PLATE XXXV

Photograph by J. Russell & Sons, 1940

SIR DENNIS ROBERTSON, C.M.G.

DENNIS HOLME ROBERTSON

1890–1963

WHEN Dennis Robertson was invited to give the Stamp Memorial Lecture in the University of London (1954) he had nothing particularly fresh to say. His subject was Wages Policy, a topic on which he had often pronounced before; he chose it from a sense of duty, for he felt about it intensely. In substance, what he gave was a sermon: the kind of sermon economists often feel that they are called upon to preach. But what a sermon it was! The stage was set as an imaginary Royal Commission, of which the lecturer was supposed to be a member; the chairman 'a breezy retired Admiral' would have personal remarks addressed to him when he (or the audience) was inclined to go to sleep. Later on (play within play) the 'professor fellow' stages a debate, pro and con a (decidedly debatable) thesis: 'When I am about to become a champion I shall raise my right arm, and when a critic my left arm; so I am afraid, Admiral, that in spite of that lunch you must keep your eyes open as well as your ears, or you won't know what is happening.' Sermon becomes entertainment.

I begin with this (rather extreme) example because it shows a side of Robertson that is characteristic, and obvious even to his readers, but of which, in a sketch like the present, it will be easy to lose sight. Yet if one does not give it prominence, the whole impression will be wrong. One must concentrate, when telling his story, on the great events in the history of economics, *quorum pars magna fuit*; but it is well to remind ourselves, before beginning, that he was a most unusual kind of economist, with a dimension to him that went far outside economics, expressed in a style that was peculiarly his own.

He came, by birth as well as by education, from the world of the English public school. The Robertsons were of Scottish origin, but his ancestors (on both sides) had for generations been clergymen and schoolmasters, at various schools and in several parts of England. His father, James Robertson, had been a master at Rugby and at Harrow, and for six years (1884–90) headmaster of Haileybury. Dennis was his sixth and youngest child, born in the latter year. It was a sad moment for the family, since his father had just resigned the headmastership, on account of a mistake in administration the blame for which he had insisted on taking upon himself. He spent his last years as a country parson, at Whittlesford in Cambridgeshire, with ample time to devote himself to the education of his children. Thus, until Dennis went to Eton in 1902 (shortly before his father died) his father was his only teacher. Not much of a preparation for the world; for the making of a classical scholar, a flying start.

Yet his years at Eton were happy; he made many friends and rose to be Captain of the School. When, in later years (1948), he was made a Fellow of Eton College, it gave him great pleasure. A Classical scholarship at Trinity (Cambridge) followed naturally; he went up in 1908. In 1910 he had a I. 1 in the First Part of the Classical Tripos. But that must have come easily to him, for he found time for many other things.

It was of course an exciting time at Cambridge, on the literary side and on many others. We find him winning the Chancellor's Prize for English verse, three years running (with rather conventional poems); acting with the A.D.C. and with the Marlowe Society (a life-long and very significant interest); developing his taste in music. But we also find him President of the Liberal Society, and President of the Union; though he did not attain these heights until after he had changed his subject. For in 1910 he had moved to the Economics Tripos; and with almost incredible rapidity he became an important economist.

Why did he move? One can only conjecture, but it is not hard to conjecture. An intellectual, but with a conscience that rode him more strictly than those of most intellectuals, he sought the field for his talents where he could be of most service. In the Cambridge of 1910, economics was the obvious answer. Social conscience is reason enough for the attraction to Marshall—and to Marshall's school.

Marshall, in fact, was not directly his teacher (for Marshall had retired in 1908); but it was Marshall's book that was the Bible of Cambridge economics. Pigou and Keynes had been Marshall's pupils, and it was the tradition of Marshall that in their teaching was expressed. Some of the essays on Marshall that Robertson (undergraduate) wrote for Keynes (his director of studies) are preserved. He himself became even more of a Marshallian than his seniors. Even in later years, when presented with what a correspondent thought was a new idea, he would more readily accept it if he could persuade himself that 'it's all in Marshall'; one had to remember that he came from a time when Marshall's Principles could indeed be regarded as a *summa* of economic knowledge.

