theorie der Beschäftigung, des Zinses und des Geldes*, translated by Fritz Waeger, Berlin 1936: Duncker & Humblot.
- 10th revised edition with explanations on the structure of Keynes's book by Jürgen Kromphardt and Stephanie Schneider, Berlin 2006, 11th edition 2009.
- The revised edition contains references to the page numbers of the English original on every page.
- Jürgen Kromphardt, Professor emeritus at the Technical University of Berlin, is founding chairman of the *Keynes-Gesellschaft* (Keynes Society) which currently has ca. 150 members.
→ <http://www.keynes-gesellschaft.de/>

2. The Role of Keynes in Germany

Keynes had been a central point of reference in economic debates in Weimar Germany ever since his publication of

The Economic Consequences of the Peace.

Furthermore, there had been many parallels in the debates on the *wage-employment nexus* between Germany and Britain in the years 1929-32. This topic also matters for some controversies which center on an important paragraph at the end of Keynes's Preface to the German edition of the *General Theory*.

Germany: Reparation payments: Necessity to generate export surpluses

Britain: Return to the gold standard at pre WWI parities

Keynes (1925): 'The Economic Consequences of Mr. Churchill'

Keynes (1930): 'The Question of High Wages'

"by squeezing the higher wages out of increased efficiency"

2. The Role of Keynes in Germany

J.M. Keynes, “A Monetary Theory of Production”, in: G. Clausing (ed.), *Der Stand und die nächste Zukunft der Konjunkturforschung. Festschrift für Arthur Spiethoff* (1933).

1933 watershed year

Many of the most qualified reviewers of the *Treatise on Money* (1930) had already emigrated from Nazi Germany when the *General Theory* (1936) was published (e.g. Neisser, Röpke).

Nevertheless many substantial reviews in Germany (Lautenbach, Peter; Föhl 1937) or the German language area (Amonn, Jöhr, Schüller).

3. Keynes's Preface to the German edition of 1936

Keynes's Preface to the German edition of 1936 has often been interpreted that Keynes had sympathies for the national-socialist regime:

- “But the most convincing evidence of Keynes's strong fascist bent was the special foreword he prepared for the German edition of *The General Theory*. This German translation, published in late 1936, included a special introduction for the benefit of Keynes's German readers and for the Nazi regime under which it was published.” (Murray Rothbard, “Keynes, the Man” 1992, p.192)
- “Keynes accepted the political relations in Nazi Germany as a basis for the acceptance of his theoretical view”

(Krause, Rudolph, East-Berlin 1980, p.501).

- “Keynesianism as the dominant political-economic apologetics of the state-monopolistic capitalism contributed to justify the measures with which German fascism ‘solved’ the unemployment problem by rearmament which led to WWII.”

(Schwank, East-Berlin 1961, p. 56-57)

3. Keynes's Preface to the German edition of 1936

Whereas the former statements definitely were not made by leading representatives of a value-free science-approach in the sense of Max Weber, even more serious scholars were irritated by the German Preface to the G.T.

1. *Barkai* points out the continuity between Keynes and the Nazis which did not shock Keynes.

Avraham Barkai, (1990), *Nazi Economics: Ideology, Theory and Policy*, pp.6 and 69.

2. *Skidelsky* (III, 2001, p.230) deplores Keynes's bad choice of words which contributed to confusion.

3. *Moggridge* is so much irritated by Keynes's "unnecessary" Preface that he comes to the conclusion:

"Keynes displayed remarkable insensitivity, indeed indifference, to a régime that put its political opponents into concentration camps and passed the anti-semitic Nuremberg laws. ... It is all shameful – and puzzling".

Moggridge, *Maynard Keynes*, 1992, p.611.

3. Keynes's Preface to the German edition of 1936

“There have always existed important schools of economists in Germany who have strongly disputed the adequacy of the classical theory for the analysis of contemporary events. [...]

The most important unorthodox discussion on theoretical lines was that of Wicksell. His books were available in German (as they were not, until lately, in English); indeed one of the most important of them was written in German. But his followers were chiefly Swedes and Austrians [...] Thus Germany, quite contrary to her habit in most of the sciences, has been content for a whole century to do without any formal theory of economics which was predominant and generally accepted.

[...] After all, it is German to like a theory. How hungry and thirsty German economists must feel after having lived all these years without one!”

(Keynes 1936: xv-xvi, my italics)

3. Keynes's Preface to the German edition of 1936

“... For I confess that much of the following book is illustrated and expounded mainly with reference to the conditions existing in the Anglo-Saxon countries. Nevertheless the theory of output as a whole, which is what the following book purports to provide, is much more easily adapted to the conditions of a totalitarian state (the German text carries the official expression: *Totaler Staat*), than is the theory of the production and distribution of a given output produced under conditions of free competition and a large measure of laissez-faire. *This is one of the reasons which justify my calling my theory a General (emphasis in the original) theory. Since it is based on less narrow assumptions than the orthodox theory, it is also more easily adapted to a large area of different circumstances. Although I have thus worked it out having the conditions in the Anglo-Saxon countries in view—where a great deal of laissez-faire still prevails—it yet remains applicable to situations in which national leadership (staatliche Führung) is more pronounced.* For the theory of psychological laws relating consumption and saving, the influence of loan expenditure on prices and real wages, the part played by the rate of interest—these remain as necessary ingredients in our scheme of thought *under such conditions, too.*”

(Keynes, taken from the foreword to the German edition, translation in
Cambridge Journal of Economics, 4: 175-6)

Schefold (1980),

3. Keynes's Preface to the German edition of 1936

“To suppose that a flexible wage policy is a right and proper adjunct of a system which on the whole is one of *laissez-faire*, is the opposite of the truth. It is only in a highly authoritarian society, where sudden, substantial, all-round changes could be decreed that a flexible wage policy could function with success. One can imagine it in operation in Italy, Germany or Russia, but not in France, the United States, or Great Britain.”

