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## THE GERMAN EDITION OF KEYNES'S *GENERAL THEORY*: CONTROVERSIES ON THE PREFACE

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### 1. THE ROLE OF KEYNES IN GERMANY

The first foreign-language publication of *The General Theory of Employment, Interest and Money* by John Maynard Keynes was published in German in the same year as the English original in 1936. It was in Germany that "A Monetary Theory of Production", the outline of his research programme, had been published as his contribution to the *Festschrift* for Arthur Spiethoff in 1933, when Keynes was half-way from his *Treatise on Money* (1930) to the *General Theory*. However, with the Nazis' rise to power, this year also marked a significant political watershed. The dismissal, expulsion and emigration of economists had the consequence that many of the earlier reviewers and commentators of the *Treatise* were not living in Germany anymore when the *General Theory* was published. Nevertheless, the extent and intensity of the early reaction to Keynes's book in the German language area as well as by German-speaking émigré economists was remarkable (Hagemann 2008).

Keynes had been a central point of reference in economic debates in Weimar Germany ever since his resignation as a senior Treasury representative at the Versailles Treaty negotiations and making his opposition against the terms proposed on Germany public in his pamphlet *The Economic Consequences of the Peace* (1919). This book, which was also translated into ten other languages and made Keynes world-famous for the first time, was published in a German translation *Die wirtschaftlichen Folgen des Friedensvertrages* (1920) by Moritz Julius Bonn in co-operation with Carl Brinkmann within six months. The book was a great success in Germany: ironically, on the nationalist right similar misunderstandings prevailed as in the Allied countries where Keynes was accused of being pro-German whereas in fact he was pro-European, worrying not only about Germany's limited capacity to pay unrealistically high reparation payments but also about the absorption problem in the recipient countries and above all the reconstruction of the shaky post-war European economies.

Furthermore, there had been many parallels in the debates on the wage-employment nexus between Germany and Britain in 1929-32 (Hagemann 1999). Whereas in Germany the reparation payments implied the necessity to generate export surpluses, which caused industry and orthodox economists to call for a deflationary wage policy to raise international price competitiveness (which only succeeded in the Great Depression with disastrous economical and political consequences), in Britain a similar debate arose after her return to the gold standard at pre-WWI parities in 1925, which Keynes (1925) had tried to prevent in vain by writing his "*The Economic Consequences of Mr. Churchill*".

### 2. GERMAN EDITIONS OF THE "GENERAL THEORY"

The German translation *Allgemeine Theorie der Beschäftigung, des Zinses und des Geldes* by Fritz Waeger, printed by Keynes's old publisher Duncker & Humblot in Berlin, suffered from Waeger's insufficient comprehension of the new concepts and complex thoughts which, admittedly, are not easy to understand in English and to interpret in a proper way. Furthermore, the access for students and other readers to his *opus magnum*, which Keynes had mainly addressed to his fellow economists, was rendered much more difficult by the use of an old-fashioned, and sometimes inaccurate style and diction. For example, the Keynesian term *rentier* had been translated in the Waeger edition as *Rentner*, so that "the euthanasia of the Rentier" (p. 376) mutated to the *Tod des Rentners* (p. 317). A proper translation for the rentier as a functionless investor, however, is *Rentier* and not *Rentner* who in German describes an elder person who is receiving a pension, i.e. a pensioner.



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For a long time there existed a widespread demand for a new German edition. However, the Waeger translations went into nine editions until 2002 (<sup>2</sup>1952, <sup>3</sup>1955, <sup>4</sup>1966, <sup>5</sup>1974, <sup>6</sup>1983, <sup>7</sup>1994, <sup>8</sup>2000, <sup>9</sup>2002). For copyright reasons it took until 2006 that a completely revised German edition of Keynes's *General Theory* was published at the initiative of Jürgen Kromphardt, who in 2003 had become the founding chairman of the *Keynes-Gesellschaft* (Keynes Society, see <http://www.keynes-gesellschaft.de>), which currently has ca. 150 members. Kromphardt and his associate Stephanie Schneider corrected and revised the Waeger edition, including a completely overworked "Vokabularium" of German-English terms which Waeger had added to the translation. The value of this new German edition was further increased by a new index of symbols and by mentioning the corresponding page numbers of the English original on every page. The main improvement in the eleventh German edition published in 2009 was the addition of "Elucidations" on the structure of Keynes's work (15 pages).