He took his Part II (Economics) in 1912 (another First); and for the two years that remained of that epoch he worked in Cambridge as a research student. His thesis (which won him his Trinity Fellowship in 1914) was published in 1915 as 'A Study of Industrial Fluctuation'. What a thesis it was! It is hardly too much to say that it was the first of all attempts to apply systematic economic analysis to what was already a major problem—what was of course to become still more of a problem in later years. And it is not merely a theoretical book, not the mere model-building which was later to become so familiar. It is full of facts—or alleged facts, as the author was later so careful to insist. But indeed what else could be expected, in a piece of research done in so short a time, for which easily available sources, such as *Economist* Annual Reviews, had inevitably to be given more than their due weight? Even so, one gathers, it is not on the whole bad history. Though some of the influences on which much stress is laid (such as harvest fluctuations) look old fashioned, it is not clear that the emphasis is wrong, for the period which was under consideration. When he comes to the factors on which interest has later been concentrated, what he has to say is often new—and right.

Then came the war. In university circles he had associated with 'neutralists' (though training at the same time as a cavalryman in the O.T.C.). It was the invasion of Belgium that cleared the issue, and though he found some need to justify himself to his friends, he at once joined up. He was a soldier for the whole of the war years, but was saved from France (and from Gallipoli) by his horses—and by the mules that succeeded them. They kept him, almost throughout, as a Transport Officer, first in England, then in Egypt and Palestine, able to satisfy his sense of duty without continual danger. There were moments of danger, for one of which he was awarded the Military Cross. But there must also have been quieter periods. One supposes that he had some access to the *Economist*, for his post-war writings do not read as if he had been spending the war years on another planet. But nothing is traceable of his intellectual development (after 1915). One resumes when, after a period 'occupying' Constantinople, he came back to his Trinity Fellowship in the autumn of 1919.

His 'Cambridge Economic Handbook' *Money*, by far the most widely circulated of all his works, was published in its original form at the beginning of 1922. It reads like the work of an experienced lecturer, and of an expert in that particular topic; but it cannot in fact have been so. It was during his first year as a don at Trinity that the series of 'Handbooks' was devised; *Money* was actually written in the second half of 1920 (the preface is dated March 1921). Robertson was not at that time at all a monetary specialist; though he had his book on Fluctuations behind him, it had been a cardinal point in that book that (in opposition to Juglar and Hawtrey) the trade cycle is *not* a monetary phenomenon. There was no particular reason, when the series was planned, why 'Money' should have fallen to Robertson; he might (one would think) just as well have taken 'Supply and Demand' or 'Wages' or, as he actually did a little later, 'Control of Industry'. It would have been natural for 'Money' to have gone to Keynes himself; but Keynes was otherwise occupied, so he did not do a Handbook, but only wrote the famous preface. But 'Money', especially at that date, was an important assignment; it was important that it should be done quickly, which Robertson certainly did.

It is necessary to make a sharp distinction between the original version of *Money* and the more sophisticated (perhaps for its purpose too sophisticated) version that succeeded it in 1928. The original version is not very subtle analytically; but it has its place in history. The circumstances must be remembered. By the monetary events of the war (which they did not understand) the authorities (financial and political) had been torn from their traditional moorings; and there was as yet no substitute provided, save a crude form of Quantity theory, which attributed the rise in prices to the mechanical effect of the issue of *notes*. What Robertson gave (already in 1922) was much better than that. By shifting the emphasis on to the expansion of bank credit (facilitated, but not caused by, the knowledge that notes would be provided when there was a 'need' for them) he reduced the inflationary process into terms of a sequence of *actions*, such that the consequences of interrupting the sequence, at its various stages, could be separately judged. This was not the last word on inflation, but it was a great step forward. The virtue of it becomes even clearer when (in his last chapter) he turns to deflation (the tide had turned even as he was writing) and to the dangers of a precipitate return to gold. The note that was to be so important in 1925 (and later) is already struck.

