11 The Keynesian tutor

Kahn and the correspondence with Sraffa, Harrod and Kaldor

Maria Cristina Marcuzzo with Daniele Besomi and Fabio Ranchetti

In this chapter we review the correspondence between Kahn and Sraffa, Harrod and Kaldor and we will explore the personal relationships and the main issues debated among them. The purpose of this chapter is to highlight differences of approach, style and focus of those economists who were close to Keynes, in relation to his ‘favourite pupil’ (see Ch. 1).

Kahn was ‘Keynes’s disciple’ and the ‘main pillar support’ (Harrod 1951: 451) in the making of the General Theory. Sraffa was brought to Cambridge by Keynes and remained throughout personally very close to him, although from the mid-1930s onwards he was less and less involved in discussions around Keynes’s work, and ceased to involve Keynes in the discussion of his own work (see Ch. 4). Harrod was geographically and intellectually more distant from Keynes than the other three authors we are considering here. However, he was one of the recipients of the proofs of the General Theory, succeeded Keynes as editor of the Economic Journal and eventually became his biographer (see Ch. 3). Kaldor was a latecomer to Keynes’s circle; after the publication of the General Theory he became a convert to the Keynesian Revolution, distancing himself from the LSE-based intellectual circle of which he was part in the early 1930s. After Keynes’s death he was given an official position at the University of Cambridge and was made Fellow of King’s College (see Ch. 8).

The number of letters examined here amounts to 46: 20 letters and a set of notes, from 1929 to 1946 between Kahn and Sraffa; 25 letters between Kahn and Harrod from 1931 to 1946 and only two letters, both by Kahn and both written in 1935, in relation to Kaldor (see Tables 11.1 to 11.3).

We will review this correspondence under three headings, two of which are related to economic theory, the third to the personal sides of their relationships.

Arguing about imperfect competition

The missing letter

Kahn was seven years younger than Sraffa and a pupil of his, since he attended Sraffa’s lectures in the academic year 1928–29. He was supervised by Keynes and got a First in the economics Tripos in 1928. Soon afterwards he began to write his Fellowship Dissertation on the Economics of the Short Period, and in the choice of the topic he acknowledged Sraffa’s (and Stone’s) influence, rather than Keynes’s (Kahn 1989: viii, xi) (see Ch. 1: 21–2).

We saw that Kahn’s Dissertation was an investigation into the behaviour of firms in the cotton and coal industries during the 1920s depression. He described the actual cost structure of those firms, and by introducing the assumption of imperfect competition explained the apparent paradox that they worked at full capacity for some days of the week and closed down their plants for the remaining days. However, in the course of his analysis he came across a result which contradicted the conclusions reached by Sraffa in his 1926 article. There Sraffa argued that, when the market is imperfect, under the assumption of uniformity among firms, ‘the imperfection is irrelevant to the equilibrium price’ (Sraffa 1926: 529; Kahn 1989: 94). On the contrary, Kahn claimed that ‘a reduction of the amount of imperfection causes – in the short run at any rate – a fall in price and in profits’ (Kahn 1989: 86).

Kahn had reached his conclusion on the basis of the assumption that the demand curves facing each individual firm indicate what the entrepreneur imagined to be the relation between his price and his output. The assumptions — that are in the mind of the business man when he maximises his profit’ (Kahn 1989: 100) — are that when he alters his price or output, either prices or outputs of the other firms remain constant or they will react by varying both prices and output. In all these cases, Kahn argued, the slope of the demand curve facing each firm in an oligopolistic industry is greater than the aggregate demand curve of an industry in the hands of a single monopolist. It follows therefore that ‘under conditions of polyopoly the equilibrium price is less than under conditions of monoply’ (Kahn 1989: 117), contrary to Sraffa’s assertion.

Moreover, Kahn claimed that Sraffa had acknowledged ‘the force of my [Kahn’s] objection to his argument’ (Kahn 1989: 95), adding that ‘An unpublished letter from Sraffa to Keynes (King’s College, Cambridge) is of interest’ (Kahn 1989: xv). The extant evidence is not, however, to this effect; in fact there is no trace of this discussion in the correspondence and the letter has never been found. However, in Sraffa’s Lecture Notes there is a passage related to this issue:

To say that in imperfect competition price is always less than in monopoly, it means to fall [into] error, which is based on assumption that
problem is independent of the relation between individual and collective elasticity of D[emand]. The point is that I assume a slight, but finite, degree of imperfection (elasticity of demand not infinite).

But in this case, with the rise in prices, the elasticity decreases all the time, without limit.

(PS papers, D 2/4/10 verso)

The issue can be interpreted as follows.