### 3. KEYNES'S PREFACE TO THE GERMAN EDITION OF 1936

Keynes's Preface to the German edition of his *General Theory* has often been interpreted to reveal that Keynes had sympathies for the national-socialist regime. For example, Murray Rothbard (1992: 192), a radical student of Ludwig von Mises and an ardent believer in absolute minimal government, who was on a lifelong crusade against Keynesianism and the welfare state, declared:

"But the most convincing evidence of Keynes's strong fascist bent was the special foreword he prepared for the German edition of *The General Theory*. This German translation, published in late 1936, included a special introduction for the benefit of Keynes's German readers and for the Nazi regime under which it was published."

On the other extreme of the political spectrum, in the former communist German Democratic Republic, the tenor was quite similar. Thus Krause and Rudolph (1980: 192, my translation) in their standard textbook on the baselines of economic thought in Germany stated: "Keynes accepted the political relations in Nazi Germany as a basis for the acceptance of his theoretical view." Considering the political circumstances and the ideological pressures in the former GDR this is a relatively moderate statement compared to some other ones as, for example:

"Keynesianism as the dominant political-economic apologetics of the state-monopolistic capitalism contributed to justify the measures with which German fascism 'solved' the unemployment problem by rearmament which led to WW II."

(Schwank 1961: 56-7, my translation)

Whereas the former statements definitely were not made by leading representatives of a value-free science-approach in the sense of Max Weber, even more serious scholars were irritated by Keynes's German Preface to his *General Theory*. Thus the well-known economic historian Avraham Barkai in his reference work on *Nazi Economics* points out a continuity between Keynes and the Nazis which did not shock Keynes (see Barkai 1990: 6 and 69). Whereas of the two main biographers of Keynes Robert Skidelsky (2001: 230) only deplores Keynes's bad choice of words which contributed to confusion but expressed clearly that Keynes "did not want his ideas besmirched by associating them with fascism", Donald Moggridge (1992: 611) is so irritated by Keynes's "unnecessary" Preface that he comes to the conclusion:

"Keynes displayed remarkable insensitivity, indeed indifference, to a régime that put its political opponents into concentration camps and passed the anti-Semitic Nuremberg laws. [...] It is all shameful and puzzling."

This is an astonishing verdict in view of the fact that Keynes from the very beginning had never left any doubt as to his contempt of the Nazi regime and its crimes, as even Krause and Rudolph (1980: 500) concede who extensively quote from Keynes's letter to Arthur Spiethoff of 25 August 1933 in which Keynes expresses very clearly his disgust against the "barbarism" of the Hitler government. Together with Ernest Rutherford, Lionel Robbins and William Temple, the later Archbishop of Canterbury, Keynes also was part of the core group of British academics who, at the initiative of Sir William Beveridge, as early as 24 May, 1933 had founded the *Academic Assistance Council* (from 1936 onwards *the Society for the Protection of Science and Learning*) to help "University teachers and investigators of whatever country who, on grounds of religion, political opinion or



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race, are unable to carry on their work in their own country”, only seven weeks after the Nazis had launched the Restoration of Civil Service Act to dismiss persons from the public service for racial and/or political reasons (Hagemann 2007). So what is the evidence on which the accusations against Keynes concerning his sympathies for the Nazi regime is based?

In his Preface to the German edition of his *General Theory*, Keynes first of all is marketing his product in a similar way as he did in his Prefaces to the Japanese or French edition (see Keynes 1973).

“There have always existed important schools of economists in Germany who have strongly disputed the adequacy of the classical theory for the analysis of contemporary events. [...]

The most important unorthodox discussion on theoretical lines was that of Wicksell. His books were available in German (as they were not, until lately, in English); indeed one of the most important of them was written in German. But his followers were chiefly Swedes and Austrians. Thus Germany, quite contrary to her habit in most of the sciences, has been content for a whole century to do without any formal theory of economics which was predominant and generally accepted.

