Keynes’s Investment Activities while in the Treasury during World War I

by

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Abstract

In *Old Friends*, a book of reminiscences about some of his friends, Clive Bell commented that Keynes “took to speculating” in the summer of 1914 or a little earlier. Roy Harrod, in a review of *Old Friends*, vigorously disagreed with Bell, arguing that Keynes did not start speculating until September 1919. Occasionally rumors had circulated that Keynes, in his investing, had taken advantage of inside information while in the Treasury during World War I. Harrod was concerned that Bell’s comment would lend credence to these rumors. He strenuously defended Keynes against this accusation. In this paper Keynes’s investment activities while in the Treasury during World War I are analyzed to see if it is possible to determine whether he speculated before he left the Treasury in 1919 and/or whether he took advantage of his position in the Treasury. Keynes kept very extensive financial records. Using these data it is possible to analyze Keynes’s investments, beginning with the first investments he made upon graduation from King’s College, Cambridge University through the investments he made while serving in the Treasury during World War I.
Keynes’s Investment Activities while in the Treasury during World War I

I. Introduction

In *Old Friends*, a book of reminiscences about some of his friends, Clive Bell commented that Keynes “took to speculating” in the summer of 1914 or a little earlier (Bell 1973, p. 44). Roy Harrod, in a review of *Old Friends*, vigorously disagreed:

Mr. Bell writes: “I fancy it was about this time or a little earlier that (Keynes) took to speculating.” This was in the summer of 1914. It ante-dates his speculation by more than five years. He took to speculation in September 1919. This is not to say that he may not have had an occasional flutter, like anyone else, or perhaps a good many more than most people. He loved any opportunity to have a gamble. He was drawn to gaming tables. But in relation to Keynes the words “took to speculation” have a more definite significance. His speculation was a very important ingredient in his life considered as a whole; through speculation he made himself a rich man, and this fact affected many other things. It was this important speculation, this systematic speculation, that started in the autumn of 1919.

…In 1919 he still had no capital, save for a few pounds in the bank…

It is important that this should be clearly understood, since there were many ill wishers in his middle period who asserted that he took advantage of inside information when in the Treasury (1915 - June 1919) in order to carry out successful speculations. This allegation is entirely without foundation, and it is accordingly desirable that Mr. Bell’s wrong dating should be corrected.

Harrod 1957, pp. 695-6
At the end of 1918 Keynes’s net assets were £7,464, with the gross value of his security holdings £9,428 (Keynes’s *Collected Writings (CW)*, v. XII, p. 4). Since his income at the Treasury, which had increased to £980 for the period April 1, 1918 – March 31, 1919 (*Keynes Papers*, p. PP/46/2/61), is considered “relatively high” for that time (Moggridge 1995, p. 348), Bell’s statement that “in 1919 (Keynes) still had no capital, save for a few pounds in the bank”, certainly is incorrect. The question is, are Bell’s statements that “It ante-dates his speculation by more than five years. He took to speculation in September 1919…It was this important speculation, this systematic speculation, that started in the autumn of 1919…This allegation [that he took advantage of inside information while in the Treasury] is entirely without foundation” equally incorrect?1 These two questions, whether Keynes speculated before he left the Treasury in 1919 and whether he took advantage of inside information while in the Treasury, are analyzed in this paper.

In section II the sources of data about Keynes’s investments for the period 1905 to 1919 used in this paper are discussed. Keynes’s investment activities prior to serving in the Treasury during World War I are discussed in section III. Keynes’s investment activities while serving in the Treasury during World War I are discussed in section IV. The paper is summarized and conclusions drawn in the final section.

II. Data Sources Concerning Keynes’s Investment Activities

All his life Keynes was an inveterate list maker, of all sorts, a trait it seems that he inherited from his father (Moggridge 1995, p. 21). At various times in his life he made lists of how many copies of the books that he had written had been sold, in which he included his earnings from their sales. He made a list of papers and books that he
planned to write (O’Donnell 1992, p. 769). He made lists of the articles that he had written and how much he had been paid for them. He made lists of his subscriptions and of the theater performances that he attended. He even, for a period, made a list of his sexual partners (Moggridge 1995, pp. 838-9). Throughout his life Keynes kept detailed financial records. He made lists of his income, his spending, the status of his bank account, and his assets. For many years Keynes made a list of his security holdings at the end of the year, listing the number of shares of each stock he held, their present price, and the value of his holdings.

