

The French translation of *The General Theory*:

Lessons for Keynes's Grandchildren

The composition of this book has been for the author a long struggle of escape, and so must the reading of it be for most readers, if the author's assault upon them is to be successful, - a struggle to escape from habitual modes of thought and expression. The ideas which are here expressed so laboriously are extremely simple and should be obvious. The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds.

Preface to the English edition of *The General Theory of Employment, Interest and Money*, December 1935 (Keynes, 2017, p.24).

Two years after its publication in 1936 in Great Britain, *The General Theory of Employment, Interest and Money* had still not been translated into French. Yet several of Keynes's earlier works, *The Economic Consequences of the Peace* (1919), *A Revision of the Treaty* (1921), *A Tract on Monetary Reform* (1922), *The French Franc* (1926 and 1928), and *Essays in persuasion* (1933) existed in French. In 1936, Payot had declined the English publisher's offer to publish a French translation of *The General Theory* on the grounds that French readership was lacking for such technical work. On the other hand, the German translation contract had been concluded as early as 1935, before even the publication of the original English version. The German edition was thus on sale in December 1936.

This article contains three parts: 1/ the free mind of a young civil servant, highlighting the contrast between the prevailing ideas and those that inspired Jean de Largentaye, 2/ clear concepts for a new theory, referring to Jean de Largentaye's lexicon and some fundamental concepts of *The General Theory*, and 3/ pillars to be toppled, underscoring the strength of oppositions. The conclusion summarizes lessons to be learned.

1. The free mind of a young civil servant

In 1937, Largentaye was unaware of the existence of *The General Theory* and had apparently paid little attention to the author. Keynes's masterpiece had been published for more than a year. In retrospect, this situation is the more surprising since the *Inspection des finances* (Largentaye's elite corps in the civil service) required knowledge on the subject of money. It was while preparing for admission into the *Inspection des finances* that Largentaye became interested in a book he often referred to, "*The Meaning of Money*" (1909), authored by Hartley Withers, editor of *The Economist*. The first pages of Keynes's *Treatise on Money* deal with the same subject but were never quoted by Jean de Largentaye.

- Keynes was unpopular in France

The relationship between French economists and Keynes was complex, compounded by Keynes's condescending behaviour towards the French. His pamphlet, "*The Economic Consequences of the Peace*," was a critique of the Treaty of Versailles. As a result, the idea that Germany could not pay influenced world opinion and fuelled the camp of British and American appeasers.

Etienne Mantoux (1913-1945, killed in action), a young French economist familiar with Keynes, disputed Keynes' thesis, believing that Germany was well able to pay for reparations. The policy of appeasement facilitated the militarization of the Ruhr (March 1936) and thus contributed to withdraw the centrepiece of France's military protection as established in the Treaty of Versailles. Keynes' role in the rise of the Nazi threat was therefore significant.

- French economists unprepared for the 1929 crisis

In terms of economic theory, France lagged behind and suffered from poor communication between academics and civil servants, even though groups of intellectuals and trade union networks participated in international conferences (Pontigny Abbey in September 1934 and Geneva in 1936) and discussed foreign theories and experiences.

A close friend of Léon Blum, Georges Boris was also interested in the experience of the Roosevelt administration at that time. But in 1933 and 1934 his socialist leaning probably kept him away from Jean de Largentaye.

In France, Keynes's ideas were either disdained or ignored, or too familiar to arouse the need to translate his General Theory. But above all, France had not grasped the revolutionary importance of his work. The lexicon in the French translation (please see below) sought to catch up on France's handicap.

- Jean de Largentaye's social concerns fuelled his interest in monetary issues

In the *Inspection des finances*, which he joined in 1931, Jean de Largentaye explored the economic malfunctioning of democracies he wished to protect. In France, the Republic was shaken by severe riots in Paris on February 6, 1934. In 1936, France was not far from a civil war. Léon Blum was lynched by a mob on February 13, 1936. In Spain, civil war broke out in July. For Jean de Largentaye, individual liberty was top of his values and unemployment was the major failure of liberal democracies.

