

Participation of John Maynard Keynes in the Celebration of the 200th Anniversary of the Russian Academy of Sciences in September 1925

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Abstract

The article is devoted to the visit of the famous English economist John M. Keynes in the USSR in September 1925 at the celebration of the 200th anniversary of the Russian Academy of Sciences. The reasons for the refusal of many foreign scientists attend the anniversary are revealed. It reviews the obstacles to the economic development in the USSR that Keynes pointed out during the conversation with Politburo member G. Zinoviev. It was found that the price policy advocated by Keynes in his speech at the People's Commissariat of Finance was close to the approach of the USSR Commissar of Finance G. Sokolnikov. The author draws attention to Keynes' considerations about the use of NEP experience in preparation of his proposals for reforming the capitalist system.

Keywords: new economic policy, regulated capitalism, pricing policy, scientific cooperation

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The year 2024 marks the 300th anniversary of the Russian Academy of Sciences (RAS). This date was celebrated in Russia both in the academic environment and at the state level. It is appropriate to recall how the 200th anniversary of the Academy was celebrated in September 1925. Along with other well-known foreign scientists an economist John M. Keynes attended the celebration and spoke at several scientific events. Preparations for the jubilee began after the leaders of the Academy, the vice-president mathematician V.A. Steklov and the permanent secretary of the Academy S.F. Oldenburg in February 1925 wrote a letter to the chairman of the Council of People's Commissars of the USSR A.I. Rykov with a proposal to raise the level of the celebration to the state level and invite foreign scientists, who, in their opinion, would be willing to come. The authors of the letter referred to the fact that the leaders of the French Academy of Sciences, the famous mathematicians Emile Picard and Paul Appell, honorary members of the Russian Academy of Sciences, with whom they met in Paris, "expressed the hope that the French scientists would consider it a

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pleasant duty to take part in the forthcoming celebration of the 200th anniversary of our Academy".¹

Rykov, in a letter to the Politburo, supported this proposal. The Politburo recognised the desirability of the arrival of scientists from abroad to the celebration. An organising committee headed by Rykov was formed to prepare for the anniversary. At its first meeting in May, "it was recognised that it was necessary to take additional measures to ensure the arrival of as many foreigners as possible for the jubilee celebrations."²

As Oldenburg told in a conversation with foreign correspondents in mid-August, invitations were sent abroad to about 400 scientists and scientific institutions.³ Among them were the Prime Minister of France, the well-known mathematician Paul Penlevé, who became a foreign corresponding member of the Russian Academy of Sciences in 1924, and the President of Czechoslovakia, the famous philosopher and sociologist Tomas Masaryk, who had previously visited Russia on multiple occasions.

However, it was not possible to realise the impressive plans for the participation of foreign scientists. The OGPU intervened⁴. In February 1925, about 150 people were arrested in Leningrad, most of them graduates of the Imperial Alexander Lyceum, where children from privileged noble families had studied before the revolution. They were accused of creating a monarchist counter-

revolutionary organisation. With the approval of the Politburo, the case was tried out of court by the Collegium of the OGPU. On 22 June more than 80 people were convicted, including 27 sentenced to execution.⁵ The sentence was carried out in the first decade of July. All of them were rehabilitated in 1994.

There was no mention of the case in the press, but rumours naturally spread in Leningrad and went abroad, where many of the condemned also had acquaintances, in Paris there was a cash fund to help former Lyceum students. On 23 July the first reports appeared in the foreign press about the execution of the Lyceum graduates with 18 mentioned as shot. The conservative French newspapers began to call for a boycott of the anniversary. People's Commissar for Foreign Affairs G.V.Chicherin wrote to the Politburo at the end of July that "under the influence of the rumour that 18 lyceum graduates were shot without trial, scientists in some capitals are beginning to refuse to go to the anniversary. In Paris some higher scientific institutes declined to participate in the jubilee".⁶ The French Academy of Sciences actively opposed the trip.

As a result, the celebrations were attended by far fewer than expected - only 98 foreign scientists.⁷ The most representative was the delegation from Germany - 28 people, among whom was the greatest physicist Max Planck, Nobel Prize winner in Physics, who became a foreign member of the St.