Keynes’s own financial records are the sources of the data for this paper. In January 1903 Keynes started keeping an account book in which he kept both a cash account and a record of the status of his bank account. In the cash account, he used double entry bookkeeping, recording the sources of cash on the left side of the account book and the uses of cash on right side. It appears that he recorded every single source and every single use. Every few pages he updated the status of his bank account. Again using double entry booking he recorded the sources of payments into his bank account on the left side and his expenditures out of his bank account on the right side. He stopped keeping the last of these records in 1916.

He kept records of his holdings of individual stocks. In a ledger, in which he kept records for individual stocks, he listed on the right page the number of shares bought or sold of a stock, the purchase or sale price, and the total value, and on the left page the dividends received. In the Keynes Papers there also are what appears to be his bank books from Barclay and Company; they are not in his handwriting. These bank books have on the left side a listing of the payments he made and on the right side a record of
deposits into his account. The bank books start in October 1903 and continue through the period of his service in the Treasury in World War I and beyond.

So, from various sources in Keynes’s records, it appears that we are able to get a fairly complete and accurate record of Keynes’s purchases, sales, and holdings of securities. Multiples sources of information about Keynes’s security holdings in the Keynes Papers provide confirmation concerning the accuracy of the information utilized in this paper. Details about Keynes’s holdings discussed in this paper are almost always not based on simply one source in the Keynes Papers.²

In April 1914 Roger Fry lent Keynes £1,000 which, as Keynes wrote to Fry, was “to be used by me at my sole discretion on the Stock Exchange, and profits or losses (as estimated by me), after payment of 4 ½% to you, are to be shared equally between us” (Keynes Papers, p. SE/12/1). In this letter to Fry Keynes wrote that he would keep “a record of all transactions and of interest received in a ledger, open to (Fry’s) inspection at your request at any time” (Keynes Papers, p. SE/12/2). In addition, starting in 1915 Keynes made investments for Duncan Grant and three years later for Vanessa Bell. He kept detailed records of the investments he made for all three. At times Fry’s, Grant’s, and Vanessa Bell’s funds were commingled with Keynes’s in his bank account, making it sometimes somewhat difficult to distinguish what Keynes was doing on his own account based on the records in his Barclay’s bank book.

III. Keynes’s Investment Activities prior to serving in the Treasury during World War I

On July 6, 1905, after graduating from King’s College, the University of Cambridge, Keynes made his first purchase of stock, buying four shares of Marine Insurance for £160 16s.³ This left him, as Keynes recorded, a balance in his bank
account of £30 3s. 6d. on July 9 (Keynes Papers, p. PP/46/1/26). Keynes had
accumulated funds for this purchase mainly from an allowance from his father, birthday
presents, and academic prizes. Six months later, on January 4, 1906 he added three
shares of Mather and Platt to his holdings, which cost £49 7s. 9d. It appears that
Keynes’s father was the source of funds for this purchase. In the record of his bank
account that he kept Keynes wrote for January 4, 1906, “JNK (allowance less Mather and
Platt) 15 12 3” (Keynes Papers, p. PP/46/1/32).

Keynes did not make another purchase of securities until January 1910. From
October 16, 1906 until July 20, 1908 Keynes was at the India Office in London. During
this time he accumulated little savings, spending most of his income. In his account book
he listed the sum of his general balance and special account as £39 5s. 3d. on October 16,
1906 (Keynes Papers, p. PP/46/1/43) and, two years later, on September 25, 1908, he
listed the sum of these two accounts as £53 12s. 8d. (Keynes Papers, p. PP/46/1/73).

