Keynes and Cambridge

... a tall man with an odd face and a restless eye, walking fast with a slight stoop up the aisle in Hall and holding on to the selvedge of his gown with both hands in front of him; pacing the Back Lawn with a companion in the summer, or hurrying across the Court with his black brief-case on the way to London.

H. G. Durnford, John Maynard Keynes, Cambridge: King's College, 1949: 16

... a kind and even simple heart under that immensely impressive armour of intellect.


He was the greatest genius I ever met. His personal magnetism for young men, including myself, was unequalled. His charm, artistry and personality are such as I have never met in anyone else. He combined the scientist, artist and human moralist and man of affairs in a unique manner.

Meade 1990: 251

PREFACE

Keynes's involvement with Cambridge was so deep and had so many dimensions that to write about it is a daunting task. This chapter approaches it from three directions. The first—and probably the simplest—is to provide a concise account of what Keynes did in Cambridge, summarizing those parts of his biography relevant to this topic (pp. 119–24). The second line leads to the issue of how Keynes was perceived by those close to him in Cambridge (pp. 124–29). The number involved is too large to be dealt with in one paper, and I shall confine my considerations to those colleagues and pupils he was most in contact with. The sources on which this section is based are mainly correspondence and later recollections mainly by economists who were in Cambridge during Keynes's lifetime. Finally, I address a more general, but also more difficult, question, namely what Keynes meant to Cambridge economics, which he endowed with impetus, and of which he is still considered the leading player (pp. 129–32). It also addresses the issue of the so-called Keynesian tradition in economics, as synonymous with public expenditure and the welfare state.

KEYNES AT CAMBRIDGE

The early years of Keynes's adult life were not spent in Cambridge—from 1897 to 1902 he was at Eton—so we can take 1902, when he entered King's College as an undergraduate, as the beginning of our story. Thanks to his biographers (Harrod 1951; Skidelsky 1983; Moggridge 1992) we know quite a lot about this period of apprenticeship, which ended with his designation as twelfth wrangler in the Mathematical Tripos of 1905. Academically and socially he was extremely successful, active in many clubs, discussion groups and student societies. A keen player of golf and bridge with a passion for buying books, he made himself equally popular with his contemporaries and his elders.

He made friends with Lytton Strachey, who, together with Leonard Woolf and other Apostles, formed the Cambridge nucleus of the Bloomsbury Group, which kept close ties with Cambridge long after Keynes's death. As a freshman he fell in love with a young Trinity man and nephew to Beatrice Webb, Arthur Hobhouse, the first of his male affairs. For the following seventeen years Keynes embraced and acted out the Apostles credo that 'love of young men was a higher form of love' (Skidelsky 1983: 128).

The focus of his undergraduate years were the many societies and clubs to which he belonged, and life at King's, rather than wholehearted dedication to his chosen academic subject, mathematics, so, not unsurprisingly, when he had a fourth year to spend at King's he
gave up mathematics and turned to economics. Barely a month after the Tripos, he started work on Marshall’s *Principles*.

In the autumn of 1905, he started attending Marshall’s lectures and, having decided to prepare for the Civil Service examination rather than pursue an academic career, continued attending them in the Lent term. Marshall’s teaching left an indelible mark on him, opening up to him the career of the academic economist once he put his mind to becoming one.

At the India Office, where he started work in the autumn of 1906, he had plenty of spare time: he found he could get through a lot of office work in a few hours, which left him the remaining hours to write a dissertation for election at King’s. His work on probability won him a Fellowship not on the first essay, but on the second, in December 1907. Two major events were to befall him in the following year: his love affair with Duncan Grant, who gave him access to the world of art, and his acceptance of a lectureship in economics at Cambridge, offered to him by the newly appointed Professor of Political Economy — A. C. Pigou — but preordained by his predecessor, Marshall, who initially volunteered to pay for it out of his own pocket. During these pre-First World War years he plunged into activities that would shape his commitment to Cambridge: the Political Economy Club, the Faculty Board, the Council of the Senate, the *Economic Journal* and the various College Committees. However, the First World War, his preoccupations in the Treasury and his involvement in the Bloomsbury circle shifted the pendulum of his life: ‘Cambridge remained the focus for his intellectual — and much of his social life, but it was no longer such a focus of his other activities as it had been before 1914’ [Moggridge 1992: 352].

