

# Week 1: Keynes's Life

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An overview of the life and work of John Maynard Keynes.

John Maynard Keynes (1883-1946) was the most important economist of his generation, and arguably of any generation. But before he was an economist, he was a philosopher, and philosophical themes recur throughout his writings. This seminar is going to look at his early philosophical work, and some of the philosophical themes in his later economic and political work.

## Aims of Seminar

There are five things I'm hoping to do with this seminar. The chance that we'll do all of them well is perhaps not the greatest. But I'm setting them out here in part to explain why I'm doing a slightly unusual topic, and partially to give everyone a chance to help steer the seminar in ways they'll find interesting.

## Foundations of Probability

Keynes's 1921 book, *A Treatise on Probability*, is the foundation of work in formal epistemology in the last 100 years. It's not as widely read today as it might be, because it was quickly surpassed in popularity by Ramsey's pragmatist approach to probability. But it has three big advantages over Ramsey's work. (Which is not to deny that Ramsey's work also has distinct virtues; the aim here is to get everyone to read more, not to stop reading Ramsey.)

One is that it works out a lot of the interesting questions that arise from applying probability theory to problems in epistemology in much more detail than Ramsey does. This is largely a consequence of Keynes writing a book and Ramsey writing a handful of papers, only one of

which is really widely read in philosophy of probability. But it's still useful to see the original workings out of various problems in a probabilistic framework.

Another is that it develops the notion of weight, and with it some interesting ideas for the limits of the application of probability to human problems. Exactly what Keynesian weight is supposed to be, indeed whether there is anything coherent in it at all, is a tricky question. And it's also a tricky question whether it has any practical significance. But Keynes clearly thought it did, and the notion makes a surprise guest appearance at a key point in his economic work.

Finally, Keynes's work grows out of a broad metaphysical picture, roughly Moorean realism, that is both more popular nowadays than Ramsey's pragmatism/positivism, and is, at least in my opinion, more plausible. At least some of the early criticisms of Keynes were simply based in the incompatibility between his work and positivism. But that, most of us think these days, is a virtue not a vice. So it's worthwhile revisiting what a realist approach to probability looks like.

## **Philosophy and Economics**

Keynes was a philosopher before he was an economist, and he never ceased looking at things with at least one eye on the philosophical questions. One question that's fascinating to me is whether there are places where we can see real connections between Keynes's philosophical work, his theoretical work in economics, and his practical suggestions. Given how influential his practical suggestions were for half a century, the historical questions about the influence of philosophy on the world seem fascinating.

## **Philosophical Questions in Economics**

The previous point was about the influence from philosophy to economics, and hence to the wider world. But we should think about the reverse direction of influence too, and here Keynes's work is again helpful. His economic writings include a lot of work on what we'd now call social metaphysics, including really interesting thoughts on the metaphysics of money, and the nature of inflation. He has a lot to say about questions about pooling, as in forming a group belief state, or value function, from individual believers or valuers. (Some of the work on the nature of inflation is relevant here too; similar questions arise.) And his work on developing the concepts that are the centre of contemporary economic statistics, things like GDP, is a fascinating case study in conceptual engineering.

## History of Philosophy

Keynes was an undergraduate at Cambridge in the early 1900s. In the decades before he arrived, philosophy and Cambridge (and to some extent across the UK) was a cross between what we'd now call PPE, and what we'd now call Cognitive Science. Henry Sidgwick was the dominant force at Cambridge, and the most important economists (as we'd now call them) of that time looked up to him. Keynes's father wrote two books - one in economics and one in logic. Psychology at Cambridge was a subdiscipline of philosophy, on a par with metaphysics and ethics, and most important people you read in it were James and Dewey. And that movement back and forth between what we'd now call economics, psychology, and philosophy was completely common.

By the time Keynes died, philosophy had not only excluded economics and psychology (which has left to form their own thriving programs), it had largely lost interest in normative ethics and, especially, political philosophy. Since this time (and this place) are so central to the story analytic philosophy tells itself about how philosophy in the 20th century came to be, it's fascinating to look at it through the lens of someone who started in philosophy, but ended up doing work that was off the radar of professional philosophers by the middle of the century.

At my most controversial, I sometimes think we should date the start of analytic philosophy not to Frege and Russell's work on logic and mathematics, but to the work of Sidgwick, Jevons, and Marshall on what we'd now call formal epistemology/formal ethics. I'm really not going to defend that view in the seminar, I don't even really believe it when stated that strongly. What I do think is that a history of analytic philosophy that gives moral and political philosophy, and philosophers, a more central place is a very worthwhile project. And Keynes's life, and his wonderfully written biographies of figures in the generation that came before him, would be central to such a history.

## Political Philosophy

Keynes never wrote a work in theoretical political philosophy. But he did write a number of works in what we might call applied political philosophy, including the most influential political book of its time, his critique of the Paris Peace Treaty. His political writings generate two fascinating questions. One is just what his political philosophy was. It's a version of liberalism, and the simplest thing to say is that he fits alongside Constant and de Tocqueville as a liberal writing in revolutionary times. But it's in at least some respects more radical than either of them, and it's not easy to say exactly how his view fits into the history of political thought. A second question is whether his view is worth defending. At times he looks like someone who has seen the massive gains in well-being for a select group of people in

the previous few decades, and wants to know how we can keep making further such gains, and make them available to more people. At others he looks like someone whose primary interest is in preserving what remains of the British Empire. We'll spend a bit of time on both these questions in the seminar, though not in as much detail as we might. I think to answer either fully we'd need to really dig into the details of financial negotiations, and look at what political philosophy is pushing Keynes to try to steer the negotiations this way rather than that. And I don't have the expertise (or the time) to explain enough of what was going on in these negotiations to do that. But it's a question that is there in the background, and political questions will never be entirely removed from what we're studying.

## **Brief Biography**

Keynes (or Maynard as he was primarily known) was the son of John Neville Keynes (1852-1949) and Florence Ada Keynes (1861-1958). His mother was a remarkable figure, who in the 1930s became Mayor of Cambridge, and who was probably very important to Keynes's education and character development. But his father is a little more interesting to our story.

Neville Keynes, like Maynard, was both an economist and a philosopher. As we'll see through the course, this was not at all an uncommon combination during the late 19th and early 20th centuries, especially in England. Neville worked at Cambridge for most of his career, moving between academic and administrative roles. He published two notable books, a logic book in 1884, and an economics book in 1891. The logic book was the last great text of pre-Fregean logic, and gets cited throughout the 20th (and occasionally the 21st) centuries, especially by philosophers keen to present a more nuanced view of pre-Fregean logic than the caricatured version presented in standard histories.