Kahn-based analysis on conjectural demand curves whose slopes embody various assumptions made by each firm about the behaviour of other firms within the industry. A change in price by any one firm does not leave the slope of the demand curves of all the other firms unchanged, because account is taken of the reactions of competitors. In general, when there is only one producer (as in monopoly), his demand curve is steeper than when there are many producers (as in oligopoly), because in that case there is no behaviour of other firms to be taken into account. Since the equilibrium price, for a given supply curve, is determined by the slope of the demand curve, it follows that price is higher in monopoly than in oligopoly.

On the contrary, Sraffa's argument is based on the degree of consumer preferences as shown by the value of the elasticity of demand, which is the expression of consumers' tastes, rather than producers' conjectures. Following an increase in price by one firm, demands for all firms are raised. When prices of substitutes go up, each buyer is willing to pay a higher price for the product of the firm from which he prefers to buy (Sraffa 1926: 547); so buyers will return to their preferred firm when the other firms have also raised their prices. Thus, limit to the price increase is given by the loss of customers to the market, not to the individual firm. Therefore, for Sraffa, unlike Kahn, 'for an industry consisting of firms which are all similar and similarly situated' (Sraffa 1926: 547) there is no reason why the equilibrium price should be different in monopoly than in oligopoly.

According to Dardi (2001: 190), Sraffa's position is 'a non sequitur', because his 'conclusion needs precise assumptions concerning the strategies that each entrepreneur expects from his rivals, and the latter from him'. Dardi argues that the point at stake is the relationship between the elasticity of the market demand and that of the particular demand facing each firm; since that relationship 'depends in fact on the conjectures of each agent regarding the correlation between his own price and those of the others' (ibid.), Kahn's approach and conclusion are the correct ones.

It seems, rather, that it is Dardi's position that is 'a non sequitur', since the relationship between the individual and the market demand curves need not be expression of 'conjectures', but simply of consumers' preferences. Since demand curves are a function of the price of the individual commodity, the price of substitutes and of income, when the prices of substitutes go up demand curves are all raised. In the final position of equilibrium when all firms have raised their price, the level of demand will be exactly the same, regardless of the number of firms in the industry.

Marketing expenses

The other issue between Kahn and Sraffa in the correspondence is related to the role of marketing expenses. In fact, the correspondence, as we have it, begins with a letter by Sraffa on the issue of 'inefficient' firms having a higher demand curve for their product, because of their marketing advantages (letter 455, 13 March 1929). This letter is possibly a follow-up of a point raised by Kahn in one of Sraffa's lectures (which he attended). There is a record of this in Sraffa's Lecture Notes in a passage where Sraffa mentions a question posed by Kahn on whether the demand price curve is always raised by an amount equal to the expenses made in advertisement (PS papers, D 2/4/13 e)).

In his Dissertation, Kahn argued that if the simplifying assumption is made that the only way in which a producer can increase his output is by reducing his price rather than increasing his selling and advertising expenses, [those expenses] 'are to be regarded as completely determined, being unambiguously dependent on the output' (Kahn 1989: 89). This 'simplifying assumption' would make it possible to disregard Sraffa's objection that 'the inclusion of marketing expenses in costs of production renders the expression "cost of production" dependent upon elements quite extraneous to the conditions under which the production of a given undertaking takes place' (ibid.: 90; Sraffa 1926: 544).

In a set of notes found among Kahn's papers, Sraffa objects to Kahn's solution on the ground that:

a reference to the price at which it must be sold is required, since a firm could sell practically any amount, without any marketing costs, at a price sufficiently near to zero; just as it could produce any amount, without any marketing costs, if it hoards the product. Nothing is said about this price in §§ [of Kahn's Dissertation]; and therefore marketing expenses are not unambiguously dependent upon output [as Kahn had stated].

(RFK papers, 3/13/153)

The issue between Sraffa and Kahn on marketing expenses can be summarised as follows. Kahn postulated that once marketing expenses are made a function of output and price, they can be added to the cost function to find the maximum level of profit. Following Kahn's route, we get the familiar solution for the equilibrium price corresponding to the maximum profit, as a function of the elasticity of demand, with the only difference that the elasticity of demand is also a function of the level of marketing expenses (Dardi 2001).
Sraffa’s point was that marketing expenses affect the demand curve and therefore ‘there is no demand curve that can be used with a supply curve that includes them’ (PS papers, D3/7/23). For any level of marketing expenses there is no longer an independently determined curve of demand, and those expenses are to be regarded as the ‘costs of producing the profits’ (Ibid.). So that the price that covers all kind of costs and gives the maximum profit enables us to draw, not a curve, but a point – the maximum to be sought: in solving the problem we start from a single datum – and it is the solution itself.

