



JOHN MAYNARD KEYNES

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BARON KEYNES OF TILTON

1883-1946

JOHN MAYNARD KEYNES was born on 5 June 1883. He went to school first at St. Faith's, Cambridge, where his rare promise was noticed and where he had the companionship of children of famous Cambridge families: Venns, Verralls, Darwins, Glasebrooks, Burkitts.

When he moved on to Eton as K.S. his father asked that Mr. Gurney Lubbock, who had lately joined the staff from King's, should be his tutor. Arthur Benson's 'Sunday Private' and the friendliness of Mr. Vaughan and of other Seniors he enjoyed and long remembered. He read Classics to good purpose, and was in the Newcastle Select, but he did much else. Like his friend Gaselee, he was interested in medieval thought: a paper read at King's on Abelard and Héloïse was based on reading done at school. He won the Tomline Prize for mathematics. He took part in the wall game, rowed in the *Monarch*, and, a great compliment, was elected to Pop. But the friendships mattered most.¹

From Eton he came up to King's College, Cambridge, in 1902. There he was one of a company of brilliant friends, among them, from King's, the present Provost, Stephen Gaselee, and C. R. Fay; from Trinity, Lytton Strachey, Leonard Woolf, and many others. Taking the Mathematical Tripos in 1905, he was twelfth wrangler, and in the same summer—an index of his versatility—won the University Members' Prize for an English essay on Burke and was President of the Cambridge Union. He joined the Civil Service and made his mark in the India Office, but was very soon attracted back to academic life. His first research in economics dealt with index numbers and secured him the Adam Smith Prize—for which the late Professor Edgeworth and myself were the adjudicators. Then in 1909 he was elected to a Fellowship at King's, his dissertation being the first draft of his important *Treatise on Probability*, which, however, was not published until 1921. As a student and teacher of economics he was

¹ From *Cambridge Review*, 18 May 1946; article by the Provost of King's. Some portions of what follows are taken from an article by myself which appeared in the same issue of that review.

specially attracted to monetary problems, publishing in 1913 a lucid and scholarly book on *Indian Currency and Finance*. This led to his appointment as a member of the Royal Commission on Indian Finance and Currency, on which, under the chairmanship of Austen Chamberlain, he did valuable work. When the war came he was summoned to the Treasury and speedily proved there that an academic thinker might also be a highly efficient man of affairs and skilled negotiator. At the close of the war he was principal representative of the British Treasury at the Paris Peace Conference and deputy for the Chancellor of the Exchequer on the Supreme Economic Council from January to June 1919.

The reparations sections of the Versailles Treaty disgusted him, alike for their inhumanity and their folly. Resigning from the Treasury, he wrote *The Economic Consequences of the Peace*, at once a literary masterpiece and a scientific study of the current economic situation. This book brought him a world-wide reputation. It well illustrated too the main character of his future work; the development of economic analysis, not as a mere intellectual gymnastic, but as a potent instrument for forwarding human welfare. Thus he was sometimes pamphleteer and journalist, sometimes author of large and severe treatises. Of these last the chief were his *Treatise on Money* in two volumes (1930) and his *General Theory of Employment, Interest and Money* (1936), each of which in turn became the centre of vigorous, prolonged, and, on occasions, acrimonious discussion.

Keynes was not only a student: he was essentially a man of affairs, with interests covering wide fields, and his writings are illuminated by the humanity and understanding of one who takes a passionate and informed interest in the operations of society. For many years he was chairman of one insurance company and director of another. He remained First Bursar of King's College till his death, and the financial basis of the College's prosperity, which he constructed single-handed, will eventually be further reinforced by his private fortune, the size of which has borne public testimony to the sagacity of his interpretation of economic tendencies. He was a member of the Economic Advisory Council and of the Macmillan Committee. For thirty-three years he was editor of the *Economic Journal*, and in this capacity alone, being often averse either to an outright acceptance or to an outright refusal of a contribution, he had an immense correspondence with economists all over the world. This extraordinary combination of activities was made possible

only by an extreme rapidity of mind, which enabled him to do in a day what for most men would have required a week. Whatever he undertook he reflected upon and every line of activity threw light on every other. He had that sense of the unity of life which gives to small pleasures and small tasks the significance of great ones.

Not very long after the opening of the second World War the Treasury again claimed him, and he continued as a public servant entrusted with work of the highest responsibility till his death. Very ill when the War started, he achieved a marvellous, if temporary, recovery, and carried successfully immense burdens: all the time, as side lines, continuing to act as editor of the *Economic Journal*, as First Bursar of King's College, and, presently, as a Director of the Bank of England. In London during the blitz, suffering periodically from alarming and painful heart-attacks, he showed, uncomplainingly, a courage and a capacity for endurance that were the admiration of his friends. In 1942 he was created Baron, and in 1943 became High Steward of the Borough of Cambridge. He was a Trustee of the National Gallery and Chairman of the Council for the Encouragement of Music and the Arts. In 1925 he married Lydia Lopokova, a perfect and most happy union.