So Maynard grew up around Cambridge. At the time, the field his father worked in was called Moral Sciences, and it covered what we'd now call economics, psychology, and philosophy, with philosophy being the largest part. And while his father was not exactly an academic star - he spent as much time working in university administration as working as a researcher, and his last major work came decades before his retirement - Maynard certainly grew up comfortable in academic settings.

Maynard's intense home education paid off when he won a scholarship to Eton. He doesn't seem to have developed a particularly close relationship to Eton. But Eton had a close connection to King's College, Cambridge. (If you go to Cambridge, you'll probably recognise it as the College with the fanciest chapel.) And as a graduate of Eton, Maynard won a place at King's, and stayed connected to King's for the rest of his life. His undergraduate degree was in mathematics. At the time Cambridge did a rank ordering of the mathematics graduates,

the best being First Wrangler, the next Second Wrangler, and so on. Maynard finished 12th, which upset his parents, but seemed to satisfy him.

After finishing his mathematics degree, he spent two more years around Cambridge. Officially he was preparing to take the civil service examination. Unofficially, he was kind of hanging around. But these years are particularly important to our story for two reasons. First, he spent a lot of this time sitting in on philosophy classes, and talking to philosophers, especially Moore and Russell. Second, he became a central figure in the Apostles.

The Apostles is (I believe to this day) a somewhat secretive discussion group primarily for undergraduates at Cambridge, consisting entirely of people who have been invited to join. They met (meet?) weekly to discuss some topic or other, usually something that at least had the pretence of being academic. At the time Maynard arrived, the club had two distinguishing characteristics. One was that it was heavily connected to philosophy. Sidgwick had been a lifelong active member, and Russell and Moore were heavily involved. (Wittgenstein had a complicated relationship to it, like he did to most things.) The other was that a very large proportion of the membership were gay. This apparently amused Russell, but Moore remained (if the stories can be believed) completely oblivious to the fact. Anyway, the friends Keynes made through the Apostles became many of his closest friends for life. And the mid-1900s Apostles became the core of the Bloomsbury group, the interwar group of writers, artists, and intellectuals who lived near the British Museum (i.e., in Bloomsbury). This group included (depending on whose definitions you read), Virginia and Leonard Woolf, Lytton Strachey, E. M. Forster, Roger Fry, Duncan Grant, and several other notables. And they basically were Keynes's main social and intellectual contacts until the 1930s.

Keynes took the civil service examination in 1906 and was disappointed to only come second. He'd been hoping to come first and get his choice of positions, which would have meant going to Treasury. Instead he came second, and had to settle for a position in the India Office. He never travelled to India, but did read and learn enough about it to eventually write a book, his first published book, on *Indian Currency and Finance*. I've never read it, and I'm not sure if there is anything of interest to us in it.

He didn't stay in the India office for long, returning to Cambridge in 1908. He was employed as a lecturer in economics, close to what we'd now call an adjunct, though his classes were very popular. (Note that at this stage he's taken no classes in economics, and is largely self-taught.) He was also working on something close to what we'd call a philosophy PhD, with the results being an early draft of the *Treatise on Probability*. This was very widely discussed at Cambridge, and went through extensive revisions over the drafts. Somehow (and I really don't understand how), he was appointed as editor of *The Economic Journal* in 1911, a position he held until near the end of his life. After publishing the Indian finance book in 1913 he

was appointed to a Royal Commission on the Indian economy, which increased his fame in official London circles.

In 1914 he was back in Cambridge working again on the probability book. The legend (repeated in a lot of places, but I'm not sure if I believe it) is that when war broke out, Keynes was talking with Russell (about probability) on the main street of Cambridge when a motorcycle with a sidecar attached pulled up. It had been sent from London by Treasury officials desperate to get Keynes to London to help with wartime financing as urgently as possible. He jumped in the sidecar, and was a Treasury official for the next five years.

We don't need to spend much time on what he did at Treasury during the war, because while it is interesting to historians of public finance, it doesn't have a great deal of philosophical import. (At least on my understanding of the philosophy/non-philosophy boundary.) The main thing to know is that by the end of the war, Keynes was one of the most respected technocrats in London. So naturally he was part of the Treasury delegation to the Paris Peace Conference after the war, the conference that led to the Treaty of Versailles.

Keynes was not part of the delegation by the time the treaty was signed. He had resigned in protest at the harshness of the terms being imposed on Germany, and returned home to write a book setting out his objections. The book, published in November 1919, was called *The Economic Consequences of the Peace*, and is a devastating attack on the treaty and on the people who put it together.

I haven't set any of the Versailles book in the reading for this class, because ultimately I couldn't find a part that seemed suitable for a weekly seminar. I do think it should be treated as a work in political philosophy; very applied political philosophy to be sure, but still philosophy. It's hard to read the first few pages and not see a vivid moral theory that's illuminating the whole work. But that theory is stated more than defended, and the practical issues are not exactly our practical issues. Still, I very much recommend reading it, especially the first few chapters, before you get to all the tables about the details of this or that part of the reparations. It's an astounding piece of writing, one that amazed Keynes's literary friends, who had no idea that he was in their league as a writer.

In one of the most quoted passages of the book, Keynes describes what life was like for the upper-middle classes of England before the war. We could definitely question how realistic Keynes was being when he said this state of affairs was attainable for many people, or how good a state of affairs it was. But I think it's really interesting, and so evocative of a certain way of life. (Note the absence of passports as one aspect of the world Keynes so desperately wants to bring back.)

What an extraordinary episode in the economic progress of man that age was which came to an end in August, 1914! The greater part of the population, it

is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could despatch his servant to the neighbouring office of a bank for such supply of the precious metals as might seem convenient, and could then proceed abroad to foreign quarters, without knowledge of their religion, language, or customs, bearing coined wealth upon his person, and would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable. The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper, and appeared to exercise almost no influence at all on the ordinary course of social and economic life, the internationalisation of which was nearly complete in practice.

The book has two central claims. One is that the demands of the treaty will be literally impossible to meet, unless perhaps they are met by literally starving the German people. The other is that this will all lead to another war. And while there definitely was another war, both claims have been controversial. It's been argued that Keynes underestimated the German economy. The most ironic version of this argument is that the economic theory of this book is too indebted to the flawed economic theories from the turn of the century; if one analysed the situation using a correct theory, like that in Keynes's *General Theory*, Germany's situation would not look as dire. It's also been argued that the book was a self-fulfilling prophecy. What led to the next war was not the Versailles Treaty, but the impression that the Treaty was unfair. And that impression was as much due to Keynes's book as to the

Treaty itself.

That last claim might seem absurd until you realise how big a deal the book was. It sold 100,000 copies, was translated into 12 languages, and its view of the peace treaty, especially the phrase that it was a Carthaginian Peace, became commonplace throughout the world. It contributed, somewhat unintentionally, to America's refusal to join the League of Nations. And while it led to Keynes becoming famous throughout the world, it meant that he was well and truly out of favour in official London.

