Essays in Keynesian Persuasion

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By

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The articles and book chapters are reproduced without alterations except for minor corrections.

ABBREVIATIONS

CWK	*The Collected Writing of J.M. Keynes*, followed by volume number in Roman numerals
JMK or KP	J.M. Keynes Papers
RFK	R.F. Kahn Papers
JVR	J.V. Robinson Papers
EAGR	E.A.G. Robinson Papers
NK	N. Kaldor Papers
BEV	W. Beveridge Papers

References to the archival documents of the authors examined in the text are given following the classification number of their respective catalogues.

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Rome, December 2018

INTRODUCTION

This volume brings together papers published between 2002 and 2018 and can be read as a sequel to my *Fighting Market Failure* (Marcuzzo 2012). Unlike the previous collection, this volume focuses almost entirely on Keynes and Keynesian thinking; hence the choice of the title, actually borrowed from Keynes (*Essays in Persuasion* in CWK IX).

The word "persuasion" is chosen to convey to the reader not only my own allegiance to Keynes's approach to economics, but also the hope that these essays may be "persuasive" in making Keynes's message better understood and therefore more likely to be accepted.

The first chapters are all related to the *General Theory*; a book raising questions about the nature of its assumptions and conclusions and leading to different interpretations, thus giving rise to controversies that have yet to be settled. Three chapters concern the origin of the book and the development of Keynes's thinking on the way towards it. What emerges from reviewing Keynes's biographers' views in Chapter 1 is that Keynes's main purpose in writing the book was to persuade his fellow economists to abandon previously held views and embrace an approach which could open the way to fighting unemployment. Chapters 2 and 3 show that writing the *General Theory* took Keynes on a long journey from the *Treatise on Money* and his own previously held views, such as his adherence to the Quantity Theory of Money.

Persuasion was essential to Keynes's conception of economics as a method of moulding ideas and opinions in an exchange with others, as he explained in a celebrated passage: "It is astonishing what foolish things one can temporarily believe *if one thinks too long alone*, particularly in economics (along with the other moral sciences), where it is often impossible to bring one's ideas to a conclusive test either formal or experimental" (CWK VII: vii–viii; emphasis added).

In fact, in the often-quoted letter to G.B. Shaw, we find confirming evidence: "When my new theory has been duly assimilated and mixed with politics and feeling and passions […] there will be a great change" (CWK XIII: 492–93). Far from asserting the scientific superiority of his own theory, he entrusted "politics, feelings and passions" to get the message through.

Politics, feelings and passions varied among his readership and Keynes's style of working by forming and refining his argument *vis-à-vis* his interlocutors shows an ample range of cases revealing scant success in getting the message of *The General Theory* through (Marcuzzo 2018). Chapter 4 focuses precisely on the central role that persuasion – in the two-way sense of persuading and of being persuaded – played in Keynes's work, and in particular examines the dramatic circumstances in the 1920s and in the 1940s, in which he had to call upon all his powers of persuasion to urge his case, as in *The Economic Consequence of the Peace* or in the Anglo-American negotiations, unfortunately to no avail.

The second section includes chapters which are the outcome of a long and collective research work on the correspondence among several Cambridge economists (Marcuzzo and Rosselli 2005); those reproduced here involve Keynes and his closest interlocutors and followers, Kahn, Joan Robinson and Kaldor. The published and unpublished letters are also listed here with the hope that others might exploit them in future research.

As mentioned elsewhere (Marcuzzo 2012), in Cambridge economics was not talked about, it was written about – also due to the lack of telephones (at least until World War II), which were not installed in the college rooms or flatly refused by the older generation. Keynes in particular disliked the "inconsiderate" use of the telephone, which could interrupt him while at work (Keynes XVIII: 100–101). Moreover, written communication was most efficient, three deliveries daily being guaranteed by the public postal service while the colleges also had their own internal post.

Keynes formed his ideas in the process of submitting them to others, and we have ample evidence of his style of work and reasoning intertwined in close personal relations. If he was to be convinced himself and to persuade another of an argument, Keynes needed to engage in exchanges that had a strong emotional side (affection, trust, respect), affording a "meeting of minds" (one of Keynes's favourite expressions) that for him was conducive to fruitful interaction.