Starting with a purchase of ten shares of Horden Collieries for £127 16s. on
January 25, 1910 Keynes’s purchases of shares increased substantially. Keynes left the
India Office in 1908 to take a lectureship in economics at Cambridge University.
Keynes’s income increased considerably when he left the India Office and assumed the
lectureship. In his account book Keynes listed his income in his first eleven and one-half
months in the India Office, from October 16, 1906 to September 30, 1907, as £371,
which included a salary (less income tax) of £187 and gifts from his father of £128
(Keynes Papers, p. PP/46/1/58). Keynes’s income for the period April 1, 1909 to March
31, 1910 was £705 10s., which included gifts from his father of £110. In addition, in his
account of his income Keynes listed commons £6 10s. and rooms, hall, etc. £68, giving a
total of £780 (Keynes Papers, p. PP/46/2/62). Year by year Keynes’s income increased over the next decade. Keynes “was working hard for his income, especially as much of his income came effectively from piece rates” (Moggridge 1995, p. 187). For example, Keynes listed his income for the last full year before he entered the Treasury in World War I, April 1, 1913 to March 31, 1914, as £991 10s. He listed the sources of this as lecture salary £100, lecture fees £260 10s., King’s, Trinity, Pembroke [supervisions] £87 10s., examining £36, articles and miscellaneous £40, investments £124 10s.\(^5\), fellowship £127, Royal Economic Society £90, Royal Commission expenses £41, and gifts from his father £85\(^6\) (Keynes Papers, p. PP/46/2/66). Keynes listed an additional £73 10s. for rooms, hall, commons, etc., giving a total of £1,065.

From January 1910 to January 1915, when he was appointed to the Treasury, Keynes made a number of investments in securities, essentially buying securities when he had accumulated some savings. In doing so he typically left less than £100 in his bank account, or as will be discussed below, a deficit in his balance. Occasionally Keynes sold stock during this period. For example, he sold his four Marine Insurance shares in August 1911. But he did so to adjust his portfolio, buying other shares of approximately equal value at the same time. On the same day he sold his Marine Insurance shares he bought twenty shares of National Discount which cost not quite five pounds more than he received for his four shares of Marine Insurance.

From October 1912 on, whenever Keynes bought shares, he often took advantage of an overdraft at his bank, Barclay. In May 1913 Keynes and John Sheppard speculated on U.S. Steel shares. They bought forty shares for £494 1s. (Keynes Papers, p. SE/11/1/29), borrowing the money. They sold twenty of the shares in July 1913 and the
last twenty in August 1913, netting £5 15s. 4d., which was divided three-fours to Keynes and one-fourth to Sheppard (Keynes Papers, p. SE/11/1/29). This appears to be the only time, until after he left the Treasury in June 1919, that Keynes bought stock on margin.

On July 13, 1914 Keynes increased his overdraft limit from £250 to £1,000 (Keynes Papers, p. SE/1/1/26). Two weeks later, on July 28, Keynes wrote his father, “The war news seems very serious; but I am sending an order to-night, to be paid for by overdraft, for Canadian Pacific not above 176 and Rio Tinto not above 56, which is courageous of me…I think it’s an occasion when one ought to use what credit one has.” (Keynes Papers, pp. PP/45/168/7/244-5). On June 24, 1914 Keynes had written a letter to Basil Blackett of the Treasury in which, discussing forced realizations on the Stock Exchange during a panic, he said “I believe that we made an enormous profit out of the United States in 1907 by buying stocks from them of securities and goods at bargain prices, and similarly in the autumns of 1911 and 1912 our financiers pocketed a small fortune from the Germans by buying back Canadian Pacifics and other securities for much less than they had sold them for” (CW, v. XVI, pp. 4-5). Evidently Keynes believed that there was a comparable opportunity at the beginning of World War I.

Apparently Keynes’s order got caught by the closure of the Stock Exchange, which occurred on July 31. In his records Keynes lists buying five shares of Canadian Pacific Ordinary at £166 cum. div., i.e. £163 ½ net and four shares of Rio Tinto for £54 per share on August 13. In buying these shares Keynes did take advantage of the increase in his overdraft. The deficit in his bank account increased to over £400. These securities had respectively traded at £198 ½ and £68 ¼ at the beginning of July (Financial Times, July 2, 1914).
A few months later, in October, Keynes was very bullish, writing his father on the 5th, “I feel that this is the time (or soon will be) for investing up to the hilt if one can afford it” (Keynes Papers, p. PP/45/168/8/68). On December 9 Keynes bought fifty more shares of National Discount for £266 11s. and at the end of December twenty-five shares of Barclay B for £278 8s. 6d. In his records, on the page on which he listed his Barclay shares, Keynes listed Dec. 28, 1914 as the date of purchase. At the end of 1914 the deficit in his bank book is listed as less than £115. The payment for the Barclay shares is not entered into his bank book until January 4. Including this transaction would mean Keynes had a deficit of almost £400 in his bank account at the end of 1914. Keynes’s holdings of securities at the end of 1914, so just before he entered the Treasury, are shown in table 1.