That last point is relevant to our story because the next few years would be amongst the most prolific in Keynes's already prolific writing career. In quick succession he published three books. In 1921 he finally published the long gestating *A Treatise on Probability*. In 1922 he published a sequel to the Versailles book, *A Revision of the Treaty*, which had a much smaller impact than its prequel. And in 1923 he published *A Tract on Monetary Reform*. The *Tract* grew out of some columns he wrote for the *Guardian*, who sent him to a conference on post-war reconstruction as a columnist. On the one hand, being a columnist for a national newspaper means one is still somewhat part of the national conversation. Still, it's a long way from the official standing Keynes had had before the publication of his Versailles book.

The *Tract*, and some of the writings around that time, are interesting in part because they address a question that has recently taken on some practical significance. Assume we think, as Keynes will later come to deny, that something like price stability is an important object of government policy. And assume also that prices have recently risen sharply. What should the government now aim at? One option is to try to stabilise prices at this new higher level. Another is to return prices to where they were, i.e., to have a bout of deflation to ensure that long-term prices are stable. As far as I know, the latter view has no serious proponents nowadays. But it was taken seriously when Keynes was writing. Indeed, it seems to have been behind some of the disastrous decisions Churchill made as Chancellor of the Exchequer (the UK equivalent of Treasury Secretary) during the 1920s. Keynes, though not yet as relaxed about inflation as he would be in his later career, thought this was a terrible idea, and that whatever evils inflation might have, deflation was so much worse that we'd have to just live with this new higher price level. On this point, conventional wisdom now entirely agrees with Keynes. Milton Friedman later said that he liked this book very much. If you don't know Friedman's work, it's probably too much of a digression to go into why this might be a bit surprising, but it is indicative both of how much more centrist Keynes was in the 1920s than the 1930s, and how much political debates have shifted over the last 100 years.

The early 1920s also saw a major change to Keynes's personal life: he got married. This was particularly surprising since as far as we can tell, he had had exclusively male romantic partners up until then. But he fell in love with a Russian ballerina, Lydia Lopokova. This led to something of a falling out with Keynes's Bloomsbury friends, some of whom didn't



take Lydia seriously, and preferred not to have her around intellectual conversations. But Keynes was devoted to her and, again as best we can tell, was entirely faithful during their marriage (if not during their courtship). He was a dedicated supporter of the arts, and this included building a theatre in Cambridge, in part for Lydia to have somewhere to perform. They didn't have any children.

The rest of the 1920s was Keynes's most prolific period for public writing. This was helped in part by his leading a consortium that bought *The Nation and Atheneum* in 1923, which meant he had easy access to its pages. He was encouraged to hire T. S. Eliot as literary editor, but the two of them didn't get along, so the job went to Leonard Woolf. The financial stability of this job helped the Woolfs get the Hogarth Press running, which soon published Virginia Woolf's most famous works. One other amusing aside about this time. During the 1926 General Strike, Keynes and Woolf disagreed about what the magazine should do. Keynes wanted to run articles supporting the strikers; Woolf wanted to go on strike in solidarity with them. Keynes was officially the boss, but Woolf had possession of the printing press; there was no strike edition.

There are two really notable pieces that come out of this flurry of public writing. In 1929, as part of the Liberal election campaign, he and Hubert Henderson (an important economist and another of his employees at *The Nation*) wrote *Can Lloyd George Do It?*. This was a defence of David Lloyd George's New Deal-like economic plans that he was taking to the 1929 election. Given the harshness of Keynes's tone towards Lloyd George a decade earlier, it was remarkable that the two could become close collaborators. But it made little difference; the Liberals did poorly at the 1929 election, and the result was the first ever Labour government. The other, which we'll talk about more next week, was his essay *Economic Possibilities for our Grandchildren*. This was one of the last things he published in *The Nation* before selling/shutting it, as in 1931 it merged with the moderate Labour publication *The New Statesman*, and Keynes retained some influence with the new journal. (And published some interesting work in it, though not enough to stop the magazine's lurch to the Stalinist left.)

In 1930 Keynes also published what was intended at the time to be his magnum opus, the two volume *Treatise on Money*. This is a difficult book for several reasons. It's not that difficult on a page-by-page basis, though some of the terminology takes some getting used to. Indeed some of the passages contain some of Keynes's best academic writing. It's rather that seeing how the whole fits together can be a challenge. Keynes himself is said to have thought the work an "artistic failure", and attributed its difficult structure to the fact that he changed his mind too often while writing it.

After this, Keynes set to work on his real magnum opus, *The General Theory of Employment, Interest and Money*. As the Great Depression hit, he was still writing in public to encour-

age greater public works programs. He was strongly in favour of the New Deal as a whole, though he disapproved of some parts. His loud support for it led to a meeting with President Roosevelt, though probably not much came of it. But it did mean that he was thinking more and more about America, and in some ways *The General Theory* is more about America than about Britain. It's notable, for example, that it contains relatively little discussion of foreign trade, or even of currency movements. In economists' terms, it's more like a discussion of a closed economy than an open one. Keynes spent more time in Cambridge over these years, developing a tight circle of admirers and collaborators. These included Richard Kahn, the developer of the concept of the multiplier, and Joan Robinson, among other things the great theorist of imperfect competition. These younger economists played important roles in developing the *General Theory*. So did Keynes's sometimes acrimonious letters with economists of his generation who opposed his views. (Many of these letters have been published, and they are a helpful resource in understanding *The General Theory* and its development.)

*The General Theory* came out in February 1936 and it was, by academic standards, a publishing sensation. Keynes had insisted it come out in paperback, and affordably priced, and sold well. Among academics, it became the most important work in economics for generations. Google Scholar today has it at 58000 citations (though these are wrongly attributed to a 1937 article that we'll get to later). The book develops a model of the economy where decisions whether to invest are the driving force behind the level of employment we see, as opposed to models that prioritise either the wages demanded by workers (as in simple supply-demand models of employment), and to models where decisions to save were the driving force (as Keynes himself had to an extent believed when he was younger). The short term political upshot of this model was that deficit-financed spending, especially on infrastructure, was a good way to get out of slumps like we saw in the 1930s. As with Keynes's earlier arguments against trying to undo inflations, this has again acquired the status of something like conventional wisdom. The longer term political upshots of the model were, well that's a more contentious issue. Keynes himself says at the end of the book:

I conceive, therefore, that a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and of devices by which public authority will co-operate with private initiative.

And this is in a paragraph that starts "In some other respects the foregoing theory is moderately conservative in its implications"! I don't think we'll really get into it in this course, but exactly what the ideal state would be for Keynes, and how it relates to other grand ideal political theories, especially other ones that call for "comprehensive socialisation of investment", is an *interesting* question.