From his return to Cambridge after the First World War until his death in 1946, there was just one long spell when Keynes was a full-time Cambridge man: between 1919 and 1937 [when he was affected by the heart disease that was to seal his doom]. Throughout this period, his life followed a regular pattern: ‘he was in Cambridge in term time from Thursday evening till Tuesday afternoon. Midweek would be spent in London. Vacations were divided between London, foreign travel and Sussex’ [Skidelsky 1992: 4]. However, after his marriage to Lydia Lopokova in 1925, his social life no longer revolved exclusively around the Bloomsbury circle, and in Cambridge he would still spend most of the time as a single don.

Keynes and Cambridge

In term time, every day of the week followed a set pattern for him. On Saturday mornings (and sometimes on Mondays too) there was the College Council, or the Governing Body, which often met for four or five hours. On Saturday afternoons, in the company of Piero Sraffa, an Italian who had come to Cambridge, he hunted down old books in second-hand bookshops and on the stalls in Market Place [Kahn 1984: 171]. On Sunday mornings he would go over the *Economic Journal* business matters with Austin Robinson, who gives us a vivid picture of his collaboration, from 1934, as review editor ‘seated among the Sunday papers and the proofs of the Journal at the foot of Keynes’s bed in his room at King’s’ [Robinson 1990: 166]. And then there was lunch or tea at his parents’ house in Harvey Road. And of course there was lecturing, supervising, attending University business, the work for the Royal Economic Society, managing College economic and academic affairs and, every other Monday in term time, attending the Political Economy Club.

This seminar (‘Keynes’s Club’) was the focal point of economic debates in Cambridge. According to Lorie Tarshis, who was a student there in 1935: ‘Kahn [was] invariably present with a sprinkling of other faculty members . . . Sometimes academics from outside Cambridge attended too . . . there was a contingent of students, a very few research students amongst them and perhaps ten or twelve undergraduates.’ A paper was read by Keynes or a distinguished visitor, and students whose slips had been drawn were expected to stand up and comment on it; see also Plumptre 1947: 393; Moggridge 1992: 189; Skidelsky 1992: 5.

After the students had made their remarks, we all were served tea and fruit cake. Then Keynes asked each of the Faculty members and distinguished visitors present whether he wished to speak. And after that Keynes stood up . . . Sometimes – I guess usually – the paper and the discussion that followed it were merely the springboard from which, after gentle criticism and encouragement for the students who had participated, he jumped into any or many related topics – with a wit, a grace and an imagination that were a joy to experience.

(Patinkin and Leith 1977: 50–1)

We also have a vivid account by Keynes’s ‘favourite pupil’ [JMK to Lydia Lopokova, 29 April 1928, JMK papers: PP/45/190:4] of how
he conducted supervision, usually with four students 'round the open fire', talking to them and encouraging them to talk (Kahn 1984: 171; see also Plumtre 1947). His lectures were extremely popular, attended by people who went there for the pleasure of listening to Keynes delivering his latest discoveries and ideas.

Keynes occupied an unusual position within the Faculty of Economics at Cambridge, instituted thanks to the efforts of Marshall, who had won the battle to have a separate Tripos in Economics in 1903. Though one of Cambridge's dominant figures, Keynes was not the Professor. Indeed, after he resigned from his University lectureship in 1920, he held no University teaching position beyond his Fellowship at King's. His lectures reflected his intellectual pursuits, and after 1929 he usually delivered them from notes on the proof pages of the book he was writing. Some of the lecture notes survive, and some, such as those relating to the making of the General Theory, have been collated from students' notes and published (Rymes 1989), allowing us to trace the turns of his mind and the unfolding of his ideas, as it were, in their making.

