**KEYNES, John Maynard** **(1883-1946)**

John Maynard Keynes, CB, FBA, 1st Baron Keynes, was an economist, moral philosopher, and patron of the arts. His father Neville Keynes studied both moral sciences and economics. The tension between ethical and scientific approaches to economics remained a creative force in the son’s own economic writings and work as a government economist. During Maynard Keynes’ education at Cambridge, he was elected a member of the secret society known as the Apostles. Founded in 1820 and composed of talented, philosophically minded undergraduates, the society of Keynes’s era included E. M. Forster (1879-1970), Lytton Strachey (1880-1932), Thoby Stephens (1880-1906) (Virginia Woolf’s brother), and Leonard Woolf (1880-1969). Keynes also found himself in the company of previous members of the society, such as Bertrand Russell (1872-1970), Goldsworthy Lowes Dickenson (1862-1932), Roger Fry (1866-1934), G. E. Moore (1873-1958), and Desmond MacCarthy (1877-1952). Like other Apostles of the time, Keynes read G. E. Moore’s *Principia Ethica* (1903), which could be said to have formed his personal moral philosophy for the rest of his life. In Keynes’ era the social activity of the Society took on a distinctly homosexual character, which included Keynes’s affection for Duncan Grant (1885-1978); some of the older generation, such as Bertrand Russell, expressed disaffection for this reason. Keynes also became deeply involved in the Bloomsbury Group, especially with Vanessa Bell (1879-1961), Virginia Woolf’s sister. Keynes’s life remained sexually flexible. In 1925, after a series of homosexual affairs, he married Lydia Lopokova (1892-1981), a ballerina with Diaghilev’s *Ballets Russes*.

Keynes’s early experience at the India Office won him a lasting reputation as an expert in Indian financial affairs, which was furthered by the publication of *Indian Currency and Finance* (1913). Though Keynes had little in the way of formal education in economics and was largely self-taught, his lectures in economics at Cambridge quickly demonstrated his ability in the field. In 1911, then only 28 years old, Keynes was appointed editor of the influential *Economic Journal*.

In 1915, soon after the outbreak of the First World War, Keynes joined the Treasury and played an important role in developing plans and polices for financing the British war effort. However, he did not a support of the war itself and at one point seriously considered resigning his position. When conscription was introduced, he worked on behalf of conscientious objectors, especially for those among his Bloomsbury friends. At the end of the war, Keynes represented the Treasury at the Versailles Peace Conference in Paris, but resigned before its close. He left convinced that the peace treaty being made was deeply flawed, and that the reparations required of Germany would lead inevitably to dangerous political and economic results. He published his objections in *The Economic Consequences of the Peace* (1919). In 1920 he resumed lecturing at Cambridgeand continued in this position until 1937, when his health forced him to resign. During this time, Keynes wrote his most influential work, *The General Theory of Employment, Interest and Money* (1936), which established the foundations of Keynesian economics. Among his other works are *A Tract on Monetary Reform* (1923) and *A Treatise on Money* (1930).

Keynesian economics presupposes a mixed economy. That is, though the private sector has a dominant role in structuring the market, *in itself* it cannot effectively deal with such economic dislocations such as recessions and depressions. When these occur it is the government (or public sector) that needs to intervene in order to restore economic stability. Among the mechanisms that the public sector can employ are monetary policies exercised through a central bank (for example, lowering interest rates) and fiscal policies, which include taxing and spending policies. Keynes’s thought in these matters is found in *The General Theory,* which comes primarily out of his analysis of the Great Depression and its dangers. The Crash of 1929 massively lowered the demand for goods and services. The decrease in consumption led to cutbacks in production, which was already hampered by the lack of capital. In turn, reduced consumption led to even more unemployment and further shrank consumer demand. It was obvious to Keynes that this dynamic would lead to a downward spiral that could create a permanent condition of both under-consumption and underemployment. In Keynes’s view, only actions taken by the public sector, through monetary and fiscal policies that would move money into the economy, would halt the spiral. The injection of credit would free up production, increase employment, and consequently increase consumption. In short, he recommended what would be called today “stimulating the economy.” Keynes felt that one of the most effective ways of raising consumption was through large public works projects that put money into the hands of consumers, who would quickly spend it on essential needs, thus moving the money into the general economy.

Two of the most important insights in *The General Theory* concerned unemployment and consumption. Keynes showed that unemployment was not, as was previously thought, simply a choice or the result of laziness on the part of individuals, but a structural phenomenon resulting from definable economic forces that either expanded or contracted the general economy. In so-called “classical economics,” consumption was thought to be always in equilibrium with production, since consumer demand would always be greater than production and thus prices would always adjust to meet demand. For Keynes, the Great Depression proved this assumption to be false, since the shrinking of capital and consequently production, combined with the resulting unemployment, depressed the availability of and purchasing power for goods and services at the same time.

It is generally recognized that Keynes’s analysis of the Great Depression influenced the first Roosevelt administration’s economic policies. These policies became the New Deal, which embraced major public works projects as a central component. Various forms of Keynesian theory were claimed by several schools of economics during the latter half of the twentieth century. Keynesianism was also harshly rejected, especially in the United States and Great Britain, during the Reagan-Thatcher 1980s. However, Keynes’s work has enjoyed a renaissance in the aftermath of the Great Recession of 2008.

In 1944 Keynes participated in the Bretton Woods Conference, which was attended by over 700 delegates from 44 countries. Its objective was to create a stable post-war international economic system. Two of its main accomplishments were the establishment of the International Monetary Fund and the World Bank, founded in 1945.

Bibliography

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