# The present crisis and the recent Portuguese translations of J.M. Keynes

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## 1. The context of appropriation

In order to understand the depth of the current crisis in both the economy and economics, it is important to learn from the lessons that history provides. On the one hand, it is a case of learning by comparison with other times of crisis and depression that cyclically befall capitalist economies on a world scale. Economic history offers us many opportunities for discovering moments that reveal a repetition of occurrences that underline the similarities between periods in which there is a rapid decline in economic activity coupled with great financial instability. The frequency with which people currently remember the Great Depression of the 1930's is perhaps the most eloquent demonstration of the fact that those who now interpret today's world wish to show that they are alert to the lessons that the past has to offer us. Yet history is also full of teachings which show us that economic science itself has, throughout its history, successfully demonstrated the capacity to renew its doctrinal frameworks, theoretical models and economic policy prescriptions. This capacity is evidence of a vitality that allows us to feel some optimism in relation to the answers that may be given for understanding and solving the problems of the present time.

This is the explanation for the recurrent and ever more insistent use that is made today of the testimonies and work of John Maynard Keynes, who has suddenly become transformed into the heroic saviour of a possible new and frightening great depression. It is therefore essential to underline the importance of knowing the history of a science whose practitioners believe it possible to find suitable solutions that have already been tried out in the past for similar problems.

Does this return to Keynes mean the end of the economic doctrines and theories that in recent decades have been placed at the service of the predominant orthodoxy in academic, business and political circles? Prudence warns us against making hasty judgements on this subject. The statements of disillusion and the prophecies of doom and disaster do not help us to understand the historicity of a science that can now evoke the use of theoretical and political answers that may later be rejected as an abuse. In other words, when economists with a neoclassical education and (neo-)liberal convictions are legitimately criticised for being incapable of interpreting and solving the current crisis, attention should be drawn to the fact that the contributions that they made in the past may still be useful in the future. Scientific research is not compatible with radical attitudes based on the idea of starting with a clean slate. Scientific "revolutions", paradigm shifts and the evolution of research programmes always include elements of continuity. Thus, at a time when the dirty water is being let out of the bath-tub, we should try and prevent the baby also being drained away in the swirl. We do, however, know that the child that we are left holding in our hands requires very special care and treatment.

However, given the fact that new macroeconomic paradigms associated with new policy regimes emerged after the Great Depression of the 1930's and after the Great Stagflation of the 1970's, we are allowed to speculate on how economics will respond to the global financial crisis initiated in the summer of 2007. And it seems plausible to admit that the renewal of macroeconomic reasoning will certainly accommodate a wide range of ingredientes of "old-fashioned" Keynesian macroeconomic theory and policy.

In territories that tend to favour a more considered presentation of analytical arguments, the warnings concerning lessons from the past are repeatedly to be heard. The lessons provided by the first Great Depression are considered essential for understanding the new depression in its initial phase (Krugman 2008); the heirs of the monetarist tradition are said to be incapable of understanding how situations of recession and economic depression occur (Temin 2008); the return to Keynes is seen as essential for restoring a climate of confidence that will make it possible to reinvent the "animal spirits" that have been lost and which are seen as providing the basis for the initiatives taken to

relaunch economic activity when the depression sets in (Akerloff and Shiller 2009).

Thus, a new Keynesian consensus is being woven, embroidered with messages that systematically remind us that the bad news is not something that has only now reached our ears and that the dangers associated with the irrational exuberance of the markets (Shiller 2000, recovering an expression used by Alan Greenspan when referring to the behaviour of investors in the stock market in the mid-1990s) have long since been announced. Indeed, the progressive dismantling of previously agreed macroeconomic policies, the excessive deregulation in financial markets, the prevailing climate of speculation and corruption in business circles (Stiglitz 2003), are all interrelated factors that help to explain the crisis of the economic and financial system at a global level, while simultaneously underlining the continued alarms about imminent disaster. We may take for granted that economies are inevitably unstable and financial folly is a permanent feature in different phases of the history of economic development. But once again we are told that "this time is different" (Reinhart and Rogoff 2009).

### 2. Keynes is back again

The context for a new appropriation of Keynes reminds us of Keynes's own alert when he said that "Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist" (Keynes 1936, 383).