Keynes was extremely influential in many decisions relating to academic appointments, regulations and projects. To all these activities he brought a personal concern for the people he befriended and, naturally, most of them relied on him for advice and support. He stepped in to prevent Joan Robinson's proposal to give a course on money for two terms from being turned down (MK to C. R. Fay, 5 March 1935, JMK papers: UA/14.2). He invented two occupations for Sraffa when in 1931 he resigned from his lectureship and threatened to leave Cambridge, namely the editorship of Ricardo's Works and Correspondence and the post of Assistant Director of Research (Marcuzzo 2003). At the end of 1938, he was persuaded to set up a the Cambridge Research Scheme of the National Institute of Economic and Social Research into Prime Costs, Proceeds and Output – which was later to become the core of the Department of Applied Economics – to provide the Polish economist Michal Kalecki with a job in Cambridge.

He was mindful of the high standards in economic teaching and research set by Marshall, and watchful that the Cambridge tradition be kept up. Once he complained to Pigou:

I am just at the end of the Tripos examining. The general standard is lower than anything I have previously struck for Part II... The appalling ignorance of even the more intelligent candidates must be partly, I think, due to the breakdown of the curriculum last year through illness and leave of absence. And Hicks's teaching of the Principles has, I think, definitely confused the men and put them further back than as if they had had no such instruction.

[JMK to A. C. Pigou, 15 June 1939, JMK papers: El/1/6/5-7]

On another occasion he complained to Kahn about the standards of Kalecki's first results of his research into prime costs, proceeds and output: 'I see evidence of great industry, but what may turn out to be a total lack of flair for this kind of inquiry' [MK to R. F. Kahn, July 1939, RFK papers: 5/1/142-44].

His concern for the welfare of his college led him to stretch the Bursar's activities beyond what was usually done by the holder of this position, extending the scope of outlets for college money. As a consequence of his endeavours, investment activities for the college ranged from farming and property transactions to securities, currencies and commodities. [Keynes's personal investments covered the same range of assets, but on a smaller scale and in a different composition.] He was no risk-averse investor, although he thought that 'it is safer to be a speculator than an investor in the sense that... a speculator is one who runs risks of which he is aware and an investor is one who runs risks of which he is unaware' [MK XII: 109]. His policy – as he once explained to Kahn – 'assumes the ability to pick specialities which have, on the average, prospects of raising enormously more than an index of market leaders... which means buying them on their intrinsic value when, for one reason or another, they are unfashionable or appear very vulnerable on a short view' [MK XII: 100-1]. Throughout the 1937-8 Stock Exchange crisis, Keynes believed – perhaps too optimistically – that his philosophy helped in keeping the value of both college investment and his own relatively stable.

Keynes was Secretary of the Royal Economic Society from 1913 to 1945, and, according to Austin Robinson, '[he] ran it, and reported what he had done and what he proposed to do. The meetings served to validate his actions' [Robinson 1990: 166]. Last, but not least, he left his mark on the Cambridge city landscape with the Arts
Theatre, which he built in 1935, personally overseeing all the minute details of its making and operation.

During the last ten years of his life he spent rather less time in Cambridge: he had been seriously ill since 1937, working for the Treasury since 1940, and, throughout the period, living mostly in London or in his Tilton farmhouse, except for spells in the United States. His previous schedule had to be altered, and for months during his illness all matters - especially college finances and University business - had to be handed over to Kahn. However, he was eager to be in touch with his college, although ready to slacken his ties with University life. In 1942, Joan Robinson had informed Keynes that there was a proposal for him to succeed Pigou to Marshall's Chair of Political Economy at Cambridge; Keynes refused to take such a possibility into consideration, judging that he would not be able to stay in Cambridge permanently after the war [Joan Robinson to J. M. Keynes, 9 December 1942, JMK papers: UA/5/6:19-20]. And in March 1944 he wrote to Kahn, 'I . . . have no intention of staying in government service any longer than I can. There is much of College business which I actually enjoy and would miss, if I were without it' [JMK to RFK, 9 March 1944, Kahn papers: 13/57:485].

Unfortunately, he had only two years to live, most of them spent in a desperate effort to preserve Britain's interests and to design a new international economic order. He was never to return to his Cambridge life.