A man whose interests and achievements were so various, no one person can properly describe or appraise. I have tried, therefore, to supplement my own deficiencies by getting Mr. R. F. Kahn to help me as regards his work as an economist, by obtaining a 'Treasury view' about him as a public servant, and by getting Mr. George Rylands to say a little about his connexion with the arts. From the standpoint of the British Academy his academic work is, I imagine, what should be chiefly dwelt upon. I shall, therefore, keep that till the last and devote to it most space.

THE ARTS

MR. RYLANDS writes:

When the Public Orator presented Keynes for his honorary degree at Cambridge, he spoke of him as a man who understood better than most the supreme importance of Aristotle's dictum that the proper aim of business is the provision of leisure. Few men, even in the last few years, can have worked so hard as Keynes. He laboured early and late, changing from problem to problem, from advising a friend to deciding on affairs of state, with an agility which enabled him at any moment to appear,

and indeed to become, a man of leisure: the very opposite of Chaucer's Sergeant of the Law who 'seemed busier than he was'. His own leisure was admirably as it was variously employed: in inspecting his pigs; in attending a sale of pictures; in perusing (unlike some bibliophiles) a minor Elizabethan poet, his latest acquisition; in listening to a piano recital, recumbent in a box of the theatre he had built; in gossip and good talk and a glass of wine. 'My only regret', he said at the close of a college feast, 'is that I have not drunk more champagne in my life.' And so it was that he knew what leisure could give and desired that all should share the gift. But there was no doubt in his own mind that in these days there is no activity to which energies and leisure can be better dedicated than Art in all its forms, in its creation and in its enjoyment. His name will be remembered as the great inspirer of C.E.M.A. and its successor, the Arts Council, as a patron of the Arts, as a collector of books and pictures, as the economist don who married a *prima ballerina*. But it is rewarding to conjecture how his devotion to art originated and developed, and how and why he found time as a public man to do so much for a form of experience which is ultimately individual and private. Three elements may give a clue to the mystery. First, he was fortunate in that he was born in 'the great age before the flood': he belonged in the respect we are considering to the great line of Victorian teachers and reformers, J. S. Mill—Keynes was a Wordsworthian—Ruskin, Pater, and, above all, Arnold, just as he sprang from the nineteenth-century economists. He shared Arnold's approval of Schiller's dictum that all art is dedicated to joy; he believed in sweetness and light, in spreading the best that has been thought and written in the world, as he believed that money was for spending. He believed in that now-tarnished watchword 'culture'. Keynes often used to dwell with admiration on the great families of genius of the nineteenth century, their heredity and inter-marriages—Trevelyan, Darwins, Frys, and Huxleys. The Bloomsbury group, to which he belonged at an impressionable period of his life, was a small and intimate group of friends, including Stracheys and Stephens, rooted in the previous age, replacing the earnestness of those who had lost their faith with the seriousness of those who were discovering a new one: faith in human intelligence, in truth for its own sake, in creative art. Bloomsbury has already become a chapter in intellectual and aesthetic history, although for many years and in many quarters viewed with suspicion, envy, even fear. But it should be realized that that chapter was a sequel to

Ruskin and Arnold. The chairman of C.E.M.A. must be seen as a disciple of 'A Gentleman of Oxford' and of the author of *Culture and Anarchy*.

The second element is more personal. 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. Thus, painting was revealed to him especially through the personality of Duncan Grant in his younger days, just as in more recent years the personality of Benjamin Britten stimulated his feeling for music. There were many others: first and foremost, his wife, Lydia Lopokova, who through the ballet brought him closer to the world of drama and to the related arts of stage music and design. It was such contacts as these which quickened and directed and developed his faith. And thus we reach the third element in the secret. Keynes would have liked to be a creative artist. It seemed he could do everything to which he turned his trained intelligence; but here was a mystery: here was something—the highest of all things—a world which contained only a few inhabitants, the men of creative genius. As a writer he could open a door into that world. The *Essays in Biography* entitled him to enter it and any tribute paid to that book, perhaps the most vivid and skilful of all the manifestations of his extraordinary powers, the most creative product of his genius, gave him extreme pleasure. He *was* an artist; he could write English prose. Let one of the most famous poets of our time bear witness. Mr. T. S. Eliot wrote after his death:

In one art, certainly, he had no reason to defer to any opinion: in expository prose he had the essential style of the clear mind which thinks structurally and respects the meanings of words. He had been both a classical and mathematical scholar: he had excelled under those two best disciplines, which, when imposed upon an uncommon mind capable of profiting by both, should co-operate to produce lucid thinking and correct expression. And, unlike some other brilliant scholars, he had continued throughout his life to feed and exercise his mind by wide reading in English and other literature.