IV. Keynes’s Investment Activities while in the Treasury during World War I

Keynes was appointed to a position at the Treasury as assistant to Sir George Paish on January 6, 1915; he started working at the Treasury on January 18 (Skidelsky 1994, p. 297). In 1915 his purchases of securities decreased substantially in comparison with 1914. During all of 1915 he only bought sixteen shares of Horden Collieries for £160. He had invested over £1,500 in 1914. As a result he reduced the deficit in his bank account to less than £69 at the end of 1915.

In 1916 he made three purchases, buying six and later four additional shares of Rio Tinto and two hundred fifty shares of Bolckow Vaughan and Co., investing over £900 in total. At the end of the year he had a deficit of £253 in his bank account. He again made three purchases in 1917, purchasing a £1000 Grand Trunk 3rd Preference, five
more shares of Rio Tinto and twenty shares of London and River Plate Bank, investing over £1,300 in total. At the end of 1917 he had a surplus of £10 in his bank account. Keynes’s security holdings at the end of 1917 are listed in table 2. The valuations given for the securities for December 28, 1917 in the right hand column are from a list Keynes made of his security holdings at the end of 1917 (Keynes Papers, p. SE/11/1/47).¹

[Put table 2 approximately here.]

Keynes did not make another purchase of stock until July 1918 when he bought three hundred fifty shares of Mather and Platt for over £925. This increased the deficit in his bank account to over £900, close to his overdraft limit of £1,000. In late August he sold twenty five shares of Barclay B and at the same time bought fifty shares of National Discount which cost almost exactly the same amount he received for his Barclay shares.

Starting in early September 1918, and continuing until he left the Treasury in June 1919, Keynes drastically modified his investment portfolio. He increased his overdraft limit at Barclay to £2,000 on September 6 (Keynes Papers, p. SE/1/1/35). On the same day he sold all his holdings of Brazil Railway 6% Cum Pref. and three days later sold all his holdings of Barclay B shares. In October he invested these funds, and more, in Bolckow Vaughan and Co.² From October 1918 until he left the Treasury in June 1919 Keynes only bought shares of Bolckow Vaughan and Co. He bought shares in no other company during this period. In the last three months of 1918 he took advantage of his increased overdraft limit, investing heavily in Bolckow Vaughan. At the end of 1918 he had a deficit in his bank account of £1,964.

From September 1918 until May 1919 Keynes not only sold all his holdings of Brazil Railway 6% Cum Preference and Barclay B, he also sold all his holdings of
Canadian Pacific Ordinary, Rio Tinto, Lloyds Bank (which had bought out London and River Plate Bank and Keynes’s twenty shares in River Plate were exchanged for forty shares in Lloyds), Eastern Bank, Grand Trunk 3rd Preference, and Horden Colleries, investing his funds in Bolckow Vaughan and Co. So when he left the Treasury in June 1919 Keynes owned stock in only three companies, Bolckow Vaughan and Co., Mather and Platt, and National Discount. The majority of his funds were invested in Bolckow Vaughan. At the end of May 1919 Keynes had a deficit in his bank book of about £800. Never previously had Keynes done anything like the drastic change in his portfolio he made in the second half of 1918 and the first half of 1919.

Early in June 1919 Keynes resigned from the Treasury, leaving Paris on June 7. During his service in the Treasury Keynes made investments in only two companies that he had not already owned stock in before entering the Treasury. In June 1917 he bought £1000 Grand Trunk 3rd Preference for 256£, 11s. 3d., which he sold in March 1919 losing over £50 on this investment. In November 1917 he bought twenty shares of London and River Plate Bank for £742 15s. 6d., which, as was mentioned above, were later exchanged for forty shares in Lloyds Bank. He sold his shares in Lloyds Bank in December 1918 realizing a profit of over £331.

V. Summary and Conclusions

In Old Friends Bell commented, “According to an account (Keynes) once gave me – in whimsical mood I must confess – Maynard, who at Cambridge and in early London days had barely glanced at ‘Stock Exchange Dealings’, grew so weary – this is what he told me – of reading the cricket-scores in The Times that, while drinking his morning tea, he took to studying prices instead” (Bell 1957, pp. 44-5). Skidelsky
believes that Keynes “was fascinated by the behaviour of financial markets” (Skidelsky 1994, p. 207). Two of his first sets of lectures at King’s dealt with the stock exchange. His second set of lectures, which he taught from 1909/10 – 1913/14, was entitled “The Stock Exchange and the Money Market” and from 1910/11 – 1912/13 he taught “Company Finance and the Stock Exchange” (CW, v. XII, p. 689).