KEYNES AND THE CAMBRIDGE ECONOMISTS

There is a controversy amongst economists as to whether there is continuity in Keynes's thought between his two major works, the Treatise on Probability [JMK VIII] of 1921 and the General Theory of Employment, Interest and Money [JMK VII] of 1936. These were fifteen years apart, and during this period Keynes produced at least one other landmark contribution, the Treatise on Money [JMK V-VI] of 1930, besides the Tract on Monetary Reform [JMK IV] of 1923 and the two collections Essays in Persuasion [JMK IX] of 1931 and Essays in Biography [JMK X] of 1933, which epitomize his many and varied qualities - cleverness, scholarship and literary flair. Philosophically and methodologically he remained faithful to the approach to human behaviour resting on the two pillars of expectations and conventions, his conception of probability offering the clue to 'actions to be judged on the basis of their likely consequences' [Clarke 1998: 18]. This approach also provided the key to understanding how opinions are formed and how they can be transformed through the joint effects of persuasion and artfully designed institutions. As he put it in a letter to T. S. Eliot: 'the main task is producing first the intellectual conviction and then intellectually to devise the means' [JMK XXVII: 384].

Keynes gave form and finish to his ideas by submitting them to others. It was characteristic of him to make abrupt switches in strategy as he approached problems, while following a main line many consider constant, his interlocutors providing the sounding-board and fleshing out his ideas emotionally. This is why 'criticism and conversation' were so important to him. In a passage in the Preface to the General Theory he wrote: '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' [JMK VII: xxiii, italics added].

Who were Keynes's interlocutors among the Cambridge economists? The earliest were undoubtedly his father, John Neville Keynes, and his teacher, Alfred Marshall. Then there were his pupils, G. F. Shove, D. H. Robertson and, above all, R. F. Kahn [with Joan Robinson self-appointed in the role], the extant correspondence with them amounting to about 2,140 letters. Then there were A. C. Pigou and Piero Sraffa - closer contemporaries of his - and correspondence with them accounts for another extant 370 letters. The correspondence between this group of Cambridge economists, totalling about 2,885 letters during Keynes's lifetime, has been the object of a study in its own right [Marcuzzo and Rosselli 2005]. Here I can give only the gist of it by pointing out the influence that Keynes exercised over his interlocutors, in turn to be influenced by them, in promoting research, shaping academic institutions and fostering new ideas about economics.

In a letter to Roy Harrod, 30 August 1936, six months after the General Theory was published, Keynes wrote: 'I have no companions, it seems, in my own generation, either of the earliest teachers
or of the earliest pupils; yet I cannot in thought help being somewhat bound to them, — which they find exceedingly irritating' (JMK XIV: 85). Sraffa, neither a teacher nor a pupil, nor indeed strictly a contemporary, but with whose name the Cambridge approach to economics is also associated, was not to be the fellow economist with whom Keynes could share the honour of having changed the course of economics for much of the remaining century. Sraffa's agenda was the demolition of the Marshallian supply and demand apparatus [and marginal analysis], and a return to classical political economy, which included Marx. Keynes did not live long enough to see the project disclosed to the world, but he would have never endorsed it. No matter how highly he regarded Sraffa or how strongly he felt the need to have him in Cambridge, he was reluctant to abandon his Marshallian tools, and he was allergic to Marx. On the other hand, no matter how much Sraffa felt for Keynes [both personally and intellectually], he considered him a 'bourgeois intellectual' whose 'mentality' prevented him from appreciating Marx and understanding the working-class issues [P. Sraffa to R. Palme Dutt, 19 April 1932, in Marcuzzo 2005]. Thus Sraffa remained 'secretly sceptical of the new ideas' (Robinson 1978: xii), as Joan Robinson had observed then and afterwards, isolating himself from the Keynesian revolution and, in turn, depriving it of his own contributions. Since the late 1960s, many attempts have been made to argue for or against the compatibility of the approaches adopted by Keynes and Sraffa, but whether distinct or complementary, the two names represent the hallmark of Cambridge economics in the post-Marshallian era.