Two particular memorials remain, the one private and the other public, his collection of pictures and his Cambridge theatre. When Mr. Duncan Grant first knew him, Keynes took little interest in painting. He was aware that it was a serious occupation and would sit for hours to Duncan Grant because it was clearly important to *him*, but he had not begun to consider

the matter for himself. Eminent in his circle, argumentative and eloquent, stood Roger Fry, whose originality and vision inspired the adventure of the first post-Impressionist exhibition and the opening of the Omega workshops. After all, Roger Fry was a Cambridge man with a Cambridge intellect.

Towards the end of the war of 1914-18, Duncan Grant showed Keynes the illustrated catalogue of the sale of the Degas collection and suggested (without hope) that the British Government should take the opportunity to remedy the meagre representation of French nineteenth-century painting in the National Gallery. To everybody's astonishment the Treasury allowed Keynes a limit of £20,000, and he at once set off for Paris in high excitement with Sir Charles Holmes to attend the sale, which was punctuated, to the advantage of buyers, by shell-bursts from Big Bertha. It was then that Keynes laid the foundation of his own collection with the celebrated 'Apples' of Cézanne and a magnificent drawing by Ingres. Thenceforward he was more open to the persuasion of his painter friends, and he soon began to launch out on his own account and to extend his taste and back his fancy. He attended sales and exhibitions and purchased Seurat's study for 'La Grande Jatte', a Cézanne landscape, and paintings and drawings by living artists, notably Derain, Picasso, and Cézanne. Characteristically, however, 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. 'If you get to know an artist when he is young', he was fond of saying, 'you will have a much better notion of what he may make of his talents.' And so, in alliance with Mr. Samuel Courtauld, he founded the London Artists Association, about the year 1930, which guaranteed to a score of painters a modest annual income and provided proper opportunities for frequent exhibitions of their work. He felt a personal pride and interest in them all, and so the cycle was complete. His painter friends introduced him to painting and he in return became the friend and benefactor of a diversity of painters. His lifelong friendship with Vanessa Bell and Duncan Grant is commemorated by the somewhat austere and melancholy figures, representing the Tripes Examinations, on the walls of his college rooms.

In just the same way the Arts Theatre of Cambridge, his invention, his experiment, his plaything, and (when the child had learnt to walk and talk) his generous gift to Town and Gown, taught him what could be done for the entertainment and educa-

tion of a civic community, and both fitted and inspired him for his high office as chairman of the Arts Council. The theatrical world is a baffling, enraging, and exciting one, full of paradoxes and surprises and miscalculations and triumphs and disasters. Keynes loved the details of the business and the rigour of the game. He was fascinated by statistics of bar-profits, and programme money, and matinée ices, and cups of coffee. Here was a change from Treasury finance and the balance sheets of insurance companies and college audits. And when, in the early days, empty stalls or carping critics vexed and disappointed his fellow directors, he counselled patience and good humour. For this idealist and enthusiast was a wise man and a philosopher. As has already been said, he had the nineteenth century behind him. His own expression of his faith is in that great tradition: 'The assertion of truth, the unveiling of illusion, the dissipation of hate, the enlargement and instruction of men's minds and hearts.' No man in our time has put his leisure to a finer use or has worked harder to enable others to enjoy and use their leisure well.

PUBLIC SERVANT

In connexion with this Memoir the account that follows of some of Keynes's work as a public servant at the Treasury and elsewhere has been written for me, mainly by Sir Otto Niemeyer and Sir Richard Hopkins.

KEYNES's membership of the Royal Commission on Indian Finance and Currency (1913), of which Basil Blackett was secretary, brought him into close touch with the official Treasury and made him an obvious choice when, during the war of 1914-18, the Treasury began to seek outside assistance. Keynes came there early in 1915, on this occasion as an official, not as in 1939 as an adviser, and stayed until June 1919.