One of the first reasons for now evoking Keynes is the actual nature of the current economic crisis and the entry into a phase of the business cycle that is characterised by sharp recession and a consequent depression. Remembering the Wall Street crash of 1929 and the Great Depression of the 1930s is an attempt to highlight the similarity between events and situations that leads people to fear the worst. The sharp fall in investment due to high interest rates and a shortage in the money supply, the sudden drop in industrial output, the substantial increase in unemployment (which, in the first years of the 1930s rose to levels of more than 20% in most industrialised countries), the

generalised fall in price levels and the large-scale bankruptcy of banking establishments are the main signs that can help us to describe the Great Depression of the early 1930s. Such events were the result of a combination of explosive factors (the aftermath of the First World War, an inadequate international monetary system and an inflexible monetary policy), which, generally speaking, can be summed up as the ineffectiveness and failure of the gold-standard and the inability to establish alternative monetary arrangements and counter-cyclical monetary policies.

The work that Keynes had produced up until the ocurrence of the Great Depression was insufficient for explaining the impact of this event in economic life. However, it became much easier to understand the Great Depression after reading the work that immortalised Keynes as a central figure in 20th-century economic thought (Keynes 1936). His intellectual and political importance derives from his opportune conception of a model to explain the insufficiency of aggregate demand, the substantial fall in consumption and investment capacity and the significant decline in the confidence of economic agents. All of this served by a consistent explanation about the possibility of equilibrium solutions being achieved below the level of full employment (contradicting the basic postulates of classical and neoclassical economic theory) and accompanied by the indication of possible remedies for ensuring that the economy could attain a new state of equilibrium for higher levels of employment and income.

The diagnosis and proposals presented by Keynes for relaunching the economy benefited from the experience of the New Deal introduced by Roosevelt in the USA from 1933 onwards, as well as from the process of inverting the cycle that had been attempted in other European quarters (namely with the National Socialist policies adopted by Hitler in Germany) based on expansionist recipes that were advisable for this purpose: lowering the interest rate, devaluation of the currency, incentives for consumption and investment, public ownership and regulation of strategic sectors of the economy, heavy involvement of governments in wage policy and the progressive development of welfare state policies.

Another motive to remember Keynes in the present context is the attention he drew to a decisive factor that could determine an effective

economic recovery: the creation of a new state of confidence that would enable economic agents to invest, within an institutional framework in which the main central banks would guarantee the proper functioning of the financial markets.

#### 3. The translation of Keynes into Portuguese

The reasons explaining the opportunity of a return to Keynes have been drawn in several books published in the last 3 or 4 years, among which deserve special attention the works by Robert Skidelsky (2009), Paul Krugman (2008), Paul Davidson (2009) and Roger Backhouse and Bradley Bateman (2011). The first 3 of these books have been translated into Portuguese a few months after their publication in English, which is indeed quite astonishing in a country where the velocity of translation of economic texts has not always reached high levels of efficiency.

But it is even more amazing the fact that it was precisely in this context that the works of Keynes himself were for the first time translated in Portugal. Portuguese translations of Keynes had already occurred in Brazil, but the strange rules of the editorial market in both Portuguese speaking countries did not allow for a smooth circulation of the translations of Keynes in Portugal.

The first book to be considered is titled A Grande Crise e outros textos ("The great crisis and other texts"), corresponds to a selection of scattered chapters from The Economic Consequences of the Peace, A Tract on Monetary Reform, Treatise on Money, Essays in Persuasion and The General Theory of Employment, Interest and Money, under the general heading of the topic of economic crisis and the theoretical and political responses to it (Keynes 2009). In the preface, the translator echoes the contextual motives that help to explain the relevance and importance of reading Keynes today. The different meanings and perceptions of Keynes's message notwithstanding, there is a clear purpose of presenting several possible interpretations under a broad critical argument concerning the imperfect functioning of markets when left to their self-control.

The second book translated is *The General Theory of Employment, Interest and Money*, published for the first time in Portugal almost 75 years after its first appearance (Keynes 2010). This translation is based on the 2007 Macmillan reprint with an introduction by Paul Krugman.

The quality of the translation is very good and it is worth referring that finally students of economics and the educated audience have a direct access to the Portuguese version of one of the most important books in the history of economic thought.

Apart from the acknowledgement of the wider circulation of Keynes's ideas, the opportunity of the translation is clearly motivated by the political and economic situation of a country fighting against a severe economic and financial crisis. In this difficult context, the translation of Keynes serves as a source of inspiration for the implementation of the appropriate measures to overcome the crisis situation experienced in Portugal.

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