Money was a textbook for students; the multitude of students who came to economics in the nineteen-twenties had much cause to be grateful for it. But so attractive a work (with a tone that was set by the 'Alice' quotations at the heads of the chapters) was bound to have a wider circulation. Its ideas took time to penetrate, but they did penetrate; and Robertson's reputation as a monetary economist penetrated with them.

But he himself could not rest there; what he had done was no more than a beginning. There followed the years of partnership with Keynes: separate publications, but a series that belongs together. Robertson, *Money* (1922); Keynes, *Tract on Monetary Reform* (1924); Keynes, *Economic Consequences of Mr. Churchill* (1925); Robertson, *Banking Policy and the Price-Level* (1926); Robertson, the new *Money* (1928) with his important lecture, 'Theories of Banking Policy'[1] (also 1928); Keynes, *Treatise on Money* (1930). What happened after 1930 we shall see later; but these later events will be more intelligible if one begins with some general remarks about the work that was done in the twenties, though it is impossible here to survey it in any detail.

The circumstances must again be remembered. They did not know what was coming, though of the fragility of the restored Gold Standard they were well aware. Their problems were the problems of 1922–9. After the war and post-war convulsions, what sort of a monetary system should be restored? Then, when the Gold Standard was restored, how was it to be made to work? It was a problem of monetary stability: what sort of stability, and how much of it? how (and how far) was it possible that desirable stability could be attained? It was not, at that stage, regarded as a problem of employment. The consequences for employment were envisaged, but they were regarded as following on from the primary problem. It was a problem of prices; first of *the* price-level, then (for Keynes after 1925, for Robertson at least from 1928) of sectional price-levels. It was also, as Robertson was the first to show—in *Banking Policy* (1926)—a problem of Saving and Investment.

By what financial policy (so Robertson posed the question—and the same line of thought is present, admittedly among others, in Keynes's *Treatise*) can one ensure that the savings, which savers desire to make, are transmuted into an accumulation of real goods that will correspond? In what way, that is, is it possible for a progressive economy to be kept, in this respect at least, in equilibrium over time? The objective, it will be noticed, was libertarian; the ideal was to interpret the wishes of the people, not to impose upon them a programme dictated by superior wisdom. But it was not believed—Robertson never

[1] Published in *Economica*; reprinted in his *Essays in Monetary Theory* (1940).

believed—that the concordance (even approximate concordance) of intention and realization could be automatic: that either by an absence of 'interference' or by regulation that could conceivably be expressed in an Act of Parliament, his liberal objective could be achieved. Guidance, at the least, was necessary. Monetary guidance was better than other guidance, chiefly because it was (or could be) less discriminatory. To keep the economy on an even keel by the right kind of monetary guidance was the ideal. But it was a difficult ideal to achieve; it must be expected that there would be failures—even disastrous failures. When there was a serious failure of monetary guidance, more drastic measures would be needed: measures which (it was admitted) involved a retreat from the libertarian ideal. Naturally when such measures are mentioned (in the years before 1930) they now sound extraordinarily mild. 'The deliberate spacing through time of governmental and other large demands for constructional work' is approved;[1] but that is as far as he usually cares to go. He is, however, resolute that one must be prepared to look in that direction, when need arises—as he is sure that on occasion it will arise.

We approach the turning-point. This was not the *Treatise on Money* (January 1930). Though it is clear that when Robertson had it, he found it less congenial than he had expected,[2] the *Treatise* still belongs to the period when he and Keynes were on the same side. The article which he wrote upon the *Treatise* (not published, in the *Economic Journal*, until September 1931—after what must have been prolonged discussions) concentrates, at least in appearance, upon technical points; weaknesses of Keynes's Fundamental Equations (that were later to be withdrawn by Keynes himself). The fact is (I think we may now see) that Keynes was in a process of transition from the original position (which must at some stage have been common to both) in which equality of Saving and Investment is a condition of *equilibrium over time*, inequality is a sign of disequilibrium (the motivator of a process of change), to his own later position, in which what had been the disequilibrium position (the *state* of disequilibrium) has moved into the centre of the picture. But there was much more behind, which had not yet emerged in the *Treatise*.