Keynes wrote a number of journal articles immediately after the publication of the *General Theory* responding to critics and spelling out the theory some more. The most notable of these for our purposes is the confusingly named 1937 article in the *Quarterly Journal of Economics* called “The General Theory of Employment”. (This is the article Google Scholar assigns all the citations to.) Among other things, this article spells out in a bit more detail some of the connections between the *Treatise on Probability* and the *General Theory*, though exactly how to interpret this connection, and this article, is a matter of some scholarly dispute. (I tried to join this dispute as a grad student, but I didn’t have luck getting early things published, and soon gave up. But I still have *strong views* about some of the participants in it.)

Then, in late 1937, Keynes had a massive heart attack. It didn’t kill him, but it did knock him out of serious work for nearly two years. By the time he was relatively recovered (he never really fully recovered), the world had changed completely. World War II had started, and all the challenges of wartime meant that the challenges of how to handle a slump stopped being the centre of attention. Keynes died in 1946 without ever really returning to his more theoretical work, so we don’t have as much as we’d like of follow-ups to the *General Theory* as we’d like.

With a war on, official Britain again turned to Keynes to figure out what to do with its finances. In 1940 he published an interesting pamphlet called *How to Pay for the War*, which dealt with how Keynes thought wartime inflation and shortages should be managed. The same year he and Piero Sraffa (another economist we could do a seminar about) wrote a paper arguing that David Hume was the author of the “Abstract” of the *Treatise on Human Nature*. I gather they were largely convincing, and this is now usually attributed to Hume. He worked with his friend William Beveridge on a report into post-war welfare systems. This report, which became popularly known as The Beveridge Report, was very influential on the post-war Labour government, which established the comprehensive welfare state. And then Keynes set seriously to work on the negotiations with the Allies on what post-war international finance will look like. This gets both well outside my expertise, and well outside what most people would consider philosophy work, and we’re not going to cover it at all in this course. Suffice to note that Keynes spent the latter half of the war shuttling back and forth between the US and UK - not a minor exercise with U-Boats everywhere. And he was at the centre of all the negotiations that established the post-war financial institutions, including the Bretton Woods system of managed currencies, the International Monetary Fund, and the World Bank. But that didn’t mean he designed these things; in fact he was on the losing side of many of the debates and negotiations. America, not Britain, was going to call the shots after the war, and there was little that a British diplomat could do about it, even if they were the greatest economist of the age.

Keynes had never been in the best of health. He didn’t exercise much, he smoked heavily,

and medical care wasn't as good then as it is now. At times during the war, and especially during his travel around the US from one negotiation to another, he came perilously close to death. So it wasn't a surprise that he died soon after the war, in 1946. He was survived by his wife, who lived until the late 1970s, and both managed and guarded Keynes's intellectual legacy.

I've listed these in the narrative, but it's worthwhile having a list of Keynes's books in one place:

- *Indian Currency and Finance* (1913)
- *The Economic Consequences of the Peace* (1919)
- *A Treatise on Probability* (1921)
- *A Revision of the Treaty* (1922)
- *A Tract on Monetary Reform* (1923)
- *Treatise on Money* 2 vols (1930)
- *The General Theory of Employment, Interest and Money* (1936)

For modern academics, you'd also expect a list of the important journal articles. But despite being the editor of *The Economic Journal* for more than three decades, Keynes didn't have that many famous journal articles. The 1937 article we'll look at is probably the most famous. What he did have were public writings, letters, official reports, speeches, and obituaries. Two 'greatest hits' volumes of these writings were collected in his lifetime, *Essays in Persuasion* and *Essays in Biography*. Just to confuse everyone, these have been frequently reissued with extra pieces added to them, though I think we've just about standardised on the versions in the (Cambridge University Press issued) *Collected Works*.

In 1949 his estate issued a small book, *Two Memoirs*, containing two pieces that he'd held for posthumous publication. One of these, *My Early Beliefs*, we will discuss in detail next week. It goes into great detail about Keynes's philosophical education; the early beliefs were largely the result of reading and talking about Moore's *Principia Ethica*. But it was written in 1938, while Keynes was recovering from the heart attack, and 35 years after some of the events described, and some have questioned its accuracy. I think it's delightful, and fascinating, and I'll have much more to say about it going forward. The other paper *Melchior, a Defeated Enemy*, is a quite remarkable memoir of his time at the Peace Conference. It contains a confession to a bit of light treason (not quite stated as such), and possibly to other crimes, some sweeping generalisations about other nationalities and regions, and some of the best writing I've ever seen from an academic. It should come with all the content warnings, and did even in 1949, but you should also read it.

## Failures

We're going to be talking a lot about Keynes's intellectual achievements and virtues in this course, so it's worth being up front about some of his more prominent shortcomings. How much these shortcomings matter to his work is, I think, an interesting and non-obvious question.

## Eugenics

Keynes was a committed eugenicist. I don't mean that he positively favoured killing off disabled infants, or any of the other worst features of eugenics. But he definitely believed in a lot of eugenic theories. He thought that the most important intellectual figures in English history came from a handful of extended families. His biographical essays often include long discussions of the lineage of the subject, explaining their intellectual successes as a consequence of their ancestry. And he adored Galton, who seemed at time to rival only Einstein as his contemporary intellectual heroes.

## Racism

Keynes's world consisted largely of Western Europe and North America. He wrote a book about India, but never went there. He was aware of how racist the US was, especially in the south, and it made him personally uncomfortable when he was directly confronted with it on his travels. But he didn't actually do anything about this discomfort, even though his contacts with FDR meant that he could possibly have done something. The urge to protest that was so vivid on other fields seems to have gone missing here. I suspect they are there somewhere, but I haven't found any particular racist comments about Blacks, either from Africa or the Americas, in Keynes's writings. What we get instead is that Blacks are almost invisible to him. They aren't his concern. I don't really know what a contemporary parallel to this is. I don't mean this to be exculpatory; it's obviously not great to just not care about a huge percentage of humanity. But it's not the kind of racism you might expect.

## Anti-Semitism

On the other hand, he did make some terribly anti-semitic remarks. You see some of them already in "Economic Possibilities for our Grandchildren", and there are worse remarks included in one of the pieces on Einstein in *Essays in Biography*.

This was obviously not just a case of indifference. Keynes interacted with many Jewish people. Here are just four prominent examples, though we could pick more. He employed Leonard Woolf for a while, effectively subsidising Virginia's writing. He did a lot of work to deal with Wittgenstein's many foibles. (I can't prove this, but I really think he thought of his relationship with Wittgenstein as an echo of Hume's relationship with Rousseau.) His closest collaborator in the 1930s was Richard Kahn, probably the one person Keynes most identified as being his student. (Kahn developed the concept of the multiplier, which became so central to practical applications of Keynes's work.) And the name of his most important book was chosen as a deliberate homage to Einstein's work.