(RFK papers, 3/15/153)

This point was made by Sraffa on several occasions: in the *Economic Journal* article (1926: 543), in his comments to the point raised by Kahn in Sraffa’s course and in a comment to Shove, following a discussion meeting of the Political Economy Club held in February 1930 between Robertson, Shove and Sraffa on the issue of ‘Increasing Returns and the Representative Firm’, the topic of the *Symposium* published in the *Economic Journal* in March of the same year (see Ch. 14: 352–6).

It seems to me, therefore, that the issue between them is not whether the inclusion of marketing expenses in the profit function to be maximised is possible, but whether the independence of demand and supply curve in the determination of price and output is violated, emptying the meaning of the Marshallian explanation of value on the basis of both blades of the scissors.

Oddly enough, there is no discussion on the issue of imperfect competition in correspondence with Harrod, nor with Kaldor but for a related matter, as we shall see in the next section.

**Welfare implications**

In the first letter Kahn wrote to Kaldor, he expressed concern that the article ‘Some Notes on Ideal Output’ he was about to publish in the March issue of the *Economic Journal* (Kahn 1935) might cover the same ground as something Kaldor was also working on: ‘your review of Mrs. Robinson’s book *The Economics of Imperfect Competition* indicated to me that you were thinking on very analogous lines’ (letter 499, 8 February 1935).4

In fact, in his *Review of J. Robinson’s book* Kaldor showed a full grasp of the theory of imperfect competition, well beyond the simplifications made in Robinson’s book, namely strategic interaction between producers, the ‘imagined’ demand curve and its discontinuity and the problems with the marginal productivity theory in conditions of imperfect competition.

In that article Kahn shows that it is possible to measure the social benefit deriving from a re-allocation of resources reached in laissez-faire conditions through the instruments of taxation and subsidies. He extends the Marshallian–Pigouvian apparatus (external and internal economics, various measures of marginal productivity of factors) to cover the case of imperfect competition with the aim of showing how resource allocation by the market may be inefficient and why there is scope for intervention. On announcing to Keynes that he might send him an article for his consideration, Kahn explained that he wanted to demonstrate what a narrow field of application Pigou’s results had, especially as far as the unemployment problem was concerned. ‘There might possibly also be a short article on the sense in which unemployment invalidates the methods of the *Economics of Welfare*, i.e. in what sense the existence of unemployed labour differs from the existence of unemployed land’ (letter 245 from RFK to JMK, 9 August 1934).

We do not have the answer by Kaldor, but the second letter by Kahn reveals that he was pleased with the exchange. Kaldor had read Kahn’s article and extensively commented upon it. There was some disagreement about the general applicability of the concept of marginal utility and the definition of industry, but Kahn’s response was very obliging:

I must thank you for your extraordinarily interesting letter, it was really very good of you to take so much trouble and I appreciate it all the more inasmuch as all the evidence suggests that you are the only person in the world who has read my article (I do not even except myself).

(letter 500, 25 March 1935)

**Arguing out Keynesian economics**

**Sraffa’s role in the Circus**

Possibly the most important ‘event’ in Cambridge economics was the making of the *General Theory*, whose beginnings are related to the dust raised by the *Treatise on Money*, especially within the Circus. Two very short and scrappy handwritten notes (letters 458 and 459, 1931), the first by Kahn, the second by Sraffa, provide us with evidence of the points in the *Treatise* disputed in the Circus, and in particular by Sraffa.

In early April 1931, in one of his many attempts that year5 Kahn sought to persuade Keynes that variations in the price level of consumption goods (P) and investment goods (P), contrary to Keynes’s observation in the *Treatise* (CWK V: 125), are not independent, and that Keynes’s statement, therefore, had little ground to stand on in the face of criticism raised also by Robertson, Pigou and Sraffa.6

Kahn argued his case imagining – as he wrote in a letter to Keynes on 17 April 1931 – drawing ‘a cordon’ (CWK XIII: 206) to separate the sector producing consumption goods from the rest of the economy and doing...
the same for the sector producing investment goods. The value of monetary expenditure channelled into the consumption goods sector is equal to the value of the monetary expenditure channelled into the rest of the economy by the consumption goods sector. Similarly, the value of monetary expenditure going into the investment goods sector equals the value of the monetary expenditure flowing from the investment goods sector into the rest of the economy. So the two price levels, unless special assumptions are made, are not independent, since expenditure in each sector is influenced by that in the other sector (see Marcuzzo 2002).

Kahn’s argument here was the logical consequence of the reasoning underlying the multiplier principle which appeared in the article which he published in June 1931.