The critical years were those between the *Treatise* (1930) and the *General Theory* (1936). They covered (of course) the years of

1 'Theories of Banking Policy' (*Essays in Monetary Theory*, p. 59).

2 At the time when he wrote the preface to *Money* (1928).

the Great Depression. As Robertson saw it (surely rightly) the chief thing which differentiated this depression from others was the monetary breakdown;[1] monetary guidance had failed, not merely (as it was apt to do) by a failure of policy, but by sheer impotence—the collapse of the international monetary system. But this was an exceptional event, of which there was no cause to expect repetition; 'not all depressions' he was to say later[2] 'have the beautiful and terrible simplicity of that of 1929–32'. It was indeed an extreme case, but it required no fundamental change in the principles on which he had hitherto been working. Granted that the system had departed so far from 'equilibrium', exceptional measures were necessary; he had always said that they would be necessary; and now they would have to go much further than the mere 'spacing' of public works. Still they must be regarded as exceptional measures, needed to meet an exceptional emergency; when the emergency had passed (as it would pass) they must go back into the medicine-chest.

Keynes (and the Keynesians), from 1931, were beginning to say much more than that; and it was there that he began to part company. He continued to develop his own 'model'; making quite significant extensions and improvements of it during those years.[3] But it was now clear that he was working on very different lines from Keynes. Yet he could not separate himself from what was happening (physically, it must be remembered) just along the street. Keynes and he were both Marshallians, using terminologies that sprang from the same roots, and looked alike. Much of the struggle (for it became a struggle) turned upon uses of words; but there was much more than words behind it. Are Saving and Investment equal or unequal *in equilibrium*? It depends on what you mean by equilibrium—and as time went on

[1] I remember once asking him how far he agreed with the thumb-nail sketch of the causes that I had given on p. 163 of my *Trade Cycle* (1950). 'I do not see', I had said, 'that there is any reason to suppose that the *real* boom of 1927–9 was at all an exceptional boom; if the accelerator mechanism, and nothing else, had been at work, it should not have been followed by an exceptional slump. But the slump impinged upon a monetary situation which was quite exceptionally unstable.' He said he did agree, on the whole; but I ought to have said more about the troubles of primary production, the bolstering of agricultural prices, which had given the boom itself a greater element of instability than was common before 1914.

[2] Preface to 1948 reprint of *A Study of Industrial Fluctuation*.

[3] The paper on 'Industrial Fluctuation and the Natural Rate of Interest' (*Economic Journal*, 1934—also in *Essays in Monetary Theory*) may be particularly mentioned.

they meant increasingly different things. Robertson's equilibrium—equilibrium over time, very nearly what later economists have been meaning by steady growth—disappeared from Keynes's system; it was replaced by an equilibrium of the short period, which (in Robertson's view) implied a refusal to look ahead, to look more than one step in front. Yet that new 'equilibrium' of Keynes was a powerful weapon; because it cut out just those things which Robertson felt to be most essential, he was reluctant to admit how very powerful it was. Or, when that power became undeniable, he must see it as an evil power. By refusing to distinguish between normal and exceptional, it was refusing to distinguish between food and medicine; it was taking the things which he kept in his medicine-chest, and throwing them to the public (and the politicians) which would make them drug-fiends. That the Keynesian system did have some restraints (its own canons of budgetary policy, for instance, which might make the drugs less noxious) he was reluctant to acknowledge. It would lead (as indeed it has led) to inflation—to 'Boost and Bolster'—to deliberate departure from his own ideal of ordered progress and monetary stability.