And despite all these personal interactions, he still managed to harbour some awful general attitudes about Jews as a group. I honestly don't know how much this affected his personal interactions with individual people. There is some evidence that it damaged his relationship with Leonard Woolf, but it's sketchy. It's mostly just depressing that someone smart enough to know better, and with so much relevant evidence from personal acquaintances, could still fall into believing lazy stereotypes.

Keynes had a lot more stereotypical beliefs (in both senses) about people from various European countries, with the stereotypes he had about French, German, and Welsh people being possibly the most notable in the ways they affected his work. On the whole these didn't seem as pernicious to me, and instead point to interesting questions about where we draw the line between lazy stereotyping, and carefully observing general characteristics. There is something like a trigger warning before some of the papers in later versions of *Essays in Biography* on these points, though it seems unnecessary to me. In any case, I haven't found anything in his generalisations about other European countries that's nearly as appalling as the anti-semitic views he occasionally let slip out.

## Famous Quotes

I've already quoted one notable Keynes passage at length. But I want to end with three more. That's in part to give you a feel for Keynes's writing; though you get a better sense of that from reading some of the biographies and memoirs. And it's in part because each of these three quotes are going to be important for our course.

First, from 1923's *A Tract on Monetary Reform*. One line from this, which you may recognise, is Keynes's most infamous quote, but in context the whole thing is philosophically fascinating.

But this *long run* is a misleading guide to current affairs. *In the long run* we are all dead. Economists set themselves too easy, too useless a task if in tempestuous

seasons they can only tell us that when the storm is long past the ocean is flat again.

Next, from the conclusion of 1936's *General Theory of Employment, Interest and Money*. (Summaries of this quote often leave out the 'and political philosophers'.)

But if the ideas are correct — an hypothesis on which the author himself must necessarily base what he writes — it would be a mistake, I predict, to dispute their potency over a period of time. At the present moment people are unusually expectant of a more fundamental diagnosis; more particularly ready to receive it; eager to try it out, if it should be even plausible. But apart from this contemporary mood, the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.

Finally, from 1937's "General Theory of Employment". The philosophical relevance of this one may perhaps be clearer than the previous two.

By "uncertain" knowledge, let me explain, I do not mean merely to distinguish what is known for certain from what is only probable. The game of roulette is not subject, in this sense, to uncertainty; nor is the prospect of a Victory bond being drawn. Or, again, the expectation of life is only slightly] uncertain. Even the weather is only moderately uncertain. The sense in which I am using the term is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest twenty years hence, or the obsolescence of a new invention, or the position of private wealth-owners in the social system in 1970. About these matters there is no scientific basis on which to form any calculable probability whatever. We simply do not know. Nevertheless, the necessity for action and for decision compels us as practical men to do our best to overlook this awkward fact and to behave exactly as we should if we had behind us a good

Benthamite calculation of a series of prospective advantages and disadvantages, each multiplied by its appropriate probability, waiting to be summed.

## **For Next Time**

We're going to look at two of Keynes's more famous essays, a 1938 memoir looking back at his early years at Cambridge, aptly called "My Early Beliefs", and a 1930 essay looking forward to what the future economy might look like, called "Economic Possibilities for Our Grandchildren".

There is no seminar next week, and it would be good to start working through the probability book, especially if you're not familiar with this kind of formal work, because we'll move through it at some pace once we get going with it the following week.

## **Appendix: Background Info**

I've written three short background notes on things that are relevant to understanding Keynes's life. These might be of independent interest to people who want to know more about either the history of philosophy, or the political economic history of the period.

### **The Moral Sciences Tripos**

In the late 19th century, if you were a Cambridge student interested in philosophy very broadly construed, the degree you took was called Moral Sciences. It was officially called the Moral Sciences Tripos, but exactly what a Tripos is, and why it was called that, don't matter that much to our story. What matters is that it was a three year degree, and it was centred around examinations at the end of the second and third year.

Note that this is in England, so it's the English university system. And that's a bit different to what you might be used to in America, Australia, Canada, Scotland, or elsewhere in the English speaking world. In England, in Keynes's time as now, undergraduates take all their courses in the subject they are taking their degree in. I think this is part of the appeal of degrees like PPE in England; it means that students aren't quite so concentrated. But it also means that just the sheer number of courses means that most students take a lot of courses in almost every sub-discipline of their degree. Relatedly, students in Moral Sciences were expected to complete a common exam, which covered the whole of the discipline.



And what was the discipline of moral sciences? The best guide I've found is an 1891 [student's guide to the University of Cambridge](#), which includes a lot of advice for students taking Moral Sciences. That's a little hard to read, but thankfully Irwin Collier, who has a [fantastic site on archival artifacts from the history of economics](#) has made an [HTML version of the Moral Sciences part](#). He notes that Keynes, i.e., John **Neville** Keynes, contributed to the part of the guide on political economy. The guide describes in some detail what students should know for the two big exams, with this being the important overview.

The examination for the Moral Sciences Tripos consists of two parts; and begins, as a rule, upon the Monday after the last Sunday but one in May. No student may present himself for both parts in the same year. The first part consists of two papers on each of the following subjects: Psychology including Ethical Psychology; Logic and Methodology; Political Economy; together with a paper of Essays. ...

The subjects of the second part of the examination fall into two groups:—(A) Metaphysics, Political Philosophy, Ethics—on each of which there is one paper—and (B) the following special subjects, History of Philosophy, Advanced Logic and Methodology, Advanced Psychology and Psychophysics, Advanced Political Economy. There are two papers on each of these special subjects besides an Essay paper containing questions on all the above subjects. Every student must take one, and may not take more than two, of the special subjects; also every student must take the papers on Metaphysics and Ethics except those who select Advanced Political Economy as a special subject: for such students the paper on Political Philosophy is provided as an alternative for Metaphysics.

So that's what you had to do: psychology (including what we'd now call moral psychology), logic, politics/economics, and then in senior year, metaphysics (though you can opt out of that), political philosophy, ethics, history of philosophy, and advanced versions of the earlier material. Metaphysics, by the way, means largely what we'd call epistemology. The first topic is "Knowledge, its analysis and general characteristics: material and formal elements of knowledge; self-consciousness as unifying principle; uniformity and continuity of experience.", and there are several more about certainty, coordination (social epistemology!), and others. Again, you can follow the links to see the details in what the parts that would now be considered philosophy consist in.