Chapter 5 is a study of Keynes's closest interlocutors, Kahn, Joan Robinson and Kaldor, digging into the treasure trove of their Archives. Particular attention is paid to their unpublished writings, which, together with the correspondence are a mine of information helping to put their work and personal lives in context.

Richard Kahn, Keynes's favourite pupil, contributed more significantly than anyone else in the circle around Keynes to the Keynesian revolution. Chapter 6 amply documents that relations between Keynes and Kahn were strong, continuous, and fertile, with an apparently paradoxical inversion of roles: it was the pupil who intervened to correct, tidy up, and sound out the master's rationale. There are aspects independently worked on by Kahn that Keynes subsequently incorporated, adapting them to his aims and *forma mentis*, which eventually became part of *The General Theory*, readjusting the framework upon which his *Treatise on Money* had rested. Kahn was a close collaborator of Keynes in the running of King's college finance, in following up on Keynes's reforms proposals and finally as his literary executor, taking charge of Keynes's intellectual legacy.

Chapter 7 follows Joan Robinson's acquaintance with Keynes, which began slowly, but developed into a warm friendship and a close intellectual partnership. She was a member of the "Circus", the informal discussion group that met from late 1930 to the Spring of 1931 for the purpose of pursuing the arguments of the *Treatise on Money* to their full implications. Given her involvement with Keynes's work, she was asked to comment on the proofs of the *General Theory*. Keynes was also supportive of her academic career and once stepped in to prevent others from harming it. Their relationship also had its difficult moments when she was defending Kalecki's work against his criticism, but the correspondence between them from the mid-1930s onwards shows that he trusted her judgment and was appreciative of her work. After Keynes's death, she became the staunchest supporter of the Keynesian Revolution, in particular against those she believed to be its "bastard progeny".

The third section concerns what has been referred to in the literature as the "return to Keynes" in the aftermath of the 2007–8 financial crisis. After over twenty-five years of ostracism, spent extolling the efficiency of free markets and running econometric tests to prove that economic policies are either ineffectual or even irrelevant, there has been an upsurge in the wave of references to Keynes in the media. Although this has not been reflected on the academic scene, still dominated by the macroeconomics of anti- or pre-Keynesian inspiration that took hold between the 1970s and 1980s, the return to Keynes is certainly welcome. This is the subject of Chapter 10.

While today's world is very different from that of twenty – let alone eighty – years ago, there are notable similarities between the Great Depression of the 1930s – Keynes's world – and our contemporary crisis. A corresponding similarity is to be seen between the economic theory prevailing before Keynes's times and that of our own times. There are at least two reasons why the ideas put forward by Keynes in the 1930s are still relevant to the world of today. The first, and perhaps the most important, is the global recession which has dragged on since 2008–9 and even now is showing only a few timid signs of letting up, forcefully reminding us of the events which prompted Keynes to search out solutions to mass unemployment and economic disruption. The second is the still pervasive free-market ideology that inspired the policies and behaviour that played no small part in fuelling the crisis. The traditional remedies to cure the 1930s recession – reliance on market mechanisms and balancing the budget – have been resurrected in the present times, and while criticism of the austerity policies is gaining momentum Keynes's arguments still fail to be widely and fully accepted. (Marcuzzo 2017).

The other chapters in this section look at particular instances of the situation described above. Chapter 8 takes the points made by Keynes in his *Economic Consequences of the Peace* as a springboard to analyse the event which precipitated the financial crisis, namely the failure to save Lehman Brothers. Chapter 9 and Chapter 11 address two related topics, which are central to Keynesian economics: the welfare state and the multiplier. Chapter 9 traces the origin of Keynes's involvement in Beveridge's bold reform programme and explores the nature of their relationship, after an initial difficulty on Beveridge's part in coming to grips with the message of the *General Theory*. Chapter 11 tackles the issue of what has happened to the estimates of the multiplier over the years and argues that different types of *models* will deliver fiscal multipliers of almost any magnitude, depending on the underlying parameter values and assumptions regarding monetary policy reaction functions and so forth. Particular attention focuses on the case when the multiplier "does not multiply" i.e. when consumption is modelled on individual maximising behaviour, over an infinite time horizon and with perfect foresight, relegating real income as a determinant of aggregate consumption – which was Keynes's main concern – to a negligible role.