The making of the General Theory and its aftermath marked the watershed in Cambridge economics, drawing a dividing line between those who understood and accepted it and those who defended the tradition. Initially, Keynes was exposed to the critical contribution coming from his 'inner circle', in particular Sraffa and Kahn, who were instrumental in persuading him that the Treatise approach had severe limitations, forcing him onto a new track. Interestingly enough, criticism from 'outside' — such as observations by Hayek or Robertson — did not get the same hearing, outsiders not being attuned to Keynes's attack on 'previously held views'. Even as close a follower and admirer as Harrod had trouble in understanding the 'new' relationship between saving and investment as late as 1934 (Besomi 2000), and in 1935 he was still defending the 'classical' interest rate theory. Keynes himself fudged the issue, having convinced himself that there was a fundamental continuity between the Treatise and the General Theory. Throughout the process that led him from the former to the latter book, he repeatedly claimed that the Treatise analysis was in fact compatible with that of the General Theory and that he had made the new argument only 'much more accurate and instructive' (JMK VII: 77).

When the book appeared, a line was drawn in Cambridge [and elsewhere, for that matter] between those who felt themselves in total agreement with Keynes and those who felt either misrepresented or alienated. Kahn, and Joan and Austin Robinson belonged to the former category, Pigou and Robertson to the latter. Sraffa remained silent. What were the issues at stake?

First of all, it was a matter of method. Robertson addressed the problems of economic fluctuations and cycles in terms of a succession of periods. At the beginning of every period there is a given level of the main economic variables, which is the result of the past levels and, more generally, of what happened in the previous periods. On the contrary, in Keynes's short-period approach the current level of saving is a function of current income, without any reference to the past level of savings, and the effect of the multiplier on income was supposed to be instantaneous. Secondly, there was the question of the rate of interest. Robertson considered the rate of interest as the price bringing the demand and supply of loanable funds into equilibrium, unlike Keynes's theory of liquidity preference, where it is seen as the price necessary to bring demand for money in line with the available supply. Given this difference, he was unable to accept Keynes's message about the inevitability of persistent states of underemployment (Sanfilippo 2005), and in turn Keynes found himself parting company with Robertson. As he wrote to him; 'You are, so to speak, bent on creeping back into your mother's womb, whilst I am shaking myself like a dog on a dry land' (JMK XIV: 164–5).

In the case of Pigou, Keynes took a more decisive distance, albeit more on the plane of theory than of policies. He sided with Marshall's methodological approach rather than Pigou's and found an ally in G. F. Shove as a severe critic of Pigou's method of analysis. Keynes's emphasis on the virtue of the relative imprecision of
economics contrasts sharply with the formal mathematization that Pigou subscribed to and Shove opposed.

In the 1930s, the main point of disagreement between Keynes and Pigou was whether a cut in money wages would cure unemployment. In October 1937, Pigou presented his argument, based on the quantity theory of money, that "if a cut in wages leaves employment unchanged, money income has no ground for change" (JMk XIV: 256–7). Keynes’s reply left no room for conciliation of the two approaches: "...I maintain that, if there is a cut in wages, unemployment being unchanged, there is a ground for a change in money income" (JMk XIV: 257). On the same day, a disheartened Keynes wrote to Kahn: "As in the case of Dennis [Robertson], when it comes to practice, there is really extremely little between us. Why do they insist on maintaining theories from which their own practical conclusions cannot possibly follow?" (JMk XIV: 259).

On the other hand, he felt he had made himself understood to Kahn and, to some extent, to Joan Robinson, and with them he felt truly attuned. In March 1934, after "a stiff week’s supervision from R. F. K." (JMk XIII: 422), Keynes reported enthusiastically to Joan Robinson that "[Kahn] is a marvellous critic and suggester and improver — there never was anyone in the history of the world to whom it was so helpful to submit one’s stuff" [ibid.]. In December 1933, three days before the final version of his book was delivered to the printer, he also acknowledged his debt to her: "I owe you a great deal of gratitude for taking so much trouble over my proofs ... In the final proof reading [the book] seemed so flat and stale. But you have cheered me and so does Kahn, who has been here for Christmas" (J. M. Keynes to J. Robinson, 27 December 1935, JVR papers: vi/240/9–10).