The economics and psychology parts are shot through with names that we'd consider philosophers. The economics section lists (John Stuart) Mill, Sidgwick, Jevons, (John Neville) Keynes, and, of course, Smith. The psychology section has Dewey and James as the most important figures. If you think about contemporary philosophy departments, this shouldn't be a surprise. It's natural that people in philosophy, as it is construed at a time,

will know a lot about philosophy, as it is construed at that time. And at the time, philosophy included pretty much all of what we'd now call Cognitive Science, and pretty much all of what we'd now call PPE. (Michigan Philosophy is, in this respect, trying to return philosophy to its former glory.)

But a lot changed in 1903. It was a big year for Cambridge Moral Sciences. Moore published *Principia Ethica*, a book we'll talk a lot about in this course. Russell published *The Principles of Mathematics*, which we won't talk about at all after this sentence. And a campaign led by Alfred Marshall, but opposed by many others, finally succeeded in breaking off Economics from Moral Sciences, and creating its own tripos (i.e., degree).

This didn't affect Maynard Keynes directly; he was a mathematics undergraduate. But it had a massive effect on his overall life. For one thing, it complicated his father's position; when the split happened he naturally went into Economics, but it probably led to him doing less philosophical work than he otherwise might have. (Remember he had written the most important logic book of the years immediately preceding Frege and Russell.) But it also led to complications for Maynard's position. He had obvious leanings towards economics, not least because he wanted to work in Treasury. But he also wanted to work on, for related reasons, Moorean ethics, and the foundations of probability. All of this would have been easier in the old Moral Sciences program than it was in the world that was created by the split. We shouldn't overstate this - interaction between departments at Cambridge has always been very strong compared to other places, and it certainly didn't stop Keynes talking with Russell about probability, or Edgeworth publishing on probability in *Mind*. And Keynes spent a lot of time (really, a lot of time) with Wittgenstein, so it wasn't like he was out of the loop in philosophy. Still, I can't help wonder what his career would have looked like had it been spent entirely in a department centred around philosophy.

I'm going over this all at some length in part because it is so important to Keynes's intellectual background, but in part because it seems more important to the history of analytic philosophy than is usually accounted for. I don't know how much it comes up these days, but until circa 2010, the standard introductory course in a US analytic philosophy program (the pro-sem) was typically a course on the foundations of analytic philosophy, with a special focus on Frege, Russell, and (early) Wittgenstein. You saw variations on this theme, maybe some Moore here, some late Wittgenstein there, often some Kripke to make it more contemporary, but that was the basic idea. And so much of that story is taking place at Cambridge, in this middle of which the department these folks are in goes through this big split.

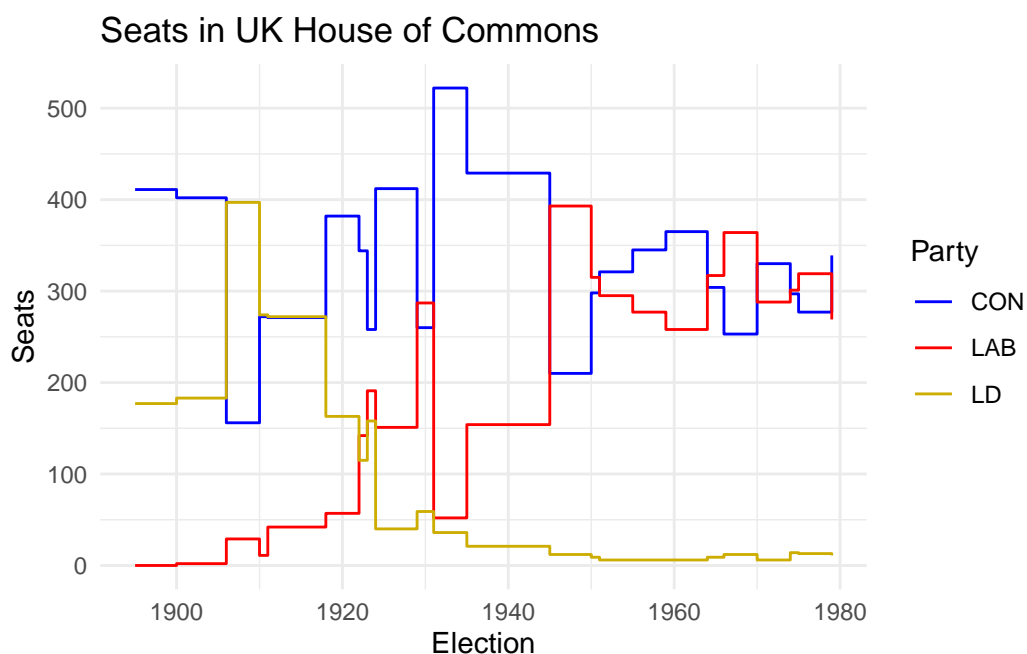
One thing you might notice from that list of names is that, with the partial exception of Moore, there isn't much ethics there, and no political philosophy. (And it's Moore's meta-ethics, or his metaphysics and epistemology, that were covered in these courses, not his normative ethics. Of course Russell had a lot to say about politics, and political philosophy,

but that's not read much in contemporary philosophy.) Given how central Sidgwick was to the previous generation of Cambridge philosophers, that's something of a surprise. I really don't have the evidence for this, but it's a speculation. One thing that I've seen after the few department splits I know about (Sydney in the 1960s, Irvine more recently) is that subjects that are sort of between the specialisations of the new department get a little left out. It's more common to see neither department do them than to see both. I wonder how much losing political economy meant that the remaining philosophers thought that political philosophy wasn't part of their jurisdiction any more, and/or that the people who might have been the Cambridge moral and political philosophers of the early 20th century simply moved departments in the split. As I said, I don't really know if this is even a viable theory, but I think the split is an important and under-discussed part of a really significant moment in the history of philosophy.

### **The Three Party System**

To understand some of the political debates that Keynes is involved with, it helps to have a sense of the political parties at the time. Great Britain had, for most of Keynes's life, something like a three party system. I say "Great Britain" here because (a) the same parties were strong in England, Scotland and Wales, but quite different parties were strong in Ireland. But Keynes had next to nothing to say on Irish matters, and I'll ignore the Irish parties from now on.

From right to left, the three parties were the Conservative, or Tory, Party, the Liberal Party, and the Labour Party. You can get a bit of a sense of their strengths over time from this graph of the number of seats in the House of Commons they had after each election from 1895-1979. (though we'll come back to why this is potentially misleading in a bit).



As you can see, this was much more of a two-party system when Keynes was younger. I haven't included them here, but the main Irish party had more members of the House of Commons than Labour for most of the time until Irish independence after WWI. Still, Labour was there, and after WWI became more and more important.

Keynes was by inclination, upbringing, and social class, a Liberal. Indeed he was one of the more prominent Liberal public intellectuals for much of his life. For many of his political projects, convincing his fellow Liberals that he was right was a key part of his strategy. (Though he also often worked by trying to convince technocrats.) I believe he voted Liberal at every election in his life except 1945, when like practically everyone else he voted Labour.