The final section reviews Keynes's multifarious activities as institutional and personal investor, speculator on his own account in stocks, commodities and derivatives and innovator in proposing a reform of the commodity markets.

Keynes was a trader in the commodity markets from 1921 to 1939, when foreign trading was suspended because of the war; from then on he regarded these markets from the point of view of a regulator, putting forward a Buffer Stocks scheme to curb the volatility of commodity prices; this would represent part of his more general proposals to stabilize the international monetary system and foster general growth and prosperity.

Chapter 12 traces the evolution of his ideas on this matter, developed on the basis of his intimate knowledge of primary commodity markets and his practice as an active player on them. It presents some findings on his speculative activity in the futures market in particular, looking into his trading behaviour in wheat in the mid-1930s. Notwithstanding some limited success, several losses and the difficulty of getting the timing right in buying and selling might have led Keynes to believe that the futures markets were not sufficient to contain price oscillations, with sudden and dire consequences for consumers and producers alike. Chapter 13 examines Keynes's proposals, the so-called Commodity Control, of which nine different versions were drafted between January 1942 and February 1943, and comparing it with the modifications introduced by Kahn in the early 1950s. Chapter 14 focus more in detail on Keynes's speculative activity in metals, through the means of options, the most common derivatives in his times.

Chapter 15 concludes with an overview of Keynes's investment philosophy; it is argued there that as an investor and speculator Keynes was an exceptionally gifted trader, not because of the gains he made in the Stock Exchange, which were not as substantial as commonly believed, but by virtue of his profound grasp of the fundamentals underlying commodities, shares and currencies. He showed great ability in gauging the direction of prices, although he did not always get the timing right. He never ceased to gather information on the underlying forces driving prices, and remained first and foremost an economist who based his trading decisions on his professional knowledge. While he became increasingly concerned with the role of market sentiment, conventions and herd behaviour, and in his mature thinking granted that the success of the speculator might rest on the ability to interpret market sentiment, this was never the guiding principle for Keynes's own behaviour as an investor. He trusted, rather, informed opinion on relevant data and, above all, his own individual judgment. He never lost sight of the complexity of the factors behind the surface of price changes; while he progressively lost confidence in the ability to predict their course in the short run, he remained confident that study of the fundamentals of the economy and of what underlies the individual asset would provide a reasonable basis for rational and, in the long run at least, successful choice (Marcuzzo 2018).

This collection is the outcome of more than 30 years of work on Keynes and Keynesian economics, a process that I have thoroughly enjoyed. I would dearly like to transmit the same pleasure to my readers, and if I do not succeed it will be my fault, not Keynes's.

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PART I

RE-APPRAISING THE *GENERAL THEORY*

CHAPTER ONE

THE *GENERAL THEORY* IN KEYNES'S BIOGRAPHIES

MARIA CRISTINA MARCUZZO

> It may both be true that many things said by Keynes [in the *General Theory*] had been said, or could have been said, in the old terminology, and that his scheme has temped its users into certain errors, and yet remain also true that, on the whole and on balance, his scheme is far superior.
>
> (Harrod 1951: 465)

> I must remind the reader that the book is probably the least clear of Keynes's contribution to economics.
>
> (Moggridge 1992: 557)

> There are many different ways of telling the story of the *General Theory of Employment, Interest and Money*, and many different stories to be told about it.
>
> (Skidelsky 1992: 537)

1. Premise

It is perhaps fitting to mark the 70th anniversary of the *General Theory* (*GT*)[1] with an assessment of what we have learned about this work from

[1] In 2006 a number of events were held to celebrate the anniversary of the *General Theory* and commemorate Keynes's death ten years later; this burst of activity took a heavy toll on scholars who had perhaps too readily accepted the invitation to take part in them, untroubled by the danger of repetitions and overlapping in what they had to say. This was certainly my case, as I later discovered that by taking part in these celebrations I had committed myself to writing three chapters on Keynes in a very short period of time. I have tried my best to make this chapter a complement to rather than a substitute for the other two companion pieces (Marcuzzo 2006; 2008).