Mini suggests that “there is…a close relation between Keynes’ financial experiences and some of his distinctive economics theories” (Mini, 1995, p. 47). “His ideas about how markets worked reflected his personal experiences, particularly as a speculator and investor” (Skidelsky 2009, p. 56). In this paper Keynes’s investment activities while in the Treasury during World War I are analyzed to see if he “took to speculation” before July 1919 and/or he took advantage of inside information he may have obtained while in his position in the Treasury.

Speculation is defined as “engagement in business transactions involving considerable risk for the chance of large gains” (Random House, p. 1262). Keynes did speculate on U.S. Steel shares with John Sheppard in 1913, but that appears to be the only time he bought stock on margin before he left the Treasury in 1919. He did increase his overdraft limit to £1,000 in 1914 and then to £2,000 in 1918, which, each time, was about equal to his annual income, and did take advantage of these increases.

Until Keynes completely transformed his portfolio starting in September 1918 his behavior appears to be that of a very serious investor most concerned with his earnings in the form of dividends. Whether one considers Keynes a speculator prior to September 1918 or from September 1918 to June 1919 when he invested very heavily in Bolckow Vaughan depends on whether you believe in these periods he was undertaking
considerable risk for the chance of large gains with his investment activities. Keynes portfolio seems to be fairly diversified until the second half of 1918, as can be seen in table 2, when he started to sell many of is holdings and invest heavily in Bolckow Vaughan. With the sale of Horden Collieries shares in April 1919 he only held shares in three companies, Bolckow Vaughan, Mather and Platt, and National Discount with over 60% of his portfolio in Bolckow Vaughan. These changes made his portfolio much more speculative. There is no question Harrod is correct in saying that Keynes “took to speculation in September 1919”. In August 1919 Keynes began speculating in foreign exchange markets, and to some degree in shares (CW, v. XII, pp. 4-8).

As for whether Keynes took advantage of inside information while in the Treasury during World War I, Keynes certainly had an opportunity to do so. For example, one of his first assignments was as Secretary of the Cabinet’s Wheat Committee and thus “active in organising government purchases of Indian wheat at below the world market price” (Skidelsky 1994, p. 298). In the Keynes Papers there are a series of memos concerning England’s purchases of wheat labeled secret or confidential.

It appears though that Keynes was a very ethical person. Mini states, “A reading of all Keynes’s works – books, pamphlets, essays, letters and memos – shows his appreciation of standards other than the economic: ethical standards, standards of justice, of health, of duty are also important” (Mini 1996, p. 109). During his life there are times when, in his financial dealings, Keynes behaved ethically, not taking advantage of opportunities that could have been profitable.

One example of this occurred at the beginning of World War I. On August 2, 1914 Basil Blackett of the Treasury asked Keynes to come to London so Blackett could
“pick your brains for your country’s benefit” (Skidelsky 1994, p. 289). One of the memos Keynes wrote for the Treasury at this time dealt with how to enable discount operations to be resumed (CW, v. XVI, pp. 16-9). In this memo Keynes recommended that existing bills held by acceptance houses not be guaranteed, only new bills. This was against his and his father’s interest. As Keynes explained in an August 28, 1914 letter to his father, “Lloyd-George’s action…in guaranteeing pre-moratorium bills, though it was not the best course and I argued against it all I could for reasons which have subsequently turned out to be quite right, has probably had the effect of saving you and me several hundred pounds at the expense of the general taxpayer. It means that the National Discount Company is absolutely guaranteed against bad debts” (Keynes Papers, p. PP/45/168/8/52).

A second incident occurred when Britain departed from the gold standard in 1931. The Independent Investment Company, one of the investment companies that Keynes was a director of, had borrowed dollars in New York. A few days before Britain departed from the gold standard one of the other directors proposed replacing the loan with a sterling overdraft. Keynes refused, writing the director, “What you suggest amounts in present circumstances to a frank bear speculation against sterling. I admit that I am not clear that this would be against the national interest…All the same, I am clear that an institution has no business to do such a thing at the present time…one is not entitled to take matters into one’s own hands. One has to fall in with the collective decision whether one agrees with it or not” (CW, v. XII, p. 35).  