¹ State Archive of the Russian Federation (GARF), f.5446, op.55, d. 719, fol. 21

² Ibid, fo l.19

³ "Izvestia", August 19, 1925

⁴ OGPU - Unified State Political Directorate for State Security

⁵ N. Teletova. *The Case of the "Lyceum graduates" 1925*. "Zvezda" no. 6 1998, p.122

⁶ *Academy of Sciences in the decisions of the Politburo of the Central Committee of the RCP(b)-VKP(b) 1922-1952*, (M.:ROSSPEN, 2000), p.39

⁷ Ibid, p.42

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Petersburg Academy in 1911. Only 4 people came from France. From England came 7 people, among them John Keynes as a representative of Cambridge University. He was well known not only to economists but also to the party leadership. His book on the economic consequences of the Treaty of Versailles was highly appreciated by Lenin, it was published in Russia as early as 1922. Shortly before Keynes came to the USSR, his new book "*Treatise on Monetary Reform*" had been published.

He arrived in Leningrad, where the first stage of the celebration was taking place, at the beginning of September, and the next day he was invited for a conversation by the Chairman of the Leningrad city council as well as the Chairman of the Comintern and Politburo member G. E. Zinoviev. It was also attended by one of his closest associates, G.I. Safarov, editor of the newspaper Leningradskaya Pravda, and as a translator, N.P. Poletika, an employee of the same newspaper, who would later become a famous Soviet historian. He left USSR in the 1970s for Israel, where in 1982 he published a book of memoirs in which he recounted Keynes's conversation with Zinoviev.

Zinoviev asked Keynes' opinion on the prospects of the economic development of the USSR, naming such, in his opinion, advantages of the country as the possibility to direct the economic development not according to the law of supply and demand, on the basis of the anarchy of the market, but according to a definite plan, on a scientific basis. As a result, there would be no crises and fluctuations in production, but only smooth and gradual growth. Keynes replied that you can make any plans you want, but how can you implement

them when your population has no guarantees for their rights or their property? They cannot speak freely, they cannot criticize. They are not sure whether tomorrow they will have what they have today, whether their property will not be confiscated. Under such conditions, it is impossible to make long-term development plans.⁸

Further, in response to Zinoviev's question about the Union's dependence on the world economy, Keynes emphasized that the Soviet economy must be connected with and dependent on the world economy, for it is impossible to create an economy completely isolated from the rest of the world. To develop, the country needs machinery - machines, tools, and capital. Considering that long-term loans are unlikely, he noticed that the funds necessary for economic development can only be obtained if exports exceed imports. He recalled that Russia in Tsarist times exported a lot of bread, raw materials for industry, flax, timber, etc. In order for Bolshevik Russia to establish such exports it would be necessary to overcome the competition of other countries. This is only possible if Russian prices for bread and industrial raw materials are lower than world prices. If the income from exports is lower than the cost of imports, then money printing will have to be resorted to within Russia, the chervonets will fly down and become worthless.⁹ Zinoviev remarked that his interlocutor was painting an overly gloomy picture. "We will, I think, manage and not reach collapse." Keynes replied that only if you have workers in your country getting paid much less for labour than workers abroad. Or if you have forced labour almost without pay. The two agreed that Poletika would compile the text of the conversation and submit it to

⁸ N. Poletika, "*Seen and experienced (from memoirs)*". (Jerusalem : Biblioteka Alia, 1990), p. 261

⁹ Ibid, p.262

both of them for review, after which they would decide whether it could be published. The text was prepared, but Zinoviev demanded the removal of Keynes's most acute statements, to which the latter did not agree, and the publication didn't materialize at the time.

Keynes probably raised sensitive political issues because he wanted to take the opportunity to convey his critical position to a senior party leader who was rumoured to be connected with the arrests in the Lyceum case. Later in his speeches among economists he did not touch these topics publicly. After discussions at scientific seminars, he also softened his assessments of the economic prospects of the USSR.

The celebrations took place in Leningrad from 5 to 11 September, and then all the participants moved to Moscow, where celebrations continued with even greater magnitude. The apotheosis of the organisational events was the meeting of the Moscow City Council and district councils in the Bolshoi Theatre on 14 September, with the participation of the country's leaders, headed by Stalin. On the same day, Keynes spoke at a meeting of the Promekonomsovet of the Supreme Council of National Economy (VSNKh)¹⁰, which included leading economists working in the state industrial sector, with the talk on "*The Economic Situation in England*." The report of this meeting was published in the newspaper of the VSNKh "Torgovo-Promyshlennaya gazeta", on 17 September.

At the very beginning of his speech, responding to the greetings of the chair he stated that he had come to the

USSR to learn. There was an element of politeness in these words, but at the same time they contained a meaning, which Keynes revealed the next day in a talk at the People's Commissariat of Finance. In the same report Keynes spoke of the crisis in England.