(Keynes 1936: 269)

“[T]here remains a margin of doubt as to the responsibility for the text which finally appeared in German.”

Schefold (CJE, 1980, p. 176).

4. Wages & Employment in Light of the Great Depression

There are three main arguments which substantiate the view that with flexible wages and prices a full-employment equilibrium may exist but will not be reached in a *dynamic* process.

1. Keynes puts main emphasis on **elastic price expectations** which have a destabilising effect. If with falling money wages and prices people would expect further wage and price reductions in the future, the effect of these expectations on current investment and consumption would be negative because of a postponement of purchases into the future. Deflationary price expectations cause a higher propensity to save and to hold money and a reduction in the marginal efficiency of capital and the inducement to invest.

4. Wages & Employment in Light of the Great Depression

2. Lower prices increase the **real burden of debt** for companies which have financed their real investment by credit as well as for farmers or home-owners. A stronger process of deflation thus quickly leads into an increasing number of insolvencies and bankruptcies. Business confidence is even more shaken, and the effects on investment are severely negative. There is a great danger that a vicious circle sets in.

Hahn identifies here “one of Keynes’s most interesting points , namely that the deflationary process of falling money wages would cause bankruptcies” (Hahn 1984: 57)

4. Wages & Employment in Light of the Great Depression

3. Tobin has pointed out that “[f]or Fisher in 1932-3, more even than Keynes in 1936, raising prices was a step indispensable to recovery, not just an incidental byproduct of other measures” (Tobin 1980: 9). Thus reflation was an important remedy to avoid the high number of bankruptcies due to the increasing real burden of debt in the deflation and to get out of the trap of a vicious circle. In a period of a strong process of disinflation causing a high number of bankruptcies in the United States with severely adverse effects on investment, output and employment, Tobin reminded us of the insights Irving Fisher had gained on the severe consequences of deflation on the real value of long-term debts in his important article “The Debt-Deflation Theory of Great Depressions” (Fisher 1933) and emphasised another **Fisher effect**.

5. Keynes's "National Self-Sufficiency" of 1933

A case of co-operative self-censorship

Knut Borchardt, ZWS 108 (1988), pp. 271 – 284

A comparison of Keynes's 1933 article (*The Yale Review*, June 1933; *The New Statesman*) on "**National Self-Sufficiency**" with the German version "**Nationale Selbstgenügsamkeit**" published in *Schmollers Jahrbuch* shows considerable differences. The tendency is clear. The article was cleared from all passages which may have displeased the Nazis. Who was responsible?

Morally and politically Keynes's judgement was clear. Nevertheless he wrote to Spiethoff on 25 August 1933:

"I confirm that I am quite satisfied that my article should, on your responsibility, appear in the slightly curtailed form in which the proof reached me."

5. Keynes's "National Self-Sufficiency" of 1933

"In those countries where the advocates of national self-sufficiency have attained power, it appears to my judgement that, without exception, many foolish things are being done. Mussolini may be acquiring wisdom teeth. But Russia exhibits the worst example which the world, perhaps, has ever seen of administrative incompetence and of sacrifice of almost everything that makes life worth living to wooden heads.

Germany is at the mercy of unchained irresponsibles – though it is too soon to judge her capacity of achievement."

(An example of a passage which is not included in the German version, my italics)

6. Keynes's support for émigré economists

Academic Assistance Council (from 1936 the **Society for the Protection of Science and Learning**) founded already at May 24, 1933, on the initiative of Sir William Beveridge and a group of British academics to help “University teachers and investigators of whatever country who, on grounds of religion, political opinion or race, are unable to carry on their work in their own country”.

Presidents:	1933 – 37	Ernst Rutherford
	1937 – 44	William Temple, later Archbishop of Canterbury
	since 1944	Lord Beveridge

Since May 1940 a greater part of émigré economists were put as “*enemy aliens*” into internment prison by the British government on the Isle of Man (except category C, the “friendly” enemy aliens), partly put forward to the Dominions Canada (Paul Streeten) and Australia.

6. Keynes's support for émigré economists



The apparent arbitrary nature of the policy of internment and of the people who were rounded up for internment is captured in many satirical cartoons produced at the time by internees.

6. Keynes's support for émigré economists

In summer 1940 *Keynes*, who actively fought for the liberation of many interned economists, in particular *Piero Sraffa*, *Erwin Rothbarth*, *Hans Singer* and *Eduard Rosenbaum*, intervened at the Home Secretary. He regarded the whole affair as “the most disgraceful humiliating thing which has happened for a long time” and finished his letter to F.C. Scott of 23 July 1940 with the statement: “If there are any Nazi sympathisers at large in this country, look for them in the War Office and our Secret Service, not in the internment camps.”

6. Keynes's support for émigré economists

“**Internment** was horrid: not so much for the discomfort, meagre and tasteless food rations, often disagreeable company, crowded but mainly for being out of action at a time when one wanted to be in the midst of things. Some authors have recently maintained that the internees were quite happy with their lot and regarded it as an enforced but welcome holiday. This is quite wrong. All of us hated and resented the enforced idleness. **And it was humiliating to have been rejected by the Austrians as a Jew, and imprisoned by the English as an Austrian.** But Harold Nicolson and Richard Crossman, after a few months, helped to reverse this stupid action”

Paul Streeten