Once there, his quick mind and inexhaustible capacity for work rapidly marked out a kingdom for itself, and before long he was a leading authority on all questions of external, and particularly inter-allied, finance. It would be untrue to attribute to him the substitution of loans to the Allies for the time-honoured British practice of outright war subsidies: that had already been decided in the early days of the war in consequence of the special relations between the U.K. and the Dominions, who were the earliest borrowers, and of the pride of the main allied borrower, France. But it was Keynes who developed and applied the

system of allied war loans, largely from the angle of control over the use of these borrowings and its relation to our own needs and orders for material. When America came into the war, the American Treasury found the system fully fledged and itself adopted a similar practice. Equally absorbing was his interest in the provision of foreign exchange resources for U.K. expenditure abroad. Keynes took an active part both inside the Treasury and in the periodical discussions on this subject with the Allies before the entrance of America into the war. Many stories are told of his resource in the frequent moments of stress. One may be repeated here. There was urgent need for Spanish pesetas. With difficulty a smallish sum was raked up. Keynes duly reported this, and a relieved Secretary to the Treasury remarked that at any rate for a short time we had a supply of pesetas. 'Oh no!' said Keynes. 'What!' said his horrified chief. 'I've sold them all again: I'm going to break the market.' And he did.

His work at the Treasury (for which he received a C.B. in 1917) naturally led on to his appointment as financial representative of the Treasury at the Paris Peace Conference in 1919. After his resignation in the summer of that year he returned to economic theory at Cambridge, and, except through the indirect influence of his books, *The Economic Consequences of the Peace* and *A Revision of the Treaty*, took no part in the subsequent frequent revisions of reparation claims or in the European reconstructions of the 1920's. Nor indeed did he take any material part between the wars in government work except for his membership of the Macmillan Committee on Finance and Industry and of the Economic Advisory Council.

On the Macmillan Committee, Keynes found full opportunity of expounding to a membership of highly varying views the theories and practical suggestions which by then he had incorporated in the *Treatise on Money*, which was to appear before the Committee reported. To those associated with the inquiry his exposition of the influences of monetary policy, his instinct for the apt illustration, and his wit and readiness in thrust and counter-thrust were a constant delight. To his powers of instruction and persuasion is largely due the high degree of unanimity reached in a report which bears throughout unmistakable signs of his influence.

In the discussions of the Economic Advisory Council, and, later, of its Standing Committee on Economic Information, Keynes's part was always outstanding, both in brilliance and in versatility; but, except perhaps at the outset, the work did not

bring him into such close contact with members of the Government, and with the formulation of policy, as the position which he afterwards won for himself in the second World War.

Nevertheless, it was partly through his membership of bodies such as these that, when Keynes returned once more to work in the Treasury, it was no longer as the brilliant young official, but as the leading economist and experienced man of affairs.

It was in February 1940 that, by the publication of his 'discussion' styled *How to Pay for the War*, Keynes, as the exponent of war-time economics, first caught the ear of the people. Not long afterwards Sir Kingsley Wood, newly Chancellor of the Exchequer, was engaged in appointing his Consultative Council. Keynes's selection for membership was a natural one. In due season those measures which were the main theme of his 'discussion'—the use of stern taxation, of compulsory saving (the post-war credits), and of intensive voluntary saving as counter-agents to excessive purchasing power, combined with the use of subsidies for essential foods—were seen in full practical operation. Meanwhile his early activity in his new function had led to the assignment of a room in the Treasury for his use. There from that time onwards he was continuously to be found, with the rarest intervals save for his missions abroad, till, after the victory, fatal illness struck him down.

The ordinary observer would probably guess that throughout the war years Keynes's work lay among matters of money and of inter-governmental finance. In the design of an international clearing union sketched in simple lucidity in a White Paper of 1943 his hand was readily recognized. The reports coming home of his labours at Bretton Woods and the wide publicity given a year later to his negotiation for the American loan belonged to a similar sphere.

At Bretton Woods Keynes was trying to introduce into the international monetary system something of the same technique and machinery which had been built up in domestic banking in Britain. The Final Act at Bretton Woods differs in emphasis and in detail, more or less important, from the simplicity of the clearing union. But it bears the stamp of Keynes's thought.

The loan agreement, Keynes's greatest negotiation, marked his power of sustained effort and of lucid exposition. He was trying for big things and he had to explain everything. It was because he manifestly told America everything that American distrust of his swift mind turned to confidence and affection. Only those closest to him know the synthesis that Keynes made

of all the figures which illustrated, beyond statistical dispute, our monetary position.

But, if these were the high lights, it would be wrong to draw from them the conclusion that Keynes's activities were entirely financial. His earliest discussions were concerned with the means of giving precision to the conditional undertaking of the Government to shoulder the burden of war damage; they eventuated in the War Damage Act of 1941. From the earliest times, too, he was a constant and enthusiastic collaborator in the production and improvement of the annual Budget White Papers beginning in 1941 with 'An Analysis of the Sources of War Finance'—a series which represents the outstanding development of public statistics in recent times. This general method had in fact been used by him in the Appendix of *How to Pay for the War* and it was his initial work that was subsequently developed by the statisticians in the service of the Government.