I have had to give more space to the substance of Robertson's thought than is (I think) usual in these commemorations; for these things were indeed his life—the merest external events are unintelligible without them. Biographically, one should have noticed that he spent eight months in 1926–7 (after *Banking Policy* was off his hands) travelling in the Far East;[1] and that in 1933–4 he was for four months in India, conducting a statistical inquiry with A. L. Bowley. But these were side-lines, almost on a par with the dramatic activities which he long kept up. The important things relate to what we have been discussing.

In the year 1938 he was invited to be a member of an electoral board to select a successor to T. E. Gregory as Professor of Banking at the London School of Economics; instead of serving as an elector, he expressed the wish to be a candidate himself. Cambridge, in the full tide of 'Keynesian Revolution', he decided (after what agony one can imagine) was no place for him. In fact he only taught at London for one year. With the beginning of the Second World War he was again in public service—now as a Civil Servant in the Treasury.

He was there 'inside' right from the beginning; but with the Keynesian irruption into war-time economic policy he was not

[1] An episode in these travels is described in 'A Visit to the Laccadive Islands', printed at the end of his *Essays in Monetary Theory*.

much concerned. He occupied the position of economic adviser to Sir Frederick Phillips, Third Secretary, in charge of overseas finance; that is to say, of watching, and so far as possible controlling, the balances of payments (the separate balances of payments) with the individual non-sterling countries with which trade was still open, with a view to the management of the nation's dwindling gold and foreign exchange reserve. It was a task which required far more economic judgement than might appear at first sight; its importance to the nation does not need to be underlined. There were some who thought that in this specialized task he was being under-used; but he did not think so himself. It was an important service, and he was glad to do it.

With the American Alliance, management of reserves shaded into Lend-lease. Phillips went to Washington; and Robertson was at the London end of the Atlantic telephone. Then he went to Washington himself (in 1943): first for more Lend-lease business, then (as the sky began to clear) to make preparation for Bretton Woods. When that conference met, he was a member of the British delegation; he had thus, once again, to work with Keynes.

Superficially, there was a reconciliation. It must, however, be remembered that the field in which they were now to work— the establishment of International Monetary Institutions, and the principles on which they should operate—was not one on which there had been any deep-seated disagreement. It was the field of Volume II of the *Treatise on Money*; that had never been criticized by Robertson; it was on the whole, and remained, common ground between them. In this field they could work together; and at Bretton Woods they did work together, completing (in a sense) their common labours of the nineteen-twenties, to the great advantage of the world.

Yet it was only in this particular field that there was a reunion; elsewhere they were wide apart. Even the temporary reconciliation was not easy; Keynes was condescending;[1] Robertson was easily hurt. It would have taken more than this to diminish their differences; and the time for that (if it could have been done with time) was not to be given.

It may have been that it was at the moment of reconciliation

[1] I am afraid that that is how I read the well-known passage in which Keynes reported (to his mother) on Bretton Woods: 'absolutely first-class brains do help' (Harrod, *Life of Keynes*, p. 578). There was always a warmth (one way or the other) in Robertson on Keynes. It was not like that.

that the opportunity arose (with Pigou's retirement) for Robertson to return to Cambridge. He was homesick for Cambridge; to go back to his old rooms in Trinity Great Court (the only home he had ever had); to go as *the* Professor, the successor of Pigou and therefore of Marshall; the temptation was irresistible. Yet that again cannot have been an easy choice; he must often have wondered, in after years, whether he had chosen right. Keynes (so soon) was no longer there; but with Keynes (as we have seen) there was common ground; it was worse without him. His 'system' lived on, 'crystallizing' (as Robertson saw it) 'into an orthodoxy no less rigid than that against which it was, or conceived itself to be, a revolt.'[1] Stiffening indeed there was, and not upon that side only. It was only too clear (back in Cambridge) that the division was very deep.