the vast research undertaken by three biographers of Keynes whose researches on his papers and correspondence mark them out among scholars for their extraordinary scope and thoroughness. I will compare the analysis of the *GT* in Keynes's three major biographies (Harrod 1951; Moggridge 1992; Skidelsky 1992) in order to assess the views presented there on the genesis of the book, the development of its main ideas and the various "versions" which have been produced ever since. Once set in the context of Keynes's life, does the book prove more intelligible, and if so, in what respects? Can we detect different interpretations of its meaning and significance? On posing these questions and comparing these three biographers' approaches to the subject matter, one should bear in mind that Harrod holds a peculiar position among the three. On the one hand he knew Keynes and participated in the process which led to the *General Theory* (he was also one of the people Keynes entrusted the proofreading to), while on the other hand he could not have full command of the Keynes's papers, most of which were still uncatalogued and unpublished when he set about writing the biography. Moggridge, of course, enjoyed a very different position since, in his capacity as editor of the *Collected Writings* of J.M. Keynes (CWK), he was responsible for much of dating and ordering of the relevant papers, letters and manuscripts. Skidelsky, on the other hand, while claiming that his purpose was to "rescue Keynes from the economists", dedicated considerably more pages to the *GT* than the other two biographers,[2] although largely taken up with the reactions to the book and the criticism it came in for.

In comparing and assessing the biographers' narratives, I divide my account into three sections thus: 2. Origin and purpose; 3. Development and influences and 4. Interpretations and controversies. In the final section I draw some conclusions.

2. Origin and Purpose

All three biographers agree that the origin of the *GT* is to be found in Keynes's dissatisfaction with his *Treatise on Money*, coupled with an urge to find remedies to the worldwide high level of unemployment. However, they stress different aspects in the scenario against which the book is set and should be placed.

Harrod draws attention to the *readership* the book targeted: "His aim […] was to convert his professional colleagues. He judged that a direct

[2] In Moggridge the *GT* is covered in two chapters amounting to 53 pages, while the two chapters devoted to it in Skidelsky come to 87 pages.

appeal to the people would be in vain, unless it could be reinforced by the majority of economists speaking with one voice" (Harrod 1951: 461). In this respect, the *GT* is presented as a work of persuasion, like many others by Keynes, but with a particular public in mind. Harrod's characterization is indeed borne out by Keynes's warnings in the final pages of the book against being "slaves of some defunct economist" or the danger of "gradual encroachment of ideas" (CWK VII: 383).

Who were the "professional colleagues" he was intent on converting? Certainly D.H. Robertson and F.A Hayek, who – if judged against their review of the *Treatise on Money* – had proved to him that they "had not in the least understood what he had tried to say" (Harrod 1951: 435), but also A.C. Pigou, L. Robbins and H. Henderson, the professional economists, the representatives of "sound principles" (Mini 1996: 331) with whom Keynes was in constant contact.

According to Harrod the support Keynes was receiving from his closest (and younger) colleagues, R.F. Kahn and J. Robinson, sharpened the contrast with the economists who failed to see what he was getting at, despite his efforts to impress his meaning on them. Perhaps after all they were hardly to be blamed, one could argue, since he was breaking new ground and "raising a dust" (CWK XIII: 548). We know that Harrod, too, from the very outset, when the writing of the *GT* was still being written, was very critical of Keynes's insistence on emphasizing differences between his approach and what he labelled "classical thought". In his biography he volunteers an explanation of Keynes's irreverence towards the established view, as a psychological reaction "to the frustrations he had felt, and was still feeling, as the result of the persistent tendency to ignore what was novel in his contribution" (Harrod 1951: 451).

By "classics" Keynes meant the tradition stemming from Marshall, including that inheritance from British Political Economy which had been filtered into it; this tradition was embodied in the work and teaching of Pigou and Robertson and most of Keynes's colleagues at his Faculty in Cambridge. Keynes was exposed to the views of his fellow economists also in his capacity as editor of the *Economic Journal*, Secretary of the Royal Economic Society and in his multifarious academic and non-academic endeavours. Most aptly it has been said that

> Keynes was an educator. His classroom was England and the world, and his tools were the newspaper article, the pamphlet, the letter to *The Times,* the radiobroadcast, the committee testimony and, occasionally, the technical books and journal articles addressed to economists. In pursuit of this mission, he gained knowledge by participating in economic

> committees, by questioning those in authority, by partying and conferring with statesmen, bankers, politicians and those "in the know".
>
> (Mini 1995: 49)

He was well acquainted with the ethos of the profession and in disagreement with most of it, especially in the late 1920s and early 1930 when important issues, such as rationalization of the cotton industry, trade and exchange rate policy and remedies for unemployment were being debated. His censured the majority of the economic profession for their inability to change habits of mind which, when added to the "habits and instincts of the ordinary man, bred into him for countless generations" (CWK IX: 327), made engagement in experiments conducive to practical results even more difficult.