As time went on his net was spread wider. Sooner or later in war-time the major economic issues—internal, inter-imperial, and international alike—gravitate towards the Treasury. From among these he made his choice—often taking upon himself a greater load than his friends thought fit for a weakened body, albeit for an active brain. And on these varied issues, at times ministers, and at times their advisers, found the solace of illuminating counsel or the spur of an incisive pen.

Keynes had no clearly defined status in the sphere of government. He was not a minister, but he was a friend of ministers. He was not a civil servant, but he was a friend of civil servants. He was also a critic of both, and, if need be, a castigator. He was a member of the Legislature, who had freely given himself as a whole-time adviser and executive in the centre of the civil government machine. He valued that sense of independence which enabled him to be indignant when he scented misjudgement or folly and to pursue and to advocate his own line on matters of difficulty and doubt. But to independence within he added unswerving loyalty without.

He worked much at his desk: he worked also much in meetings, and not only those in the Treasury. By his leadership among economists, by his power of persuasion alike by the written and the spoken word, by his faculty for illuminating a discussion by the sudden flash of a forgotten fact, by his readiness to listen as well as to instruct, he influenced decisions in many spheres and that influence was not the less weighty if it cannot be precisely weighed.

Throughout those years of service Keynes was a convinced optimist. He felt entitled to believe that, after the lessons of the past, he could look forward to a far more wisely ordered world. He saw Britain emerging in victory, gravely weakened, it is true, but at the height of her prestige, and passing safely, given the needed external aid, through a stern transition to a fuller and more prosperous age. The justice of his hope is still to be ascertained, but it is the key to much that he thought and did.

Keynes's public appearances were few and were mainly in the U.S.A. Thus it came about that he was almost as well known in Washington as he was at home.

At Bretton Woods he dominated the assembly, not so much by his intellectual grasp as by the passion of his constructive thought. He believed deeply in reason and sought to apply it to the practice of economics. With him, however, it was never the cold reason of the intellect, but an impatience for the waste and frustration of human effort of the inter-war years. At the final meeting, as he entered the room, the whole conference suddenly stood up. Something rare and fine was in that long figure, his face tired but lit up, as he went slowly past the financial experts of the forty-three nations gathered there.

His opening statement in the negotiations for the loan held an informed and critical American audience under his spell for several days. From sets of illustrative figures he moved easily to first principles, from ringing declarations of policy and idealism to the quickest irrepressible fun. Fun bubbled up in Keynes and sometimes got him into trouble, but sometimes also he used the solvent of laughter to break up a moment of tension.

Thus he returned home, well known in Washington. Immediately afterwards he delivered in the Lords a speech that set in a new atmosphere the controversy which the loan had evoked. He had reached the full height of his stature. One more short visit to America to assist in the inauguration of the monetary fund preceded the end. And so, 'noble in reason, infinite in faculty', Maynard Keynes passed from the public life of our time.

ECONOMIST

IN writing about Keynes as an economist it is natural for a Cambridge man to think first about the relation between him and Marshall. Both were alike in their single-minded search for truth. But they differed strikingly in temperament. Marshall tended to emphasize his own dependence on earlier writers, reading into their lines more perhaps than was really there. Keynes, on the other hand, tended to emphasize his independence of others and, in his eagerness to make his own thought stand out clearly, to draw an over-sharp contrast between it and the thought of others. In his *General Theory* there are some, as I think, unwarranted strictures on part of Marshall's *Principles*. But that in no wise meant that he had ceased to be a disciple of the 'Master'. For Keynes could disagree violently with particular bits of an author's work without weakening in his admiration for the whole; just as he could write scathingly in controversy without a touch of malice or personal ill feeling. Those who were present a year or two ago at the little ceremony to commemorate the one hundredth anniversary of Marshall's birth will recall, along with his charming and discriminating speech, his most touching and affectionate greeting of the aged Mrs. Marshall, to whom he seemed as a devoted son.

Marshall's *Principles of Economics* was originally intended to be a comprehensive treatise covering the whole subject, but this project was presently abandoned, and the *Principles*, as it stands, is restricted in the main to 'Foundations', a study of the way in which economic forces tend to work themselves out in the long run. In this field the monetary factor plays a subordinate part and may properly be left on one side. Indeed, Marshall explicitly writes: 'Throughout the present volume we are supposing, in the absence of any special statement to the contrary, that all values are expressed in terms of money of fixed purchasing power, just as astronomers have taught us to determine the beginning or the ending of the day with reference, not to the actual sun, but to a *mean sun*, which is supposed to move uniformly throughout the heavens.'¹ After the foundations had been laid they were to be built upon, and the actual world, in which the part played by money is anything but subordinate, to be studied in its full concreteness; the short period both in itself and in relation to the long period. As I have indicated, Marshall did not carry through his original plan, though from writings other