In Kahn’s note (letter 458, 1931), undated but clearly written in these months, one of the special assumptions is spelt out, i.e. that the demand for consumption goods be perfectly inelastic. In this case, even if the demand for investment good is perfectly elastic, the price level of consumption goods is independently determined from the price of investment goods and ‘Maynard [is] quite right’.

In Sraffa’s note, also undated, the same point is being made. He writes:

Formally he [Keynes] is right in saying that $P$ is determined by $I' - S'$ but $I' = S$ depends on $P'$ – only on extreme assumptions is $P$ independent of $P'$. On the opposite extreme assumptions, $P'$ is independent of $P$. In general $P'$ is connected with $P$.

(letter 459, 1931)

It seems that Sraffa is here summarising Kahn’s argument, since his own is more general and is contained in a note of April 15, following an earlier note by Kahn, of April 5. In this note, Sraffa commented extensively on the implicit assumption made in the Treatise according to which ‘the process of making profits and spending them (an infinite number of steps) takes no time to happen’, stressing the point that ‘profits made by the sale of given goods cannot be spent in purchasing the same goods’ (PS papers, D1/8/1–2).

Sraffa’s argument is that the income generated by the production of goods represented by the cost of production cannot determine the price at which those goods will be sold. Expenditure takes place after earnings are paid out, and therefore the decision on how to allocate consumption and saving out of a given income occurs after consumption and investment goods have been produced. Profits or losses made on goods produced and sold can only be influential on the output of the next period. The role of profits therefore is to influence what the level of output will be in the next period, rather than the level of prices in the current period.

‘Coaching’ Harrod on saving and investment

The main subversive idea of the General Theory was reversing the direction of causality between saving and investment. This was a difficult point to accept, not only by those imbued with the classical tradition (like Robertson and Pigou), but also by someone like Harrod who, not having been part of the Circus, had some way to catch up on the latest developments.

The first extant letter in the correspondence with Harrod (letter 1351, 25 June 1931, Harrod 2003: 134–5) is Kahn’s reply to a query about Keynes’s Treatise which Harrod originally addressed to Robertson, who then passed it on to Kahn. Interestingly – as it anticipates the subject discussed in 1934 – Kahn pointed out the difference between the ‘simple-minded’ definition of saving and Keynes’s special definition, which was the result of discussion within the Circus.

In his letter Kahn points out that in the Treatise savings depend on the price of investment goods ($P$) and of investment goods ($P'$), as a consequence of Keynes’s definition of income, which excludes windfall profits and losses. On the contrary, Kahn argues, on the basis of a simple-minded definition of savings as the difference between net receipts and expenditure it is immediately apparent that “‘savings’ are necessarily and always equal to $I$, the value of investment” (letter 1351, 25 June 1931, Harrod 2003: 134–5).

The second interesting point raised in this letter is the condition which has to be introduced in order to determine the pair values of $P$ and $P'$ uniquely among the infinite series of possible ones:

Such a condition – Kahn writes – is afforded by the speculative demand curve for securities. The fundamental importance of this demand curve in the logical scheme of things was gradually brought home to some of us in the wrangles that preceded some public discussions that we held on the Treatise during the Term.

(Ibid.)

In the Treatise, entrepreneurs in the investment sector make up for losses (resulting from the value of the new investment goods being less than current savings) either by selling securities or reducing their bank deposits. Keynes wrote: ‘The bank deposits thus released and the securities thus sold are available from, and are exactly equal to, the excess of current savings over the value of new investment’ (CWK V: 131). Savings are again brought into line with the value of new investment goods, with no necessary change in the price of investment goods, assuming accommodating behaviour on the part of the banking system.

Harrod apparently did not see the point: in a letter written almost a year later, Kahn had once again to complain that ‘You still refrain from distinguishing between the effects of a reduction of expenditure on goods

Meanwhile another exchange took place when Harrod started working on his *International Economics* (Harrod 1933c; letter 1352, 24 March and letter 1353, 18 April 1932). This exchange was prompted by discussion of a paper (not extant) on the 'Theory of Balance of Foreign Payments' read by Harrod before the Marshall Society in Cambridge. Harrod (his letters have not been preserved), apparently inspired by Kahn's multiplier article (Kahn 1931: 190 fn.), seems to have put forward a preliminary version of his foreign trade multiplier – a mechanism, that is, of equalisation of the balance of current accounts based on the induced effect on home income of a change in the volume of exports, which in turn causes a variation in expenditure and imports. Kahn commented that Harrod's 'geometrical progression' was based on rather unrealistic assumptions and failed to account for the leakage of savings. In spite of its incompleteness (only Kahn's letters are extant), this exchange is interesting as it indicates that Harrod was an early experimenter with the new multiplier approach. One would therefore expect that he would be quick to grasp the implications of the investment multiplier. The following exchange with Kahn, however, proves that the 'conversion' was a difficult one.