Was the dividing line generational, Kahn and Robinson being younger, enthusiastic and prone to become his proselytes? Or was it a matter of Keynes being perceived by Pigou and Robertson — the defenders of the Marshallian tradition — as a heretic and iconoclast in rejecting the ‘classical school’ as futile and basically wrong?

Actually, Kahn and Joan Robinson were always manoeuvring to bring people round to seeing and possibly accepting Keynes’s point of view. Although Kahn and Robinson shared many opinions and views, both their impact on him and his on them took different forms, partly because they were not equally close to him and partly because of their personalities. Kahn was a travelling companion in the making of the General Theory (Marcuzzo 2003), a close helper in running college life and constantly consulted by Keynes in his doings in University affairs and economic matters. Theoretically, he was the torch-bearer of Keynesian liquidity preference and monetary theory against the resurgence of quantity theory well into the high years of monetarism. Joan Robinson was the born proselytizer who later went to the front line in the fight against what she herself dubbed ‘bastard Keynesism’, the reinstatement of rigidity in money prices and wages in preventing full employment, neglecting the role of uncertainty, expectations and time.

The fascination of Keynes’s intellect and flair for creating consensus resulted in a sense of exclusion experienced by all who were deprived of proximity simply by not being at Cambridge. This implied that all sought special relations with Keynes, which meant being in constant contact with his ideas. Keynes, in the same way that Marshall had been in his time, was economics in Cambridge.

KEYNES AND CAMBRIDGE ECONOMICS

The Economic Journal, where Keynes ‘made the overwhelming majority of editorial decisions himself’ (Moggridge 1990: 146), provided the forum for what Keynes considered good economic reasoning and arguments. He was open-minded, but with exacting standards: ‘I feel much clearer, however, about the de-merit of the articles I reject’, he wrote in 1934, ‘than I do about the merit of those which are included’ (Moggridge 1990: 149).

On more than one occasion he summed up in explicit terms what a good economist should be. One extensive quotation may suffice to illustrate the point:

Economics is a science of thinking in terms of models joined to the art of choosing models which are relevant to the contemporary world. It is compelled to do this, because unlike the typical natural science, the material to which it is applied is, in too many respects, not homogeneous through time. The object of a model is to segregate the semi-permanent or relatively constant factors from those which are transitory or fluctuating so as to develop a logical way of thinking about the latter, and of understanding the time sequences to which they give rise in particular cases. Good economists are scarce because the gift for using ‘vigilant observation’ to choose
good models, although it does not require a highly specialised intellectual technique, appears to be a very rare one.

[JMK XIV: 297]

There is in fact a Cambridge school or, better, Cambridge tradition in economics that has its source of inspiration in Marshall but its main focus in Keynes, the author of its pièce de résistance. He brought to it a style of doing economics together with the ingredients that would have it widely held to be synonymous with Keynesian economics.

The premise of Keynesian economics, as we find it in the General Theory, is that ‘we cannot hope to make completely accurate generalisations’ [JMK VII: 254] because the economic system is not ruled by ‘natural forces’ that economists can discover and order in a neat pattern of causes and effects. The implication of this assumption is that the task of economics is rather to ‘select those variables which can be deliberately controlled and managed by central authority in the kind of system in which we actually live’ [JMK VII: 254]. As regards the contents of the Keynesian theory, we have in the first place rejection of the ‘classical’ conclusion that market forces are at work to bring the economic system to the full employment of resources. Letting individuals pursue self-interest does not — contrary to the Smithian parable of ‘the butcher, the brewer and the baker’ — produce a social good, but unemployment and waste of resources. Hence Keynes’s argument against laissez-faire: aggregate economic behaviour does not have the same outcome as individual economic behaviour, so what is good for the individual may not be good for the whole.