We have not found any evidence that, at any time, Keynes took advantage of his position in the Treasury during World War I. We are not able though to give a definitive
answer to this question. If he did take advantage of his position at any time, based on the discussion above, the two more likely cases are his purchase of London and River Plate shares and his purchase of Bolckow Vaughan and Co. shares starting in October 1918. Keynes made a profit of almost forty-five percent on his purchase of London and River Plate stock in the less than thirteen months he held it, in addition to the almost £45 in dividends he received. *The Times*, commenting on the takeover of London and River Plate Bank by Lloyds, states, “The shareholders [of London and River Plate Bank] are offered very good terms indeed” (July 19, 1918, p. 11). It seems unlikely though that Keynes knew of Lloyds Bank’s plan to take over London and River Plate Bank when he bought the shares in November 1917. The announcement that Lloyds would acquire control of the London and River Plate Bank was not made until July 18, 1918 (*The Times*, July 19, 1918, p. 8).

Keynes’s behavior with respect to Bolckow Vaughan and Co., starting in September 1918 and continuing into July 1919, as he basically sold all of his holdings of various companies, and invested these funds, and other funds, in Bolckow Vaughan, was exceedingly atypical from what he had done up to that time. He had never remotely done anything like this from when he started investing in 1905 up until that time.12

So these two investments, in London and River Plate Bank and Bolckow Vaughan, appear to be the two cases, of all Keynes’s investments while he was in the Treasury during World War I, which, if he did take advantage of his position, are the most likely cases. It must be emphasized though that we have NOT found any evidence that he did take advantage of his position in the Treasury, in these two cases or in any other investments.13
Footnotes

1. Skidelsky, discussing Harrod’s denial that Keynes had speculated on the stock exchange before 1919, quotes from a letter that Harrod sent Bell in January 1957, “all the evidence I have seen is that (Keynes) did no more than an occasional flutter such as anyone might do, but nothing regular or systematic, until September 1919”. Skidelsky comments that “The facts are rather different” (Skidelsky 1994, p. 286).

2. Key sources of data used in this paper are the ledger in which Keynes listed purchases, sales, and dividends received for individual securities (Keynes Papers, pp. SE/11/1/1-12), his account books in which he kept, among other things, the cash account and the record of the status of his bank account (Keynes Papers, pp. PP/46/1/1 – PP/46/4/59), and his Barclay bank books (Keynes Papers, pp. PP/49a/1/34 – PP/49a/5/15). The pages listed encompass the pages referred to in this paper. References to these three sources will not necessarily be given every time they are used as a source of information in this paper.

3. Dates given in this paper for Keynes’s purchases of securities are those he listed in his ledger.

4. Both Moggridge (CW, v. XII, p. 3) and Skidelsky (1994, p. 287) state Keynes bought four shares of Mather and Platt. In his records though Keynes lists it as three shares (Keynes Papers, p. SE/11/1/2, p. PP/46/1/91, and p. PP/46/2/88).

5. Keynes kept detailed records of the dividends he received. In every year but one from 1912 – 1918 he calculated that he earned more than 6% in dividends on the average capital employed in the year. The dividends he received were substantial. For example, he listed it as £437 for 1918 (Keynes Papers, p. SE/11/1/41).
6. Keynes had taken over editorship of the *Economic Journal* for the Royal Economic Society starting with the March 1912 issue and became the Secretary for the Society in the following year. He served on the Royal Commission on Indian Finance and Currency in 1913-4.

7. Two days after writing his father, on July 30, 1914, Keynes wrote his mother, “It was a wonderfully lucky chance that I made arrangements only two weeks ago (without any intention of making immediate use of them) for an overdraft of £1000” (*Keynes Papers*, p. PP/45/168/7/247).

8. Keynes listed the 500 and 250 shares of Bolckow Vaughan separately in his table. Bolckow Vaughan was a coal, iron and steel producer, Canadian Pacific and Grand Trunk Canadian railway companies, Mather and Platt an engineering company, National Discount a bank, and Rio Tinto mined pyrite and copper in Spain.

9. In October 1918 Keynes was convinced that the war would soon end, writing his mother on the 13th, “I feel real confidence now that it’s all over as the govts of the world, whatever the newspapers may say, genuinely, I am sure, want to make peace” (*Keynes Papers*, p. PP/45/168/9/129).