Economists did not enjoy top ranking in Keynes's scale of values and appreciation,[3] but to persuade them he had to meet them on their own ground. The sense of frustration Keynes was experiencing is borne out in many instances during the drafting of the *GT* and in the aftermath, offering some support for Harrod's interpretation. A famous letter to Lydia, in October 1933, gives us a glimpse into Keynes's state of chagrin: "Are all the economists mad except Alexander [R.F. Kahn] and me? It seems to me so, yet it can't be true" (quoted in Moggridge 1992: 566).

For his part, Skidelsky insists on another of Keynes's main concerns, namely the threat facing civilization, i.e. freedom and democracy, with the rise of the two totalitarianisms of the 1930s: "The General Theory was projected against the background not just of the world depression, but of its political and social repercussions: specifically, the spread of communism and fascism" (Skidelsky 1992: 440). There is no doubt that in the 1930s Keynes was shocked at the discovery that many of his friends were turning to Marx, and that on many occasions he voiced his aversion to Marx and his economic theory. His opposition to fascism is equally beyond question; the Preface to the German edition of the *GT* cannot be interpreted as implicit support of the Nazi economic experiment (Schefold 1980). Still, it is difficult to assess how strongly he felt the seriousness of the threat and to what extent he was endeavouring to get through to a readership that was politically committed to a totalitarian creed.

[3] See Keynes's often quoted remark: "The study of economics does not seem to require any specialised gifts of an unusually high order. Is it not, intellectually regarded, a very easy subject compared with the higher branch of philosophy and pure science? Yes good, or even competent, economists are the rarest of birds. An easy subject at which very few excel" (CWK X: 173).

Certainly, in the book he praised the advantages and virtues of capitalist individualism:

> The authoritarian state system of today seem to solve the problem of unemployment at the expense of efficiency and of freedom […] it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom.
>
> (CWK VII: 381)

However there are passages in which individualism is portrayed as the culprit of many failures in market economies,[4] so perhaps it was in the realm of economic, moral and civil liberties, that Keynes was pursuing his agenda, in many respects at variance with traditional liberal stances (see Dostaler 1998; Vercelli 2010). The threat was not only the dangers of advancing totalitarianisms, but also those deriving from excessive much reliance on the market system. While Keynesian policies are wrongly characterized as synonymous with government intervention, his cure of "socializing investment" to sustain aggregate demand can rightly be adduced as evidence of his mistrust of market mechanisms (Bateman 2006). How much antiliberal *politics* and how much anti laissez-faire *economics* is behind the *GT* is perhaps still an open question.

Moggridge, on the other hand, draws attention to Keynes's deep dislike of those premises in economics which are found out to be false or ill-conceived: "[his] emphasis on assumptions or premises also provides a large part of the explanation of why he abandoned his *Treatise on Money* so quickly" (Moggridge 1992: 555). Indeed many instances can be found in the *GT* of Keynes's argumentative logic against "the classical theory" based on the accusation of holding "tacit assumptions [that] are seldom or never satisfied" (CWK VII: 378) such as the "illicit assumption" that "the wage bargain determines the real wage" (ibid.: 13) or their "fallaciously supposing" that an act of individual saving leads to an act of investment (ibid.: 21). This aversion to false premises applied to his own theory as well, and this may explain why Keynes was at times found to be inconsistent with his previously held views.

What, then, was so wrong with the assumptions of the *Treatise* that Keynes, within a year of its publication, felt he had to abandon them? I have argued elsewhere (Marcuzzo 2002a) that basically he had misgivings about the Fundamental Equations, i.e. the assumed independence of the

[4] See for instance what he wrote in 1933: "The decadent international but individualistic capitalism, in the hands of which we found ourselves after the War, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous – and it doesn't deliver the goods" (CWK XXI: 239).

price level of consumption goods from that of investment goods, which came under fire both from his opponents (Pigou and Robertson) and from his closer associates (Kahn and Sraffa). However, astonishing as his readiness was to accept the need to revise his assumptions (and eventually to discard the Fundamental Equations), in the end he could not resist presenting his new book as a "natural evolution" in his line of thought (CWK VII: xxii).