Laid off from *L'Air Liquide*, the company that employed him, in September 1929, he experienced unemployment painfully and found particularly unbearable his useless social position. Thus, notwithstanding his conservative social origins, Jean de Largentaye made unemployment his priority concern as a civil servant versed in economic policy. When it appeared to him that *fiat* money was a main source of evil, he decided that the place of finance in the structure of society should be questioned.

Jean de Largentaye was indeed puzzled by monetary issues. Hartley Withers had struck his mind. In 1933, he became aware of the work of an engineer named Louis Fizaine. The book "*Crisis and Money*" proposed to replace the gold standard by a set of eight metal commodities and, by extending the gold standard to include other metals, to compensate and dampen price fluctuations. Louis Fizaine enjoyed a certain celebrity and gave many conferences in the 1930s, some with political figures such as Paul Reynaud and François de Menthon.

The General Theory was brought to Jean de Largentaye's attention by a fellow graduate of the *École Polytechnique* in 1937 when he was preparing, at the *Mouvement général des Fonds* (now the *Direction du Trésor*) of the Ministry of Finance, the answer for the Minister of Finance, Vincent Auriol (1884-1966), to Gaston Bergery (1892-1974), a member of the *Chambre des députés* (parliament) who had criticized the government's economic policy. *The General Theory* enabled Jean de Largentaye to see the flaw in the monetary question raised. It also gave him the solution to the dilemma that poisoned the political scene in France and tormented him in his moral and political convictions.

From then on, *The General Theory* transformed the young *inspecteur des finances* into its zealous propagator. He devoted the rest of 1937 to analyzing, deciphering, and disseminating his analyses within the Ministry of Finance. In January 1938, he offered Keynes, whom he did not know, to translate his 400-page work.

- Operating under the enemy.

In 1937, Jean de Largentaye worked in the French Treasury under Jacques Rueff (1896-1978). His fellow *inspecteur des finances*, together with Charles Rist (1874-1955), academic economist and deputy governor of the Banque de France, was one of the foremost defenders of the gold standard in France. After graduating from the *Ecole Polytechnique*, Jacques Rueff joined the *Inspection des finances* in 1923. While in the staff of Raymond Poincaré, prime minister and minister of Finance (1926-1927), his 1926 report on the equilibrium exchange rate of the franc gave him notoriety. Jacques Rueff admired Léon Walras (1834-1910), the French economist who theorized market equilibrium.

Rueff considered that unemployment could only be voluntary: an unemployed person could always find employment by reducing his ambitions. When England quit the gold standard (21 September 1931), Jacques Rueff was posted in London. Like Chancellor Brüning in Germany, he advocated wage flexibility to adjust the economy to international prices. Such an adjustment was in his eyes consistent with full employment. Contrary to wage flexibility, unemployment benefits and minimum wages could only exacerbate unemployment.

After London (1930 - 1934), Jacques Rueff was appointed deputy director of the *Mouvement général des Fonds*, then deputy director (1935-36) and finally director (1936-1939). In May 1937, his minister Vincent Auriol asked him to respond to Gaston Bergery's speech in the *Chambre des Députés*, accusing the government of submitting to the "*mur d'argent*" (the capitalist elite in control) and of putting the country in a situation of "monetary asphyxiation".

In particular, Auriol wanted to know whether the quantity of money was less than it was in earlier periods. The draft reply from the *Mouvement général des Fonds*, dated 27 March 1937, was signed by its director, Jacques Rueff. No mention of the writer, Jean de Largentaye.

The drafted note found that the quantity of money was not less in 1937 than in 1913, which could infer that there was no monetary asphyxiation. However, the note added that while the supply of money did not seem insufficient, its demand could well have been. If so, the demand

for money needed stimulation by improving the prospect of making profits, which was the engine of economic activity. The draft thus reflected the General Theory's marginal efficiency of capital.

And concluded: "*Certain legal, fiscal and even monetary reforms could make a useful contribution to this.*" The suggestion contained in this sentence was implemented in the stimulus program of the second Blum government (March 13, 1938 - April 8, 1938). A handwritten annotation in the margin (probably by the signatory Jacques Rueff) asks, with regard to the reforms: "Which ones in the present circumstances?"