10. Keynes bought Bolckow Vaughan shares for Fry in 1914. Then in late 1918, early 1919, when Keynes was investing heavily in Bolckow Vaughan for himself, he also bought Bolckow shares for Fry, Grant, and Vanessa Bell. In fact, during the period 1914 – 1919 Keynes bought many of the same securities for Fry, Grant and Vanessa Bell that he was investing in himself (*Keynes Papers*, pp. SE/12/9-20).

   Keynes also recommended that, at this time, his mother invest in Bolckow Vaughn. On December 16, 1918 he wrote her, “Would (Keynes’s father) approve of my
selling out your Trust War Loan and putting the proceeds into Bolckow Vaughan new shares? It would about double your income and improve your prospects, at present nil, of capital improvement” (Keynes Papers, p. PP/45/168/9/140).

11. Another example is when, in 1944, the Provincial Insurance Company, Keynes was a member of the board, was considering buying some property. In a letter concerning this transaction Keynes wrote, “The main question which worries me is whether we ought to be a party to what may be a conspiracy for the avoidance of income-tax. We should not ourselves be parties to anything of the kind…” (Keynes Papers, p. PC/1/9/160).

12. We have not found any explanation why Keynes invested so heavily in Bolckow Vaughan at this time. “For thirty years at least, between 1885 and World War 1…, (Bolckow Vaughan) was the single largest pig-iron and wrought iron producer in Britain and possibly the world” (Pitts 2007, p. 3). When World War I drew to a close obviously there would be much need for Bolckow Vaughan’s products for reconstruction and deferred depreciation in the U.K. and the rest of Europe. Ironically, Bolckow Vaughan “collapsed soon after World War I and was liquidated” in 1929 (Pitts 2007, p. 2).

13. Davenport, discussing Keynes’s investment activities in later years, writes, “The reason why Maynard was successful as a speculator was…partly because he obtained a lot of inside information. He never used direct inside information in an improper way but he was often asked for advice by company chairmen and given an insight into their company affairs” (Davenport 1974, p. 49).
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The Financial Times, July 2, 1914.


The Times, July 19, 1918.
Table 1

Keynes’s Holdings, January 1, 1915

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Security</th>
<th>Purchase Cost</th>
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<tbody>
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<td></td>
<td></td>
<td>£</td>
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<tr>
<td>50</td>
<td>Barclay B</td>
<td>514</td>
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<tr>
<td>500</td>
<td>Bolckow Vaughan and Co.</td>
<td>304</td>
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<tr>
<td>25</td>
<td>Brazil Railway 6% Cum Pref.</td>
<td>171</td>
</tr>
<tr>
<td>5</td>
<td>Canadian Pacific Ordinary</td>
<td>164</td>
</tr>
<tr>
<td>60</td>
<td>Eastern Bank</td>
<td>287</td>
</tr>
<tr>
<td>34</td>
<td>Horden Collieries</td>
<td>371</td>
</tr>
<tr>
<td>150</td>
<td>Mather and Platt</td>
<td>262</td>
</tr>
<tr>
<td>150</td>
<td>National Discount</td>
<td>1044</td>
</tr>
<tr>
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Table 2

Keynes’s Holdings, December 28, 1917

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<thead>
<tr>
<th>Number of Shares</th>
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<th>Purchase Cost</th>
<th>Valuation, Dec. 28, 1917</th>
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<td>£  s. d.</td>
<td>£  s. d.</td>
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<tr>
<td>50</td>
<td>Barclay B</td>
<td>514 14 0</td>
<td>575 0 0</td>
</tr>
<tr>
<td>500</td>
<td>Bolckow Vaughan and Co.</td>
<td>304 19 6</td>
<td>412 0 0</td>
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<tr>
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<td>Bolckow Vaughan and Co.</td>
<td>312 10 0</td>
<td>300 0 0</td>
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<td>Brazil Railway 6% Cum Pref.</td>
<td>171 6 0</td>
<td>50 0 0</td>
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<td>Canadian Pacific Ordinary</td>
<td>164 13 1</td>
<td>159 0 0</td>
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<tr>
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<td>Eastern Bank</td>
<td>287 0 0</td>
<td>300 0 0</td>
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<td>256 11 3</td>
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<td>756 0 0</td>
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<td>London and River Plate Bank</td>
<td>742 15 6</td>
<td>700 0 0</td>
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<td>262 5 6</td>
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<td>1152 17 5</td>
<td>1206 0 0</td>
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