He laboured to make his former approach appear compatible with the latter and was always careful to indicate *where* exactly his new argument departed from the old. First, there was the change in the definition of income (ibid.: 61); second, there was a new mechanism for output adjustment (ibid.: 77); and third there was determination of the equilibrium level of output at less than full employment (ibid.: 77–8). Thus, reinterpreting his former approach based on the Fundamental Equations in the light of the latter, based on Effective Demand, Keynes claimed to have established compatibility between his two books (see Marcuzzo 2002a). Moggridge argues that "one should accept Keynes's retrospective account of how he came to his conclusions" (Moggridge 1992: 559). However, I feel that in the case of these two books he was stretching the continuity of his approach a bit too far.

3. Development and Influences

Thanks to his editorship of Keynes's *Collected Writings*, Moggridge was better placed to provide the most detailed account of the development of Keynes's ideas towards the *GT* and trace out the stages through which concepts and argument took various forms and final shape. His narrative is extremely accurate and well grounded on evidence coming from drafts, correspondence, table of contents and lecture notes, only a part of which is published in vols. XIII and XXIX of the *Collected Writings.* There are alternative reconstructions – as found in the literature (see Patinkin 1973, 1996) – but Moggridge's is to be considered the benchmark chronology.

The five years spanning from the publication of the *Treatise* to that of the *General Theory*, can be divided into three time-legs. The first dates from comments and criticism on the *Treatise* (autumn 1930) to the early material for the new book and lectures (spring 1932). The second spans from the Easter Term 1932 lectures, which were attended by members of the "Circus", to the summer 1933, when the writing of the new book was well under way. The final stage runs from the 1933 Michaelmas Term lectures and the contemporary fragments of versions of the *GT*, when the principle of effective demand was clearly expounded, to the final touches to the proofs in December 1935.

Disagreement among scholars about the development of Keynes's ideas towards the *GT*, can be grouped into two headings, namely the list of steps leading to it and the evidence agreed upon to support it. Perhaps the issue which has attracted more attention is *when* Keynes arrived at the formulation of the principle of effective demand. Most commentators (Dimand 1988: 167; Moggridge 1992: 562; Patinkin 1993: 656) agree that by Michaelmas term 1933 the conception of effective demand had been accomplished; more disputed is whether the supporting argument, namely that a change in investment causes a change in saving, was present even in the 1932 drafts. For instance, Moggridge's dating of these fragments was questioned by Patinkin (1975; 1993) on the grounds that description of the equilibrating role of changes in output does not appear in the November 1932 lecture notes (Rymes 1989). I have argued elsewhere (Marcuzzo 2002b) that I have not found enough evidence to support Patinkin's claim.

Skidelsky's account follows the same line as Moggridge's, but he makes an important methodological point in passing:

> [the] scholarly obsession with timetabling the *flow* of intellectual invention […] also reflects an agenda which is not historiographical or methodological. Involved are the linked questions of the relative value of *Treatise* and the *General Theory* and the whole corpus of Keynes's writings; the relationship between Keynes's work and that of the other monetary economists of his day; and what the "main point" of the General Theory was.
>
> (Skidelsky 1992: 444–5)

In fact, when it comes to tracing out the influence of his fellow economists in the process which led Keynes toward the *GT*, nuances in the accepted chronology become marked historiographical differences. Skidelsky, like Harrod,[5] plays down the importance of the Circus[6] and gives more credit to Kahn and Hawtrey. Moggridge, on the contrary, takes the view that:

[5] "[I]n the writing of the book itself, his main pillar of support was Mr. Richard Kahn" (Harrod 1951: 451).

[6] "Despite much 'pooled memory' to the contrary, the Circus seems to have played a relatively minor part in the development of the *General Theory* […] the most important effect of the Circus discussion was to reinforce the impetus Hawtrey gave Keynes to working out a short-period theory of output […] much more important than Circus's collective contribution to Keynes's progress was Kahn's personal contribution" (Skidelsky 1992: 447).