[...] *After all, it is German to like a theory. How hungry and thirsty German economists must feel after having lived all these years without one!*”

(Keynes 1936: xv-xvi, my italics)

So it all boils down to the following passage of the German Preface:

[...] For I confess that much of the following book is illustrated and expounded mainly with reference to the conditions existing in the Anglo-Saxon countries. Nevertheless the theory of output as a whole, which is what the following book purports to provide, is much more easily adapted to the conditions of a totalitarian state [the German text carries the official expression: *Totaler Staat*], than is the theory of the production and distribution of a given output produced under conditions of free competition and a large measure of *laissez-faire*. *This is one of the reasons which justify calling my theory a General [emphasis in the original] theory. Since it is based on less narrow assumptions than the orthodox theory, it is also more easily adapted to a large area of different circumstances. Although I have thus worked it out having the conditions in the Anglo-Saxon countries in view—where a great deal of laissez-faire still prevails—it yet remains applicable to situations in which national leadership [staatliche Führung] is more pronounced.* For the theory of psychological laws relating consumption and saving, the influence of loan expenditure on prices and real wages, the part played by the rate of interest—these remain as necessary ingredients in our scheme of thought *under such conditions, too.*”

(Keynes, taken from the foreword to the German translation in Schefold 1980)

As Bertram Schefold (1980) first came to notice there is an important difference between Keynes's original English version, as printed in the Royal Economic Society edition of his *Collected Writings* (Keynes 1973), and the text which actually was published in Germany in 1936 which Schefold (1980: 175) noted as “more explicit and more coherent”, with the text in italics being added.

The additional text appears reasonable if one links it to an important distinction Keynes makes in Chapter 19 “Changes in Money-Wages” between democratic systems with de-centralized wage bargaining and “highly authoritarian” systems for which the problem of destabilizing elastic price expectations in the process of deflationary wage policies does not exist:

“To suppose that a flexible wage policy is a right and proper adjunct of a system which on the whole is one of *laissez-faire*, is the opposite of the truth. It is only in a highly authoritarian society, where sudden, substantial, all-round changes could be decreed that a flexible wage policy could function with success. One can imagine it in operation in Italy, Germany or Russia, but not in France, the United States, or Great Britain.

(Keynes 1936: 269)

Due to the destruction of the archive of Keynes's German publisher Duncker & Humblot in the bombing of Berlin in WW II and the fact that the Keynes papers at King's College do not contain copies of all of his letters, Schefold (1980: 176) came to the conclusion “that there remains a margin of doubt as to the responsibility for the text which finally appeared in German.”



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#### 4. KEYNES'S "NATIONAL SELF-SUFFICIENCY" OF 1936

There is, however, a similar case where no margin of doubt as to the responsibility for changes in Keynes's original text and the German version remains. It is Keynes's article on "National Self-Sufficiency" which was published in the summer of 1933, the year of the Nazis' rise to power, in *The New Statesman* in Britain (Keynes 1933b) and *The Yale Review* in the United States but also in German as "Nationale Selbstgenügsamkeit" in *Schmollers Jahrbuch* (Keynes 1933c). A comparison of the English and the German version shows considerable differences. The tendency is very clear. Keynes's article was purged from all passages which could displease the Nazis. One passage which was cut off, i.e. not included in the German version, is the following (Keynes 1933b: 243-4):

"In those countries where the advocates of national self-sufficiency have attained power, it appears to my judgement that, without exception, many foolish things are being done. Mussolini may be acquiring wisdom teeth. But Russia exhibits the worst example which the world, perhaps, has ever seen of administrative incompetence and of sacrifice of almost everything that makes life worth living to wooden heads.  
*Germany is at the mercy of unchained irresponsibles – though it is too soon to judge her capacity of achievement*"  
(my italics).

There clearly remains no margin of doubt with regard to Keynes's view on the new Nazi regime in Germany, but who was responsible for the changes in his text? As Borchardt (1988) has scrupulously documented, the changes were made by the editor of *Schmollers Jahrbuch* Arthur Spiethoff, who was the only editor of a scholarly journal in economics who kept office after the Nazis' rise to power (Hagemann 1991: 44). Keynes, whose judgement morally and politically was very clear, disliked the changes about which he was informed but allowed the article to be published by writing to Spiethoff on 25 August 1933:

"I confirm that I am quite satisfied that my article should, on your responsibility, appear in the slightly curtailed form in which the proof reached me."

This agreement was assessed by Borchardt (1988) as "a case of co-operative self-censorship".

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