When, two years later, Harrod entered the debate with Hayek and the Hayekians with letters to *The Economist* and an article in *Economica* (Harrod 1934a, 1934b, 1934c), Kahn perceived that Harrod was unaware of the latest developments in Keynes's thought. The ensuing correspondence, focusing in particular on the multiplier and the saving-investment relationship (letters 1357–1370, 15 October 1934 to 11 January 1935), is of some interest as it shows Harrod's resistance to accepting the main ideas (Besomi 2000b). Harrod admitted he was still thinking in terms of the *Treatise* argument, and that he was 'impatient for the new book' (letter 1360, 25 October 1934, Harrod 2003: 299–301; similarly in letter 1357, 15 October 1934, Harrod 2003: 302). As soon as Kahn had grasped the real state of Harrod's knowledge of the evolution of Keynes's thought, he set about tutoring him, beginning from the truism that saving = investment and abandoning arguments in terms of prices:

> In short, I do not think in terms of money and prices. In the view of Keynes and his followers the Theory of Money has ceased to exist. Of course, that is an exaggeration (it is the quantity of money which determines the rate of interest), but the exaggeration is a pardonable one.

(letter 1359, 22 October 1934, Harrod 2003: 309)

Harrod failed to appreciate the implications of these points, as he was still thinking in terms of Keynes's definition of saving as in the *Treatise*, where the trade cycle theory was based on the divergence of saving and investment (letter 1360, 25 October 1934, Harrod 2003: 310).

Kahn retorted that:

> There is no sense, as I see it, in which 'investment > savings', even in a boom. In fact, in my philosophy there is no such thing as a boom – not what you mean by a boom. The great point to get clear is that investment is always equal to savings; and that is the whole of the matter.

(letter 1361, 28 October 1934, Harrod 2003: 318)

This was too much for Harrod:

> when you say that 'there is no such thing as a boom' my heart shrinks. When you say that Investment is always equal to Saving and that is the whole of the matter, I think it may be the whole of the matter so far as the Hayekian arguments are concerned; but this tautology does not contain the secret of the trade cycle!

(letter 1362, 29 October 1934, Harrod 2003: 320)

After a further explanation of the reasons why the new definition, making saving = investment, was adopted (letter 1363, 1 November 1934), Harrod found the argument 'paradoxical', and commented: 'this is simply frightening' (letter 1364, 2 November 1934 and letter 1367, 17 November 1934) (see Besomi 2000b).

The stability of equilibrium

Harrod and Kahn also discussed the effect of technological progress on the operation of the acceleration principle (letters 1371–1373, 6 March to 6 April 1935). Unfortunately only three short letters from Kahn are extant; these, however, coupled with Keynes's contemporaneous letters to Harrod on the same topic (see Ch. 3: 99–100), show Harrod for the first time experimenting with the acceleration principle and seeking the conditions for the 'neutrality' of technological progress in terms of its effect on roundaboutness. Harrod's attempt to disentangle the effects on total investment of a change in technical methods and of a change in demand was marred, according to Kahn, by the failure to recognise:

> the fact that investment can take place even in the absence of inventions. How does your equation apply in such a case? Investment is designed not merely to add new equipment when there was no equipment before, but also to replace old equipment by better equipment.


From Kahn's next letter in the exchange it is difficult to work out how Harrod reacted to this criticism. However, discussion now turned to the conditions of the stability of the full employment equilibrium. Harrod
seems to have been interested in determining how the rate of interest should move to compensate for an increase in the rate of savings as income increases, and to have understood Keynes as maintaining that 'in the absence of inventions the rate of interest must fall continuously in order to maintain full employment'. Kahn, however, rejected this interpretation, and explained that the role of the assumptions regarding the relationship between rate of savings and income had to do with the stability of equilibrium:

JKK's assumption that saving increases with income is the assumption which has to be made in order to ensure stability of equilibrium. If saving is independent of income equilibrium is neutral (as you pointed out at the Marshall Society) and if saving diminishes as income increases, equilibrium is unstable.

(letter 1373, 6 April 1935, Harrod 2003: 391–2)

Harrod seems to have pursued his research on this topic without further help from Kahn or Keynes.10

Relationships

Kahn and Sraffa

Both Kahn and Sraffa played the Stock Market and we have a short handwritten note by Sraffa (letter 469, October 1937) on the behaviour behind sales and purchases of future contracts, which is related to another note by Sraffa with a marginal annotation by Kahn to Keynes dated 29 October 1937 (CWK XII: 23–4).