The last sentence of the answer, "*Certain legal, fiscal and even monetary reforms could make a useful contribution to this*" (i.e. contribute usefully to restoring investors' profit expectations) suggested something that was to be implemented in the program of the second Blum government (March 13, 1938 - April 8, 1938). A handwritten annotation in the margin (probably by the signatory Jacques Rueff) asks, with regard to the reforms: "Which ones in the present circumstances?"

It was the quest for clear concepts that motivated the translation and characterized it during its duration (April 1938 to December 1939). The result was the laborious elaboration of the lexicon in the French translation.

In this lexicon, Jean de Largentaye presented the essence of Keynesian logic, revealing the causality between independent or exogenous variables (the propensity to consume, the marginal efficiency of capital, the interest rate or the unit of wage) and the two dependent or endogenous variables, i.e. effective demand and employment. The translator thus provided the linguistic framework for policies of full employment, those that were lacking in Western economies in the late 1930s.

- The definition of inflation

In his first letter to Keynes, Jean de Largentaye expressed his delight at the clarified concept of inflation. Until then, the word "inflation" had different meanings and most often meant "money issuance", the exact opposite of Bergery's "monetary asphyxiation". Jean de Largentaye's first address to Keynes (in English) began as follows:

"Paris, January 31, 1938.

Dear Sir.

For several years, I have been constantly puzzled by the exact nature of "inflation" and the limit beyond which the increase of means of payment is supposed to constitute a veritable inflation. It was because I could not discover the answer to this fundamental question in monetary studies that I was led to consult your "General Theory of Employment, Interest and Money".

As soon as I read it for the first time, this work enlightened me considerably on the subject, and now that I have read it again and have thought it over ripely, your General Theory appears to me in all its pristine clarity and appositeness.»

Jean de Largentaye had evidently become familiar with Chapter XXI, "The Theory of Prices," of *The General Theory*. Departing from the quantitative theory of money, Chapter XXI shows the complexity of the relationship between money issuance and its effects on prices and production, until then imperfectly evoked by the notion of inflation. Keynes considered that "true inflation" was characterized by the rise in prices exclusively in situations of full employment, when output could no longer increase except at the pace of productivity.

This idea would inspire the note that Largentaye submitted a few weeks later, on 26 March 1938 (during the second Blum government), on the "extraordinary expenses of Germany". Jean de Largentaye showed that, with strict exchange controls, a large expenditure programme could be financed by printing money (or its equivalents), without causing inflation.

Full employment and liquidity preference

Full employment, the aim of *The General Theory*, represents a new and revolutionary concept. Orthodox economics assumed that full employment was always achieved and that unemployment could only be voluntary. Keynes, on the other hand, showed that employment was linked to demand, which depended on a number of variables. "Effective demand" is, as is well known, an essential notion of the *General Theory*. Jean de Largentaye felt that in French he had to invent the expression "*plein emploi*", more elegant than "*emploi complet*" or "*volume complet de l'emploi*", which were alternative suggestions.

Another concept coined by Keynes, "liquidity preference", did not exist in France, where economists considered only the demand for money. In Chapter XIII on the interest rate, the *General Theory* analyzes liquidity preference by distinguishing three motives: transactions, precaution and speculation. Largentaye overcame some linguistic differences with Keynes and imposed his French formulation: "*preference pour la liquidité*."

Marginal Efficiency of Capital and Interest Rates

By distinguishing the marginal efficiency of capital (the expected return on invested capital) from the rate of interest, Keynes identified the essential motive of the capitalist investor. The marginal efficiency of capital is the subject of chapter XI, which was the first Jean de Largentaye translated.

The draft reply to Gaston Bergery (27 May 1937) referred to the demand for credit, under which lay the incentive to invest, the subject of Book IV of *The General Theory*, which begins with chapter XI. The note found that profit expectations were weak. It therefore added: "it is above all important to improve them", i.e. to revamp demand (a clarification that Rueff's signature may have prevented).

Equality between savings and investment

The equality of savings and investment is another innovation of *The General Theory*, which, for Jean de Largentaye, deserved to be called Keynes' law.