I've said that the parties could be arranged right-to-left, and that's roughly right, but only roughly. The Conservatives were in some ways more religiously tolerant than the Liberals. They were much less anti-Catholic, going back to the two parties views on the Glorious Revolution. And they had a Jewish leader, Disraeli, which it is hard to imagine the Liberals having done. More importantly for our story, one of the big divisions between the parties was on trade. The Liberals were, almost as a matter of identity, pro-free trade, while the Conservatives were more protectionist. I don't know how free-trade versus protectionism gets coded as left/right these days, but certainly at some times it has been coded as free-trade being the right-wing view here. When Keynes suggested that tariffs might be part of the best response to the Great Depression, this was as large a break from Liberal orthodoxy as he made any time in his life.

Now there is one important sense in which everything I've said here was a bit misleading. From 1916 to 1926, the Liberal party was split into two factions, one organised around Asquith (the PM until 1916), and the other around Lloyd George (the PM after 1916). The two factions, although still in some sense part of the same party, contested elections against each other. Keynes was originally on Asquith's side (because he agreed with Asquith about how to conduct the war, and then importantly about Versailles) but eventually switched to Lloyd George's side (because of how hostile Asquith was to the general strike).

It's also worth noting how much tighter the connection between academia and politics was in those days. Asquith, who was PM from 1908-1916, had a post-doc at Oxford. And Arthur Balfour, one of the most important Conservatives of the first two decades of the 20th Century, and for a short time PM himself, was a philosopher. He wrote several articles in *Mind*, as well as a book critically surveying the popular philosophical views of the late 19th century. His criticisms of idealism anticipate in some respects Moore's more famous criticisms. And Balfour's connections to philosophy proved very helpful to philosophers who got themselves into high profile scraps. He couldn't keep Russell out of prison during WWI, but he did intervene to make sure Russell got particularly lenient treatment.

Keynes seems to have had a real visceral dislike for most Conservatives. See for instance this rather pointed passage from his obituary for Asquith.

His temperament was naturally conservative. With a little stupidity and a few prejudices dashed in he would have been Conservative in the political sense also.

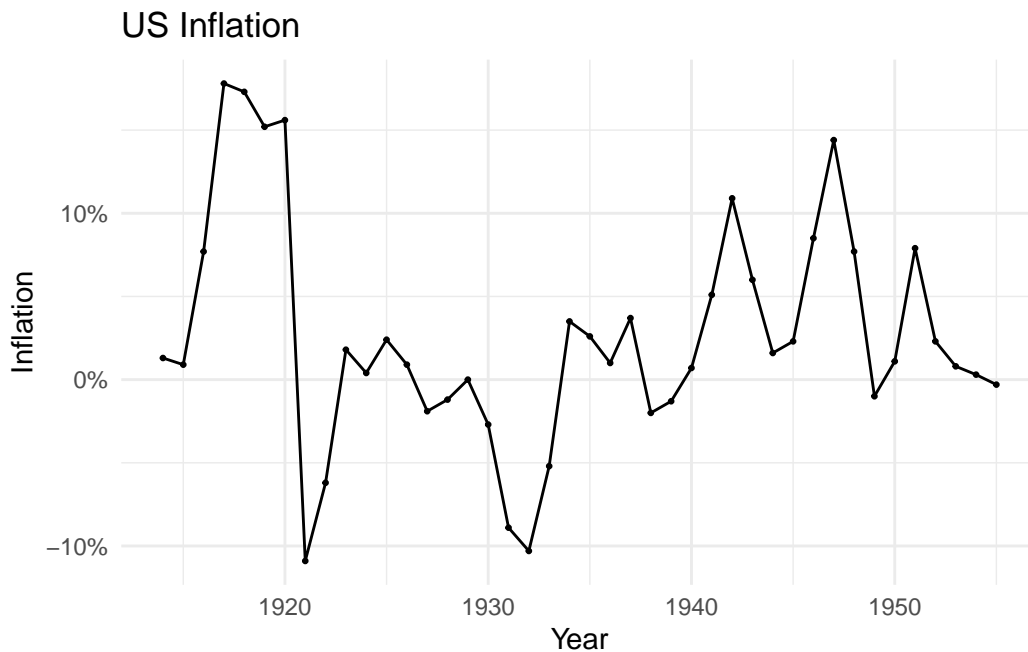
But Keynes's obituary for Balfour, while somewhat impersonal, is very generous in its intellectual praise, favourably comparing Balfour's early economic work in the 1890s to that of the more famous economists of the time.

### **Britain's Economy Between the Wars**

If you grew up in Australia or America, and you heard anything about economic history, you probably heard about the Roaring 20s, and the Great Depression of the 1930s. After a decade of unbelievable prosperity, it all came crashing down. The numbers certainly bear that out. We don't have exact statistics for this period, in part because the conceptual engineering that Keynes and others did to construct the statistics we now rely on hadn't been done. (I don't know these debates very well, but my sense is that Keynes often lost; he was causally relevant to the prominence of the statistics we now rely on, but not always in the way he intended.) Nevertheless, we can make rough estimates of inflation and unemployment, and this tells

us something about the US economy. (Estimates about Australia seem even more fuzzy, so we'll stick to America.)

First inflation. These are the annual inflation rates according to the records of the [Minneapolis Fed](#) (who are in turn relying on the BLS).



It's a bit surprising how low inflation is in the 1920s, after the weirdness of prices bouncing all over the place after the war. (They also spiked after the two biggest supply chain disruptions of the last 100 years, World War II and the COVID pandemic. In each case prices never came back to pre-disruption levels, but inflation subsided fairly quickly.)

Unemployment tells a clearer story. The following table is a screenshot from Gene Smiley's 1983 paper "[Recent Unemployment Rate Estimates for the 1920s and 1930s](#)".

There isn't a standard way of measuring unemployment at the time, in part because of disagreements about how to classify people in New Deal "work relief" programs. Darby counts them as employed, while most statisticians do not. But however we think about that question, two things stand out from columns 5 to 7, which I think are the closest to current statistics. The first is that after the complications of demobilisation (and a pandemic), unemployment was fairly low through the 1920s. The second is that no matter what you think about work relief, things were completely horrible for workers in the 1930s. (Though apparently if one had a job, wages did not in fact fall, a point that's important for chapter 2 of the *General Theory*.)