Kahn had little to do with the preparation of the Ricardo edition, except for help in collating the various editions of the Principles (letter 1926 from PS to JMK, 22 March 1930). In the same letter he told Kahn he has just had a letter from Keynes (about Sraffa’s reply to Holland)11 who ‘has taken away even the mild sting you had left and makes a very good suggestion’.11 In another (letter 461, 18 May 1932) Sraffa asked for Kahn’s help in checking over the manuscript of a letter of Isaac Lyon Goldsmith to Ricardo, published in the Transactions of the Jewish Historical Society.

We have a very interesting letter (462, 17 February 1933) sent to Sraffa when Kahn was in the United States, where he described his encounters with American economists and criticised various aspects of American culture (see Chs 1: 24 and 10: 263–6). For example, of Viner, Kahn remarked to Sraffa that he ‘has a good head, but he is quite hopelessly conceited’. Of Knight, that he would amuse Sraffa because ‘he believes in nothing, but he is not an agnostic in the sense that he enjoys having nothing to believe. It is quite pitiful to watch him striving to find a resting-place’. Kahn then added: ‘the man I liked was Paul Douglas, but I scarcely saw him’. He remarked that the American economists ‘are all jealous of one another in a petty kind of way. Knight’s colleagues are said never to have read his book, and the Douglas-Cobb article is despised and mistrusted’. In Chicago he said he ‘searched for gangsters but failed to find any. And I saw nobody killed, and kept my money in my socks, but was not ever held up. Altogether a disappointing place’. The whole letter is rich in telling and significant observations. On Hayek, he said: ‘One blessing is that I do not have to argue much about Hayek. They have looked into the thing […] but they seem to have lost heart. […] His replies to you and Maynard do not cut any ice’.

Finally, eight letters are on matters related to the flat Sraffa was renting from King’s College, of which Kahn was the Bursar. Seven (the first being letter 453, 5 March 1937, the last one being letter 479, 20 September 1946) are from Kahn, and one from Sraffa (letter 464, 28 May 1937). The subject is obviously boring, and the two friends try their best to make it less so: ‘The College fully recognise that the attitude that you are adopting is in no way dictated by self interest but purely and simply provoked by a desire to cause the Bursar as much annoyance as possible’ (letter 467, 1 June 1937).

Kahn and Kaldor

Kaldor was a late-comer in the circle of Keynes’s supporters, while at the LSE pursuing a more traditional line of research, and becoming converted to the Keynesian revolution after the book was published (see Ch. 8: 216). Moreover, he really got to know Cambridge people only when the LSE was evacuated from London at the end of 1999 (Dahrendorf 1995: 343). Kaldor and Kahn shared the economics teaching, and their professional and personal relationship became close. Later Kahn was instrumental in Kaldor’s appointment to a fellowship at King’s in 1949, after the deaths of Keynes and Shove (Thirlwall 1987).

Of their pre-war acquaintance we know of two episodes in which they were both implicated: one was Kahn’s reaction to Keynes’s choice of Kaldor as the author of a Reply to Pigou’s article (Kaldor 1937; see Chs 2: 70, 6: 177, 8: 219–20 and 15: 378–82); ‘I have not seen Kaldor’s article but I am sure that the publication of it will darken council. After all, we could all of us write replies to Pigou if you wanted them and I do not see why Kaldor should be thus favoured’ (letter 393 from RFK to JMK, 22 October 1937). The other episode is of 1938, when Kahn commented on a paper by Kaldor for Keynes.

Their relationship evolved during the years and at times it became very strained. They closely collaborated in the running of the Faculty and College business, but the mid-1950s saw a crisis in their relationship. They disagreed on appointments to a Fellowship at King’s and a lectureship at the University and above all they disagreed about J. Robinson. While Kahn was a staunch defender of J. Robinson and her work, Kaldor felt bullied and annoyed by their alliance. These developments could have hardly been anticipated in the period which concerns us here.
Kahn and Harrod

Harrod, not having taken direct part in the discussion leading to the General Theory until he was sent the proofs in June 1935, was largely an outsider. Open-minded and eager to learn the most recent developments, but detached enough to maintain a critical eye, Harrod seems to have been chosen as a reference point for experimenting the impact of the progress in Keynes’s doctrine upon a sympathetic but not well-informed reader (see Ch. 3: 92–4).

Harrod’s surviving exchanges with Kahn are mostly occasional in origin; their relationship was certainly cordial but not intimate – sometimes ‘bordering on the formalistic’ (letter 1373, 6 April 1935). The correspondence indicates that Harrod understood the role of Kahn as the best informed among Keynes’s disciples, while Kahn’s attitude towards Harrod is not so clear (and sometimes even puzzling). In particular, during the ‘coaching’ period in late 1934, when it must have been fairly obvious to Kahn that Harrod had failed to understand the basic principles of the new doctrine and was not actually changing his mind, Kahn wrote that ‘we [Maynard’s supporters] do very much look to you as a leader in what must after all be described as a fight’ (letter 1366, 13 November 1934). Whether Kahn was just joking, or whether this statement indicates that a strategy for the diffusion and the defence of Keynes’s ideas was explicitly drawn up, the correspondence does not tell.