¹ *Principles*, 8th ed., p. 593.

than the *Principles* a rough idea of what he would have liked to do can be inferred. His scheme, to put things very broadly, was to study first the movement of bodies in a vacuum and afterwards to take account of air resistance, or, if we will, to concentrate first on the broad forces that rule the tides and afterwards on winds and waves. But, from the standpoint of a ship at sea, especially in wild weather, it is the winds and the waves that matter. Long-run tendencies do not interest the helmsman in such conditions. Keynes's life was cast in times more troubled than Marshall's, times of violent upheaval and rapid world-wide dislocations. The enormous failure of the economic system in the period between the wars to find employment for people anxious to work, with all its associated wastage and distress, weighed down upon him; the inability of statesmen to cure, and of economists to show them how to cure, a disease which, on the face of things, as it seemed, *must* be curable, shocked his humanity and challenged his intellect. It was natural, therefore, that he should have been led to look at economic problems from an angle different from Marshall's and to attempt a less leisured approach. For him the short run was much more significant than the long run—that long run, in which, as he used to say, 'we are all dead'—and for the study of that in a monetary world monetary happenings are, of course, vital: 'Money enters into the economic scheme in an essential and peculiar manner.'¹ He endeavoured, therefore, to build up a single structure, all of one piece, in which monetary and 'real' influences should be fully integrated and which should thus stand closer to and give more guidance for the treatment of practical problems than, as he thought, current economic analysis could do. This, if I interpret him rightly, is what he was working towards in his *Treatise on Money* and approached more nearly in his *General Theory*.

In my personal opinion, between this approach and Marshall's there is no essential conflict. They are two ways of attempting the same thing; and, though it may well happen that on particular points divergences of view arise, broadly they should be regarded as allies, not rivals. It is, therefore, I think, unfortunate that Keynes, ignoring, as it seems to me, the fact that Marshall's *Principles* is only a first volume, not a complete treatise, so fashioned his *General Theory* as to make it seem a sort of polemic against the Marshallian, or, as he rather loosely preferred to call it, the Classical school. On this matter, however, others will very likely take a different view.

¹ *General Theory*, p. vii.

Keynes was not especially interested in those branches of economics which are concerned with the allocation of resources among various kinds of production. His chief theme was, in his phrase, the problem of output as a whole, which, from the standpoint of the short period, is broadly equivalent to the problem of aggregate employment. It is impossible to separate this problem sharply from the allocation problem, because changes in the comparative quantities of resources demanded in different occupations and places *plus* frictions and impediments to mobility are, in the actual world, among the principal causes out of which unemployment arises. Keynes was fully aware of this. But his field of study was not here. Leaving aside these matters, assigning, as I think, less importance to them than in fact is theirs, he concentrated on those influences which would still operate on employment even though labour were perfectly mobile and frictional unemployment did not exist.

For this frictionless world effective (money) demand assumed the central place in his analysis; 'full' employment did not establish itself and was not maintained because effective demand was from time to time too small. Why was it thus too small? What were the influences that governed it? What means were available for controlling and modifying these and so preventing or at least greatly reducing the enormous waste, the sense of frustration, and the personal distresses with which severe unemployment is inevitably associated?

This, as I see it, is the central theme of his *General Theory*. In the course of developing it he brought on to the stage the 'multiplier', 'liquidity preference', 'the propensity to consume', 'the marginal efficiency of capital', and other such terms, which have now become current among a large number of economists. With their aid he built up a coherent scheme with many interlocking parts, in form very different from anything to which economists had hitherto been accustomed. How far it was new in substance and, so far as new, how far it was sound, are still matters of controversy. But the great intellectual power and the thought-stimulating quality of his book are plain for all to see. Not all economists have become Keyneses, but all are admirers of Keynes.

About this aspect of his work Mr. Kahn has written for me the four paragraphs that follow:

THE *General Theory* takes the form of a more disciplined survey of ground with which Keynes's name was already firmly associated.