> Kahn certainly deserves Keynes's glowing acknowledgement in the Preface to the General Theory. Yet the surviving materials show that Keynes was in control. He chose the destination and the main route. His colleagues and collaborators tried to keep him from unnecessary logs, and to improve his sketch map for his successors – but not always successfully.
> (Moggridge 1992: 569–70)

Harrod's narrative is intertwined with autobiographic threads, since he was directly involved in the process of commenting on the *GT*, from the early stages through the proofs. "My main endeavour" – he claims – "was to mitigate his attack on the 'classical' school […] [in particular] in regard to his allegation that the traditional theory of interest did not make sense" (Harrod 1951: 453). In the biography he defends the point which he had made at the time, namely that Keynes was "in some confusion about what the classical position really was" and that he claimed "for his definition of the marginal efficiency of capital more originality than can be accorded to it" (ibid.).

There are two questions here. The first is how accurately the biographer – who happens to be contemporary with his subject – is able to recount the process of development of ideas at the time and to assess the nature of his own contribution; the second is whether his argument about Keynes' theory of interest rate stands up to criticism.[7] On these two issues, the literature provides us with a good deal of evidence. Daniele Besomi has convincingly argued that Harrod's role as commentator upon the *GT* in the making, if judged against the extant correspondence, shows that "at several crucial stages in the evolution of Keynes's thought Harrod was unaware of the developments taking place" (Besomi 2005: 92). Moreover, the exchange they had between June and September 1935 on the proofs "bear witness to the incompatibility of their viewpoints" (ibid.: 98), both in terms of methodology and substantive issues.

On the question of the rate of interest, there is no agreement in the literature as to whether Keynes had entirely freed himself from the basic marginalist ideas about the decreasing ordering of investment projects because of diminishing returns and the inverse relationship between investment and interest rate.[8] It seems to me that Harrod acknowledges

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[7] One reviewer of Harrod's biography acutely remarked that one has "to disentangle three things: (1) Harrod's account of Keynes' economics; Harrod's own recent economics; and Keynes account of Keynes's economics" (Wright 1952: 392).

[8] Pasinetti (1977: 60) argues that the ordering of investment projects cannot be assimilated to the marginal reasoning of neoclassical vintage, being closer to the Ricardian principles of ordering of land on the basis of degree of fertility; on the

"the importance of expectations in this connection" (Harrod 1951: 453), but he misses Keynes's point about the "conventional" nature of the interest rate which qualifies it as a monetary phenomenon, unlike the classical theory which anchors it to the productivity of capital.

Moggridge does not address this issue – simply noting that by 1933 Keynes "had the glimmerings of the marginal efficiency of capital, as distinguished from marginal productivity of capital" (Moggridge 1992: 561); Skidelsky devotes quite a few pages to the topic, concluding that "The fundamental unity between Keynes's liquidity-preference theory of interest and the rest of his ideas in the *General Theory* lies at the instinctive, or visionary level" (Skidelsky 1992: 563). Thus, against conceptual difficulties, interpretation of the theory shifts towards interpretation of the man, which is not an uncommon outcome in biographies.

4. Interpretations and Controversies

The underlying ambition which I found common to Harrod, Moggridge and Skidelsky (and perhaps to any biographer) is to find a key to Keynes's mind and understand how it worked. In doing so, they came to stress different qualities of his intellect and personality both in general and in the *GT* in particular.

Harrod's point is Keynes's *consistency*. "I detect" – he wrote – "a most remarkable consistency in the development of his theories and practical proposals, from his early studies in the Indian currency to the *General Theory*" (Harrod 1951: 467). Consistency here is seen as a feature of Keynes ever ready to change ideas, in the pursuit of truth, to open up new paths, to give himself up to new discoveries.[9] Many words are spent defending Keynes from the charge of being inconsistent throughout his work and in his policy promoting. Moreover, Harrod seems to be interpreting consistency as continuity, thus embracing the thesis which lately has gained a lot of favour in the literature (see Davis 1994), when he states that "the careful student is able to trace a natural evolution of ideas

contrary, Bonifati and Vianello (1998: 103) argue that Keynes remains faithful to the marginalist tradition according to which as the rate of interest decreases more capital – intensive production processes are adopted as an effect of the "scarcity" principle.

[9] "There is little doubt that he would not have rested content in the position that he had achieved in 1935 anymore than Ricardo, whose mind was also continually moving forward, would have rested content with the last edition of the *Principles*" (Harrod 1951: 473).