Conclusions

During their lifetime, both Keynes and J. Robinson constantly turned to Kahn for help and reassurance on the logic and soundness of their argument while drafting their books, adding a further obstacle to the difficulty Kahn faced in writing his own work. His natural fastidiousness and obsession with precision were accompanied by apprehensions about the risk of invading somebody else’s territory. On these aspects of Kahn’s personality we have the testimony of Keynes and J. Robinson. At one point Keynes urged Kahn to publish part of his Fellowship Dissertation with these prophetic words:

you must not get with the habit of never doing your own work but always someone else’s for them. In the first place you will get subconsciously (or consciously) badly irked by it yourself, and in the second place you will end up by getting the credit for everything of any merit published by anyone during your lifetime

(letter 228 from JMK to RFK, 13 August 1934)

And J. Robinson, in her Introduction to the Italian edition of the only collection of essays published by Kahn (1972), wrote: ‘He [Kahn] had a great repugnance to the thought that there might be an error attached to his name’ (JVR papers, 1/6/7).

Notes

1 In an interview which Kahn gave to one of the present authors at the end of his life he still considered himself as such, and chose the title of ‘Keynes’s disciple’ for its publication (Kahn 1988).

2 We have the notes taken by Kahn and his essays written for the course (RFK papers, 5/5/395–84) and the answers given by Sraffa to a question raised by Kahn in one of the lectures (PS papers, D 2/4/15 (2)).


4 An offprint of Kahn’s review of The Economics of Imperfect Competition (Kaldor 1934b) inscribed ‘with the compliments of NK’ is among RFK papers. There are two footnotes to Kahn’s article referring to Kaldor’s review (Kahn 1935: 25n).

5 See letters 265, 380 and 271 from RFK to JMK on 5 and 17 April and 7 May 1931; see Chapter 1.

6 Eventually Keynes had to acknowledge the point and revised his formulation (CWK XIII: 253–6).

7 According to Treatise terminology, $I$ is the cost of production of investment goods. $S$ is saving, being defined as the difference between earnings and expenditure on consumer goods.

8 Sraffa adds: ‘As this point is overlooked in several arguments of the Treatise, it will probably have to be raised often in our discussions.’

9 The speculative demand for securities is indeed the topic of a long letter by Sraffa to Keynes of 9 May 1931 (CWK XIII: 297–9), answered by Keynes on 15 May 1931 (ibid., 290–1) and was mentioned in one of the exchanges between Sraffa and Kahn in 1931 (letters 458 and 459) (see Ch. 4).

10 This led him to work out, in his Trade Cycle, the condition for the neutrality of inventions which led him first to an argument with Joan Robinson in 1937, and later to a number of comparisons with the alternative definition proposed by Hicks (on these developments see Besomi 1999b; Ch. 12: 918–19).

11 While Sraffa was preparing the Ricardo edition, Jacob Hollander behaved very badly, refusing to hand over or even reveal the contents of letters by Ricardo in his possession. There followed a long exchange, involving others besides Hollander and Sraffa (see Gehre and Kurz 2002).

12 In a letter Sraffa explained to Keynes, who was at the time still ill and recovering from his heart attack, that his reply to Hollander ‘has been, in your absence, entirely rewritten by the Second Bursar [Kahn]. It is a little too polite for my taste; my own version was full of abuse’ (letter 1942 from PS to JMK, 20 October 1937).

13 Kahn reported that Sraffa also had reservations: ‘Piero confirms that Kaldor is thoroughly muddled and merely fogs the issue’ (letter 394 from RFK to JMK, 20 October 1937).
### Table 11.1 Kahn–Sraffa correspondence