The goal is to change the environment within which individuals operate, so that moral and rational motives become the spring of action of the collectivity as a whole [JMK XVII: 453]. In this Keynes saw the main task of economic policy, ‘managing’ rather than ‘transmuting’ human nature, very much in the spirit of Marshall[11] although pursued with other means and tools. In the last chapter of the General Theory, he concluded that it is ‘wise and prudent statesmanship to allow the game to be played, subject to rules and limitations’ [JMK VII: 374, italics added].

Keynes’s approach, based on the categories of knowledge, ignorance and rational belief, is chosen as the appropriate method for a ‘moral science’ such as economics that deals with complexity and judgement. It is largely at odds with the developments of Keynesian economics, which cut the knot of complexity by endorsing a mechanistic description of the working of the economic system [Fitzgibbons 2000].

Moreover, Keynes brought new arguments and strength to the tradition of thought that Marshall and Pigou upheld, in favour of some state intervention against exclusive reliance on market mechanism, tracing the implications of individual behaviour for the welfare of society, admitting failures and suggesting ways of improving the working of the system for the collectivity as a whole. Following in their footsteps, but on the basis of a different economic theory, Keynes devised forms of intervention that led to his being portrayed as the father of the welfare state and deficit spending [Buchanan and Wagner 1977].

To evaluate this claim in relation to Keynes’s writings is beyond the scope of this chapter. All that can be done here is to summarize his main views. The structure of the welfare state rests on three pillars: (a) on fiscal policy, (b) social security and (c) full employment. Keynes was fully committed to (c), and partially committed to (a) and (b). Government expenditure was to be finalized to provide enough investment to counter-weight a decline in private investment and an insufficient level of consumption to generate the level of aggregate demand necessary to maintain full employment. Skidelsky is probably right in saying that ‘Keynes was never a passionate social reformer’ [Skidelsky 2000: 265], and certainly he was at least closer to being a liberal than a champion of pervasive state intervention in society.

First, he was not in favour of high taxes to pay for social benefits and pensions, the costs of which ought to be borne by employers: ‘Should not the employer’, he wrote, ‘meet the total cost of providing him with a wealthy worker? If the unemployed were allowed to starve what would employers do when the demand for employment, seasonally or cyclically, increased again? Why should the general taxpayer pay for a pool of available dock labour?’ [JMK XXVII: 224].

Secondly, he was in favour of making the state accountable to the taxpayer for the goods and services provided, associating ‘as closely as possible the cost of particular services with the sources out of
which they are provided', since he believed that 'this is the only way by which to preserve sound accounting, to measure efficiency, to maintain economy and to keep the public properly aware of what things cost' [JMk XXVII: 225].

Although Keynes's disbelief in the smooth working of market forces came long before \(^\text{12}\) he General Theory, the case for intervention is made there forcefully in the case of aggregate demand failure. However, the policy message in the General Theory is to sustain the level of investment - more 'stabilizing business confidence' [Bateman 1996: 148] than debt-financed public works. His reliance on 'socializing investment' rather than fiscal policy aimed at smoothing out consumption levels over the cycle \(^\text{13}\) shows his concern for the size of the deficit and the importance attributed to market incentives to bring about the desired level of employment. 'If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments [of production] and the basic rate of reward to those who own them,' he wrote in the General Theory, 'it will have accomplished all that is necessary' [JMk VII: 378]. And he was not in full agreement with the other so-called father-founder of the welfare state, William Beveridge, on the recipe for attaining full employment, by 'managing' consumption: 'I entirely fail to understand how you can avoid making public investment a counterweight to fluctuations in private investment' [JMk XXVII: 371].

Thus, the implication that Keynes was in favour of large and growing public expenditure such as we have experienced since the Second World War as a consequence of so-called Keynesian policies is untenable. \(^\text{14}\) His 'vision' of the future of capitalist society rested on the belief that freedom from economic constraints \(^\text{15}\) would allow the vast majority of the population to pursue happiness and enjoyment in their lives. 'It is not any fear of a failure of physical productivity to provide an adequate material standard of life that fills me with foreboding,' he remarked, addressing the House of Lords in February 1943. 'The real problems of the future are first of all the maintenance of peace, of international co-operation and amity, and beyond that the profound moral and social problems of how to organize material abundance to yield up the fruits of a good life' [JMk XXVII: 261].