Keynes had begun characteristically by applying intuition to a problem of current political interest. But as early as 1929, when, in common with many other economists, Keynes was advocating government expenditure as a means of alleviating unemployment, he was scrutinizing the intuitive solution and asking himself from what sources such government expenditure could be financed. The *Treatise on Money* provided the approach to an answer, which received its logical elaboration in the *General Theory*. Fundamental to Keynes's thought was the distinction between the consumer's expenditure, which determined the amount of employment in production of consumer goods, and his savings, the obverse of the nation's expenditure on capital goods, which, called by Keynes investment, was determined, so long as there were unused resources capable of being brought into use, by independent factors and not by the volume of savings. It was only when output as a whole was incapable of being increased, by the harnessing of unemployed resources, that Keynes was prepared to accept the traditional view that thrift directly promotes the production of capital goods. The traditional relationship between the rate of production of capital goods and the rate of interest Keynes transformed into the view that the volume of production of capital goods is causally determined by the prospective rate of earnings of capital goods in relation to the rate of interest. The rate of interest itself—and this perhaps is the *General Theory's* greatest contribution, in a field in which many economists have struggled—Keynes regarded as a phenomenon which, in the causative sense, should properly be regarded as *monetary*, being determined by the community's willingness to hold its assets in liquid form in relation to the amount of liquid assets (money) made available to the community by its monetary and banking system—and not by the community's willingness to forgo consumption.

The traditional view that an increase in thrift lowers the rate of interest (and so promotes the production of capital goods) Keynes regarded, not as a statement of direct cause and effect, but as a statement of long-run tendency, to justify which it is necessary to have recourse to the effect of an increase in thrift in increasing unemployment, to the effect of an increase in unemployment in driving down money wages, and so prices, to the effect of lower prices in increasing the real equivalent (in terms of real assets) of a given stock of money, and so finally to the effect of an increase in the real equivalent of a given stock of money in lowering the rate of interest.

Keynes in fact had no faith in the readjustment of money wages to a change in the level of employment. He regarded money wage rates as very resistant to downward pressure, and this was a main reason why he regarded his own doctrine, as a matter of quantitative fact and not only of logical analysis, as radically different from traditional teaching. As a by-product emerges the argument that, if wages are depressed by unemployment, or are positively reduced in an attempt to cure unemployment, demand will be reduced as much as costs, and the financial difficulties associated with falling prices will be experienced without any improvement in employment to compensate for them. To this now familiar line of thought, however, Keynes added acknowledgement of possible repercussions through the rate of interest, pointing out at the same time that a reduction of the rate of interest directly imposed by the monetary and banking system would produce the same result with far less trouble.

This is a very bald indication, devoid of all the necessary qualifications, of the central theme. Although his thought took its origin in intuitive beliefs, Keynes never accepted the view that the theme, as finally developed, was self-evident, and of anybody who attempted a 'common-sense' exposition he was inclined to express doubt whether the theme had been properly understood. Probably what mattered more than anything else was that Keynes's skilled advocacy was now in his own mind based on a confident belief in the soundness of the logical structure of his argument. The result was a revolution of thought, the extent of which it is easy to overlook. In 1929, in *We Can Conquer Unemployment*, a Liberal Party committee dealt with the objection that 'a policy of national development by the State (assuming inflation to be ruled out) simply means that the State is providing employment with funds which would otherwise be used by private individuals at least as effectively, and that, therefore, at the best, the aggregate of employment can be no greater'. Keynes's activity in the controversy did not prevent the appearance, in the White Paper which the Government published by way of reply, of a Treasury memorandum, according to which:

The proposals in the pamphlet that this programme [for the economic development of the public services] should be greatly extended are open to very serious objection on financial grounds. The large loans involved, if they are not to involve inflation, must draw on existing capital resources. These resources are on the whole utilised at present in varying degrees of active employment; and the great bulk is utilised for

home industrial and commercial purposes. The extent to which any additional employment could be given by altering the direction of investment is, therefore, at the best strictly limited.

In 1944, however, the Coalition Government published a very different White Paper on Employment Policy. 'If more money is spent on goods and services, then more money will be paid out as wages and more people will be employed.' Here, as also in the arrangement by which in the recent war the rates of interest on government borrowings were kept extremely low, is evidence of the impact of Keynes's thought on public affairs.

So far Mr. Kahn. To me personally, if I try to evaluate for myself Keynes's direct contribution to fundamental economic thought, there is a special difficulty. Those of us who disagree in part with his analysis have, nevertheless, undoubtedly been affected by it in our own thinking; and it is very hard to remember exactly where we stood before. Not a little of what we now believe ourselves to have known all along it may well be we really owe to him. Subject to this *caveat*, my personal impression is that what he did was, not chiefly to discover new truths, but to bring into the centre of the picture and illuminate with strong light aspects of economic analysis whose vital importance for practice had not been seen before. Thus, while nobody could ever have formally argued that, because reduction in money wages in a particular industry usually increases employment there, *therefore* a reduction all round would usually increase employment all round, nevertheless the possible indirect effect of wage cuts upon prices and incomes had certainly not received adequate attention. Keynes brought this central and very important matter to the forefront of discussion. Again, while everybody was agreed that studies of long-period tendencies needed to be largely supplemented before the processes of actual life could be understood, it was Keynes who attempted a generalized theory that could bring together in a single scheme aspects of economic change that had for the most part been held in separate compartments. Moreover, in attempting this he was not interested in any merely formal mathematical construction, intellectually satisfying, but practically sterile. His constructions were designed to stand in close relation to facts susceptible of statistical measurement; to help forecasts and guide policies; to be lighthouses, not hermits' cells. Both in the *Treatise on Money* and in the *General Theory* this intention is very clear. In that task, like Marshall before him—with whose aims in this matter he was in whole-