He did of course have his friends and followers—at Cambridge and elsewhere. In the years that followed he had all sorts of recognition: C.M.G. 1945, Knighthood 1953, and a swarm of honorary degrees, from many British universities, from Louvain, Amsterdam, Columbia. (He had been a Fellow of the British Academy since 1932; Harvard had honoured him in 1936.) He set a high value upon these things; they were something of a comfort to him. Yet there is something about this recognition which is not always quite reassuring. Was he now sufficiently distinguished from the hidden-handers and from the automatists, against whom he (and Keynes) had warred in the twenties? He should have been, for he had not changed. But with the line drawn so sharply by the 'Revolution', he was liable to find himself in company where he did not belong.

He held the chair until 1957, when he retired, at the normal age. (He continued to live in Trinity, until the end.) His writings during the period of his professorship (and after) were quite voluminous; even his more topical papers were most carefully written, fit to be collected (as many were) into books of essays.[2] He was a leading member of the Royal Commission on Equal Pay (1944–6) and a member of the Cohen Council on Prices and Productivity (the 'Three Wise Men') in 1957–8. But the greater part of his energy went into the lectures on *Principles*, which he regarded as the chief duty of his professorship. When

[1] From an unpublished lecture (given in 1946).

[2] *Utility and All That* (1952); *Economic Commentaries* (1956). There had been previous collections: *Economic Fragments* (1931), *Economic Essays and Addresses* (with A. C. Pigou) (1931), as well as the 1940 volume so often mentioned.

he had ceased to give them as lectures, he published them in three small volumes.[1]

I am inclined to think that the third volume, which deals with Money, is less interesting than the first two, on the central topics of Value and Distribution. He had often written on particular points within this field, but he had not previously attempted a connected treatment. Inevitably he follows Marshall; but the work is the product of a serious rethinking. He had made heroic efforts to keep up with the unmanageable flood of post-1945 writings on economic theory. It may be that he was helped, rather than hindered, in this by his (rather flaunted) lack of mathematics; it enabled him to make his task a little more tractable, when that substantial province was put outside his scope. (But it must not be forgotten that some of his own earlier exercises, expressed in words or in flat-footed algebra, were even now being erected into the cloud-capped castles of the mathematicians.) The *Lectures* are an important attempt, taking account not only of Marshall but of more recent work, to see what could be said, in fairly simple terms, on some of the great central and traditional issues of economics.

They were his last major work; but it is not with them, nor with his 'Marshall Lectures' *Growth, Wages, Money* (given after retirement) that one should conclude. It is better to go back to the great days of the nineteen-twenties, when he and Keynes were going forth together, to find the principles on which it might be possible to build a better world. Or perhaps even further back, to the glad morning—of 1914!

What is meant by the most desirable distribution of the community's income through time? Is the assumption valid upon which western civilisation seems to proceed, that it is desirable so to manipulate one's income-stream that it shall flow in with an ever-rising tide? From some points of view the whole cycle of industrial change presents the appearance of a perpetual immolation of the present upon the altar of the future. During the boom sacrifices are made out of all proportion to the enjoyment over which they will ultimately give command: during the depression enjoyment is denied lest it should debar the possibility of making fresh sacrifices. Out of the welter of industrial dislocation the great permanent riches of the future are generated. How far are we bound to honour the undrawn bills of posterity, and to acquiesce in this never-closing hyperbola of intersecular exchange? Shall we sacrifice ourselves as willing victims to the

> Urge and urge and urge,
> Always the procreant urge of the world?

[1] *Lectures on Economic Principles* (3 volumes), 1957–9.

Or shall we listen to the words of one of the wisest of English philosophers, who counsels us to eat our grapes downwards, and who always washed up the knives first in case it should please God to take him before he got to the forks? The question is one of ethics rather than of economics: but let us at least remember that we belong to an age which is apt to forget the οὗ ἕνεκα among the ὧν ἄνευ οὐ and immolate ourselves, if we must, with our eyes open and not as in a trance.[1]

The Robertsonian 'equilibrium' is already there: 'with our eyes open'. And the whole passage has much relevance to that preoccupation of a younger generation of which, though he become a critic, he was also a forerunner—the Theory of Economic Growth.

JOHN HICKS

[1] *A Study of Industrial Fluctuation*, concluding paragraph.