Keynes and Cambridge

CONCLUSIONS

Keynes died on Easter Sunday, 21 April 1946. The words chosen to be read at the memorial service held in Westminster Abbey came from Blake's Jerusalem:

I will not cease from mental fight,
Nor shall my sword sleep in my hand,
Till we have built Jerusalem
In England's green and pleasant land.

These words - as Skidelsky noted - are appropriate to remember him as 'striving to realise a utopia beyond the economics of industrialism' [Skidelsky 2000: 478] and effectively to evoke his perennial 'mental fight' against received views. In this, and indeed in some other respects, \(^\text{16}\) he equalled the other star that illuminated Cambridge, Isaac Newton. In his last note, drafted two weeks before he died, Keynes wrote that Newton's garden, close to his room in Trinity College, was 'his laboratory' [JMk X: 376]. Cambridge was Keynes's 'laboratory', with its emotional and intellectual interactions, the shared set of values and lifestyles, the common pursuit of truth and well-doing. It is indeed a shame that his ashes were not deposited in the crypt at King's, as he had wished and had instructed in his will. \(^\text{17}\)

NOTES

1 In Cambridge those who took the Mathematics Tripos were arranged in order, rather than classified, and one was designated senior wrangler, second wrangler, third wrangler and so on. Marshall was second wrangler in 1865.

2 Skidelsky (1983: 106-25) and Moggridge (1992: 52-81) mention the following: Baskerville Club, University Liberal Club, Decemviri,
Moral Science Club, Knave Club and Pitt Club Apennine Society, Richmond Shakespeare Society, Cambridge Union or Debating Society, Oscar Browning’s Political Society, Lowes Dickinson’s Discussion Society and, for Keynes, the most important of all, the Conversazione Society or Apostles.

3 On Keynes’s involvement with the Bloomsbury Group, see chapter 12 of the present volume.

4 Pigou then paid it until Keynes became University lecturer in 1920.

5 He was member of three committees: Estates, Building and Fellowship.

6 Keynes became Second Bursar in November 1919 and, from 1924 until his death in 1946, First Bursar.

7 Keynes’s net assets fell from £306,522 to £181,547, and those of the college (the ‘Chest’) from 680 to 443 (1920 = 100); see JMK XII: 11–13. I am grateful to D. Moggridge for pointing this out to me.

8 See Davis (1994b) for a good review of the opposite views on the continuity issue and, more recently, Runde and Mizuhara (2003).

9 Economists were indeed not his only interlocutors. In Cambridge, philosophers like Moore, Ramsey, Russell and Wittgenstein played an important role. Unfortunately, the evidence is not there of a similar intellectual intercourse as with the economists, both in terms of quantity and content of extant letters. Much is therefore indirect evidence, which nevertheless is very important to understand Keynes’s frame of mind. On this, see Raffaeili, chapter 9 of the present volume.

10 She once wrote to Kahn, ‘Do you think Kalecki will induce Piero to take the General Theory seriously?’ (J. Robinson to R. F. Kahn, 20 March 1937, RFK papers: 1390/2/165–6).

11 For the purposes relevant here, it will suffice to offer two quotations from the Principles and Industry and Trade, respectively: ‘the human will, guided by careful thought, can so modify circumstances as largely to modify character; and thus to bring about new conditions of life still more favourable to character; and therefore to the economic, as well as the moral, well-being of the masses of the people’ (Marshall 1920: 48).

12 ‘A chief purpose of every study of human action should be to suggest the probable outcome of present tendencies, and thus to indicate, tacitly if not expressly, such modifications of those tendencies as might further the well-being of mankind’ (Marshall 1923: 7).

13 Keynes challenged laissez-faire as a policy well before he had developed a critique of the orthodox economic theory of the self-adjusting tendencies of the free market’ (Meade 1990: 21).

14 ‘The discussion of post-war fiscal policy brought out Keynes’s aversion to the use of personal taxation as an instrument of counter-cyclical policy’ (Dimand 1988: 334–5).