hearted agreement—he was hampered by the lack of adequate statistical material; but, unlike Marshall, he was fortunate to be the witness of a great advance, indeed to be himself principal accoucheur to a splendid statistical child, the Chancellor of the Exchequer's annual White Paper on National Income and Expenditure.

Besides his direct contribution to economics Keynes also made an indirect one through his influence on other people, and that in two ways: on a narrow field at Cambridge as lecturer and teacher and on a wide field as a catalyst of thought. Of his lectures and teaching I had no personal experience; and once more, for the next three paragraphs, I have had recourse to Mr. Kahn.

As the basis of a lecture, he writes, Keynes would often take the draft of an article or a chapter on which he was working. His audience seldom realized the extent to which he was declaiming the written word. While the lecture would produce an impression on the audience which cold print, even of Keynes's devising, could not have achieved, its effect on the lecturer himself was often to secure the rewriting, and perhaps even the scrapping, of the manuscript or proof from which he had been reading.

As a lecturer Keynes allowed himself little opportunity for improvisation. As a teacher, on the other hand, he received his pupils with no preconceived view of what he ought to say to them. His object was to create a sense of discussion, and, although he would maintain the lead, his pupils had the feeling of being taken into his confidence rather than of having any particular view imposed on them. The starting-point was the essays which they had written on a set subject, and which Keynes had read before they arrived for their hour's supervision (he would usually take three or four pupils in a group), and in his comments he was concerned more with encouragement and approval than with downright criticism.

Keynes could take only a very limited number of pupils, selected almost entirely from his own College. But something of the same influence he brought to bear on the members of his Political Economy Club, consisting of the most promising undergraduates and a number of dons, which met in his rooms on most Monday evenings during the two winter Terms. The reader of the paper was usually an undergraduate. The discussion was determined by the famous drawing of lots, according to which each in turn was urged on to the hearth-rug and 'had to

say something'. The first experience was an ordeal, but after that one usually succumbed to the mellowness of the atmosphere which Keynes succeeded in generating. His interventions were few, but timely and helpful, until, shortly before midnight, he rose to make the concluding contribution to the discussion. The paper had often dealt with some matter entirely remote from his knowledge or interest, but in the course of the evening he had penetrated the subject, and in his conclusion often summed up the thesis far more lucidly and effectively than the reader of the paper, and indeed than others who might be masters of the subject.

On the wider field Keynes's accomplishment as a catalyst was of the first importance. After Marshall's main work was finished economic thought on fundamental issues moved little, at all events in this country. We were pedestrian, perhaps a little complacent. Keynes's *Treatise on Money* and, later, his *General Theory* broke resoundingly that dogmatic slumber. Whether in agreement or in disagreement with him, discussion and controversy sprang up and spread over the whole world. Economics and economists came alive. The period of tranquillity was ended. A period of active and, so far as might be, creative thought was born. For this the credit is almost wholly due to Keynes. Even should all his own ideas presently be rejected—which, of course, will not happen—for this inbreathing of the spirit he would still rank among the foremost architects of our subject.

He had, of course, as all have, the defects of his qualities. By defining common words in uncommon senses, as with 'savings' and 'income', in his earlier book, and 'full' employment—which was compatible with a large volume of unemployment!—in his later one, he caused much confusion among persons less agile-minded than himself. Maybe too, had he been less ready to hoist the flag of intellectual revolution, stressing agreement more and disagreement less, he would have obviated some misunderstanding and some unfruitful debate, thus freeing himself to produce even more constructive work than he actually did. But there are two sides to this. Had he acted so, in a more Marshallian manner, not only must he have proved a less effective catalyst, but also—and this to him would have meant much—his influence upon immediate public policy in these times of urgency must inevitably have been far smaller than it was. Whatever the balance here may be, none of us, I think, would have ventured

to wish him other than he was. Everything, even the blemishes, if such they were, was part of the Keynes we knew and honoured. Very fittingly at the time of his death he held the office of President of the Royal Economic Society; very fittingly, for, take him for all and all, he was, beyond doubt or challenge, the most interesting, the most influential, and the most important economist of his time.

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