"The major innovation of the General Theory is to have brought to light the equality of the total amounts of savings on the one hand and investment on the other. Because of its theoretical

and practical importance, the equality of savings and investment would deserve to be called Keynes' law. It would imply, for example, that reducing consumption would not by itself increase the overall amount of savings. (second translator's note, 1968)

In contrast, the orthodox theory considered the two entities were distinct, balanced by market forces.

Pillars to be toppled

- Free movement of capital

Despite the influence of *The General Theory*, the free movement of capital remains an essential article of freedom in some circles. Such was the opinion of Jacques Rueff after the collapse of the Austrian Kreditanstalt on 11 March 1931.

In Germany, the crisis appeared early in 1929 with the withdrawal of American capital. Between the summer of 1928 and April 1930, unemployment in Germany rose from 355,000 to 3,336,000. On 11 May 1931, under pressure from the United States, a conference in London decided to halt the exit of short-term capital invested in Germany (hence the expression "stand still"). In Basel, the so-called stand still committee was entrusted with the implementation of the decision.

Jacques Rueff considered the *stand still* a violation of the contracts under which finance had flowed into Germany. In deploring this "turning point in Western civilization," he expressed the visceral attachment of financial circles to the free movement of capital:

The decision that created the committee was, without anyone realizing it, of immense significance. It was, in fact, a turning point in Western civilization, which until then had been based on respect for contracts and monetary freedom. It was to lead to an entirely new system which would allow the practice of a policy of internal inflation without depreciation of the currency. In other words, it instituted exchange controls in Germany (Rueff, 1963).

- The neo-liberal tidal wave

At the turn of the twenty-first century, the financial securitization industry thrived on the orthodox theory of laissez-faire. In the early 1950s, McCarthy's "witch hunt" in the U.S. had opened the gates for attacks on *The General Theory* by American industrial and financial interests. Driven by relentless pressure from opponents of state intervention, the laissez-faire theory in finance found support even in the American Democratic Party, which contributed to dismantle financial regulation.

The 2008 crisis exposed the flaws of these theories, confirmed by the surprising admission of former Fed chairman Alan Greenspan. In a hearing before the House Committee *on Oversight and Government Reform* on October 23, 2008, Alan Greenspan admitted that he had overestimated the ability of financial markets to self-regulate and that he had not foreseen the possibility that deregulation could unleash such destructive forces on the economy.

Conclusion: Lessons for Keynes' grandchildren in the context of sustainable development

The main lesson of the French translation of *The General Theory* is the need for clear concepts, free from preconceived principles and political preconceptions. After the translation, all the writings of Jean de Largentaye concerned with full employment were derived from the concepts of *The General Theory*, in particular effective demand.

It may be worth recalling that simple language tends to make a text more accessible. *The General Theory* remains a technical work, difficult to read, which may have contributed to its limited circulation. Arguing that his audience was well informed, Keynes opposed Jean de Largentaye's proposal for a translation into common language. Yet Keynes found it necessary to explain that his Theory was based on simple ideas ("*The ideas so laboriously expressed here are extremely simple and should be self-evident.* - J.M. Keynes, Preface to the English edition of the *General Theory*, 1935)

The story of the translation of the *General Theory* is one of a zealous enthusiast. In 1937, notwithstanding his solid professional degrees, Jean de Largentaye discovered *The General Theory* by surprise. Whatever the intellectual barriers in France, it was Jean de Largentaye's intellectual candour, no doubt combined with his scepticism about the deflationary policies applied in France, that contributed, as Keynes foresaw (cf. epitaph at the top of the article), to make the translator aware of the importance of new ideas.

History has unfortunately shown that *The General Theory* has not fulfilled its promises. Situations of full employment have been rather limited since its publication, especially in times of peace, and inflation has been more problematic to control than would have been liked. The liberal tidal wave of the late 1970s has caused the return of considerable inequality. Today, as a result, there is a lack of social cohesion to confront the environmental crisis.

This article has hardly mentioned the criticism of the *fiat* money system, which will no doubt be dealt with in other panels of the Lille colloquium. Monetary reforms seem further away than ever as finance has prospered with the rise and multiplication of debt instruments. Thus, the world of finance is today better entrenched against reforms that should strengthen the regulation of debt issuance.

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