TABLE 1  
UNEMPLOYMENT RATE ESTIMATES, 1919–1941

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<i>Meredith</i>	<i>Paul Douglas:</i>	<i>Daniel</i>		<i>As a Percent</i>			<i>As a Percent</i>		
	<i>Givens:</i>	<i>Transportation,</i>	<i>Carson:</i>		<i>of the Civilian</i>			<i>of the Nonfarm</i>		
	<i>Minimum</i>	<i>Coal Mining,</i>	<i>Wage &amp;</i>		<i>Labor Force</i>			<i>Employees</i>		
	<i>Nonagri-</i>	<i>Building, &amp;</i>	<i>Salary</i>	<i>David</i>	<i>Leber-</i>			<i>Leber-</i>		
<i>Year</i>	<i>Labor</i>	<i>Manufacturing</i>	<i>Workers</i>	<i>Weintraub</i>	<i>Gott-BLS</i>	<i>Coen</i>	<i>Darby</i>	<i>Gott-BLS</i>	<i>Coen</i>	<i>Darby</i>
1919	—	6.9	—	—	1.4	—	—	2.4	—	—
1920	5.1	7.2	10.1	6.0	5.2	—	—	8.6	—	—
1921	15.3	23.1	22.3	25.0	11.7	—	—	19.5	—	—
1922	12.1	18.3	16.4	22.0	6.7	7.3	—	11.4	12.3	—
1923	5.2	7.9	9.9	11.0	2.4	4.5	—	4.1	7.4	—
1924	7.7	12.0	12.7	13.0	5.0	6.0	—	8.3	10.0	—
1925	5.7	8.9	9.4	13.0	3.2	4.9	—	5.4	8.9	—
1926	5.2	7.5	6.6	11.0	1.8	4.1	—	2.9	6.7	—
1927	6.3	—	7.5	12.0	3.3	5.0	—	5.4	8.2	—
1928	—	—	8.0	13.0	4.2	5.5	—	6.9	8.9	—
1929	—	—	5.7	10.0	3.2	5.5	3.2	5.3	8.8	5.3
1930	—	—	14.3	19.0	8.7	9.1	8.7	14.2	14.5	14.1
1931	—	—	—	—	15.9	13.0	15.3	25.2	20.7	24.3
1932	—	—	—	—	23.6	18.8	22.5	36.3	29.4	34.5
1933	—	—	—	—	24.9	19.8	20.6	37.6	30.6	31.1
1934	—	—	—	—	21.7	21.3	16.0	32.6	31.8	24.0
1935	—	—	—	—	20.1	19.5	14.2	30.2	29.1	21.4
1936	—	—	—	—	16.9	16.6	9.9	25.4	24.9	14.9
1937	—	—	—	—	14.3	14.1	9.1	21.3	21.0	13.7
1938	—	—	—	—	19.0	17.8	12.5	27.9	26.2	18.3
1939	—	—	—	—	17.2	16.0	11.3	25.2	23.7	16.5
1940	—	—	—	—	14.6	14.4	9.5	21.3	21.1	13.9
1941	—	—	—	—	9.9	—	6.0	14.4	—	8.7

Figure 1: Estimates of unemployment in the US between the World Wars.

The big thing I want to stress in this appendix is that the situation in the UK was very very different to this. Again, we'll start with inflation.



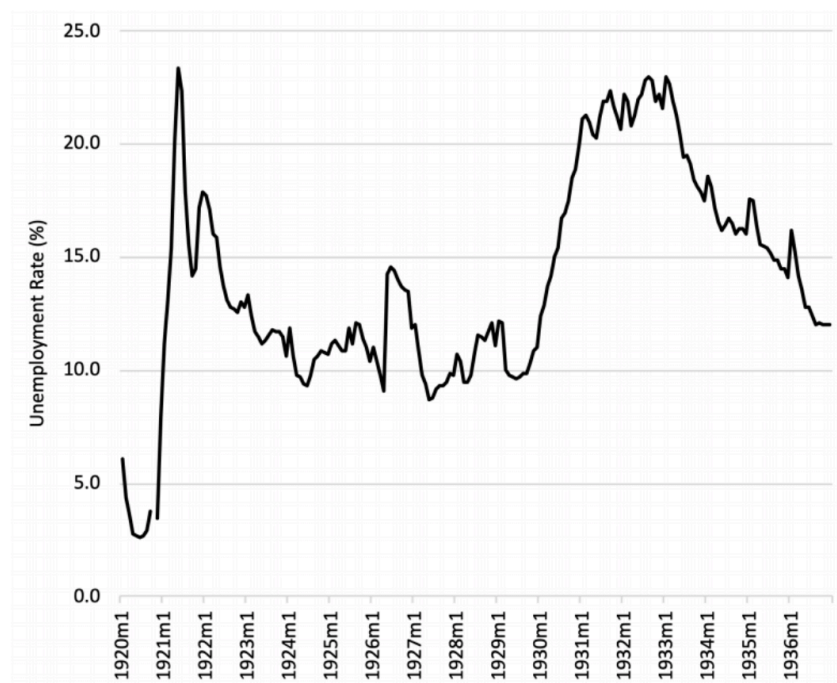
World War I was a catastrophe for prices in the UK; by the time things settled down prices were two-and-a-half times what they were at the start of the war. There was a push both from politicians and (I suspect) the public to get not just inflation but prices down. And they did this, and it was a crisis. There was first a huge deflation (getting rid of the 'half' in the 'two-and-a-half' price rise) then somewhere between price stability and deflation every year until rearmament gets seriously under way in the late 1930s. What does this do to unemployment? Now that we have Keynes we'd expect it would be brutal, and well, it was brutal. It isn't easy to get the data, but the best estimate I've found is a recent estimate by Meredith Baker in her paper ["Re-Evaluating British Unemployment Between the Wars"](#). Here's a screenshot of her summary finding.

Now the 1930s are definitely worse than the 1920s; the graph does go up as the decade changes. But the 1920s were not actually good. The dislocation of ending the war produced as much unemployment as the Depression. And while a bit more than half of that was transitory, unemployment barely dropped below 10% for the decade. If you're used to thinking of 10% unemployment as the border between things being merely bad and it being a full-blown crisis, you'd say that Britain was in crisis for practically the entire interwar period.

This matters to our story because it's hard to make sense of what Keynes was saying in the



FIGURE 1: AGGREGATE UNEMPLOYMENT IN BRITAIN, 1920–1936



Source: National Bureau of Economic Research, Insured Workers Unemployed for United Kingdom [M082ABGBM513NNBR], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/M082ABGBM513NNBR>.

Figure 2: UK unemployment from 1920-1936 (via Meredith Baker)

late 1920s if your worldview is American (or Australian). A common caricature of Keynes is that he supported unlimited government spending in all circumstances. And he certainly was in favour of big public works programs in the late 1920s. But this wasn't because he thought these were always called for; it was because the crisis was entering its second decade. This is all important context for Keynes's 1930 paper *Economic Possibilities for our Grandchildren*, which we'll look at next time.