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Year</th>
<th>Month</th>
<th>Day</th>
<th>Date</th>
<th>Archive</th>
<th>Published in</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>PS</td>
<td>RFK</td>
<td>1929</td>
<td>March</td>
<td>13</td>
<td>Dated</td>
<td>Attributed</td>
<td>Kahn–King's</td>
<td>454</td>
</tr>
<tr>
<td>PS</td>
<td>RFK</td>
<td>1929</td>
<td>March</td>
<td>25</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>455</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1930</td>
<td>February</td>
<td>12</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>456</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1930</td>
<td>December</td>
<td>19</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>457</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1931</td>
<td>Attributed</td>
<td></td>
<td></td>
<td>Sraffa–Trinity</td>
<td>Kahn–King's</td>
<td>458</td>
</tr>
<tr>
<td>PS</td>
<td>RFK</td>
<td>1931</td>
<td>Attributed</td>
<td></td>
<td></td>
<td>Sraffa–Trinity</td>
<td>Kahn–King's</td>
<td>459</td>
</tr>
<tr>
<td>PS</td>
<td>RFK</td>
<td>1932</td>
<td>May</td>
<td>18</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>460</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1933</td>
<td>February</td>
<td>17</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>461</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1937</td>
<td>March</td>
<td>5</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>462</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1937</td>
<td>May</td>
<td>28</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>463</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1937</td>
<td>June</td>
<td>1</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>464</td>
</tr>
<tr>
<td>PS</td>
<td>RFK</td>
<td>1937</td>
<td>June</td>
<td>18</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>465</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1937</td>
<td>December</td>
<td>21</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>466</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1938</td>
<td>September</td>
<td>1</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>467</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1946</td>
<td>August</td>
<td>28</td>
<td>Dated</td>
<td>letter</td>
<td>Marshall Library</td>
<td>468</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1946</td>
<td>August</td>
<td>31</td>
<td>Dated</td>
<td>letter</td>
<td>Archives</td>
<td>469</td>
</tr>
<tr>
<td>RFK</td>
<td>PS</td>
<td>1946</td>
<td>September</td>
<td>20</td>
<td>Dated</td>
<td>letter</td>
<td>Sraffa–Trinity</td>
<td>470</td>
</tr>
</tbody>
</table>

### Table 11.2 Kahn–Harrod correspondence

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Year</th>
<th>Month</th>
<th>Day</th>
<th>Date</th>
<th>Archive</th>
<th>Published in</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1931</td>
<td>June</td>
<td>25</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Besomi 1999a: 46, (E)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1932</td>
<td>March</td>
<td>24</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Besomi 1999a: 46, (E)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1932</td>
<td>April</td>
<td>18</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Besomi 2000b: 357, (E)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1933</td>
<td>November</td>
<td>12</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Harrod 2003: 230–1, (S)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1935</td>
<td>November</td>
<td>15</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Harrod 2003: 235 (S)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1933</td>
<td>November</td>
<td>18</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Harrod 2003: 235–6</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>October</td>
<td>15</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Harrod 2003: 299–302</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>October</td>
<td>15</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Harrod 2003: 302</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1934</td>
<td>October</td>
<td>22</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Besomi 1999: 46, (E)</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>October</td>
<td>25</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Besomi 1999: 46, (E)</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>October</td>
<td>28</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Besomi 1999: 46, (E)</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>October</td>
<td>22</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Besomi 1999: 47, 223–4, (E)</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>November</td>
<td>1</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Besomi 1999: 47–8, (E)</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>November</td>
<td>2</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Harrod 2003: 325–7</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>November</td>
<td>10</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Harrod 2003: 340–1</td>
</tr>
<tr>
<td>RFH</td>
<td>RFK</td>
<td>1934</td>
<td>November</td>
<td>17</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Besomi 1999: 5–6, 4, (E)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1935</td>
<td>January</td>
<td>8</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Besomi 1999: 224, (E)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1935</td>
<td>March</td>
<td>6</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Harrod 2003: 357</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1935</td>
<td>April</td>
<td>6</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Chiba</td>
<td>Harrod 2003: 391–2</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1938</td>
<td>March</td>
<td>22</td>
<td>Dated</td>
<td>letter</td>
<td>Harrod–Tokyo</td>
<td>Harrod 2003: 764 (S)</td>
</tr>
<tr>
<td>RFK</td>
<td>RFH</td>
<td>1946</td>
<td>June</td>
<td>13</td>
<td>Dated</td>
<td>letter</td>
<td>Kahn–King's</td>
<td>Harrod 2003: 764 (S)</td>
</tr>
</tbody>
</table>
**Table 11.3 Kahn–Kaldor correspondence**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Year</th>
<th>Month</th>
<th>Day</th>
<th>Date</th>
<th>Archive</th>
<th>Published in</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFK</td>
<td>NK</td>
<td>1935</td>
<td>February</td>
<td>8</td>
<td>Dated letter</td>
<td>Kaldor–King's</td>
<td>NK/3/5/88–9</td>
<td>499</td>
</tr>
<tr>
<td>RFK</td>
<td>NK</td>
<td>1935</td>
<td>March</td>
<td>25</td>
<td>Dated letter</td>
<td>Kaldor–King's</td>
<td>NK/3/5/90–2</td>
<td>500</td>
</tr>
</tbody>
</table>