The transcript of the meeting included his responses to questions and concluding remarks in the original English, allowing us to ascertain his views without relying on newspaper translation. He said: "I am not myself a defender of the capitalist system in its present form. I think that if we do not make great changes, we must suffer great troubles...I myself know what I would do in such a direction, and I believe in such a way one could transfer the present society into a more ideal society...On the other hand, it may be argued that if there will be remedies the capitalists will be too stupid to adopt them. That may be the case".¹¹

Keynes spoke in detail about his proposals at a joint meeting of the Institute of Economic Research and Conjuncture Institute of the People's Commissariat of Finance on 15 September, which was attended by the head of the People's Commissariat G.Ya. Sokolnikov and leading financiers. For this meeting he wrote an article "*The Economic Turning Point in England*", dated 15 September, on the basis of which he gave a talk. This article and a detailed account of the debate after the talk were published in the newspaper of the People's Commissariat of Finance "*Finansovaya Gazeta*" on 17 September. In the article, Keynes wrote that he saw his task as "the development of new ways and new thinking for the transition from the

¹⁰ VSNKh- Supreme Council of National Economy, which managed the state industry.

¹¹ Russian State Archive of Economics (RGAE), f.3429, op.3, d.237, l.254-255

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economic anarchy of private capitalism, which characterizes Western Europe at present, to a regime that will have as its special aim the control and direction of economic forces in the interests of social justice and social stability". The first and most important step, in such a transition, in his view, would be the creation of a new monetary system that is built on a sound level of domestic prices. It is pertinent to mention here that the need for a stable price level was actively defended by Sokolnikov in the discussions that took place in the autumn of 1925. Thus, in November, speaking to the activists of the Moscow organisation, he stated: "The questions of prices in the market are the questions that determine the whole economy."¹²

The similarity in the understanding of monetary policy between Keynes and the financiers of the People's Commissariat of Finance led by Sokolnikov was beyond doubt, and of course Keynes saw it too. It is not by accident that in his speech at the People's Commissariat he said that he paid tribute to the Russian monetary reform, emphasizing that the monopoly of foreign trade facilitated its implementation. In the conclusion of his article Keynes, rejecting the doctrine of Leninism, wrote: "But as a technical experience, Leninism is in any case a subject of the greatest interest. We people of the West will observe all that is done in the USSR with sympathy and keen interest in the hope that we can find things that we can learn here. For we, too, must solve new problems".

For his part, Sokolnikov, in his greeting at the meeting before Keynes' report, said: "With the greatest attention and interest we have followed and are following the development of economic thought abroad in the post-war

era ...The financial policy of the Union strive to analyze the steps already taken from the position of science ... I express the hope that the scientific cooperation between the Union and foreign countries will become closer from year to year, and that this cooperation will benefit both our Union and foreign countries, for whom the work done here will, I trust, be of benefit".

A number of highly qualified economists spoke at the debate on Keynes' talk. An interesting speech was made by A.A.Manuilov, who was the rector of Moscow University in tsarist times and the Minister of Education in the Provisional Government. He agreed with Keynes's opinion that modern capitalism was entering a new epoch characterised by an increased element of regulation in national economic life. But then a fork in the road emerges. Economic policy could proceed either from the assumption that the state could solve economic issues better than the private initiative, which is the principle of socialism. Or from the presumption of favour of private initiative and individual freedom in the economic sphere, this is the principle of liberalism. Manuilov emphasized that the principle of liberalism does not exclude state regulation and does not set any limits to state intervention but allows them only when the need for them is proven. He asked the speaker which path England was on - regulated capitalism or rather a move towards socialism. Keynes replied in his closing remarks that England was by no means going towards communism, but towards regulated capitalism. He recognised, however, that obviously the state would have to take over a number of areas where private initiative was not producing sufficient results.

¹² G. Sokolnikov, "Financial Policy of the Revolution", vol.2, (M.:Society of Merchants and Industrialists of Russia, 2006) p.385

The above statements of Keynes show that he considered it useful to study the experience of the NEP when preparing his proposals for reforming the capitalist system¹³. In 1925 he maintained regular academic contacts with the Conjunctural Institute, as stated in the Institute's report. Thus, he suggested that the Institute "compose a special memorandum on the economic situation of the USSR for publication in English",¹⁴ meaning its publication in an English journal.

I think that the experience of the NEP could be useful in reforming the post-Soviet economy. Unfortunately, the positive things in the practice of the New Economic Policy, which deserved Keynes' attention, were not used by the reformers of the 1990s. They focused primarily on the international

recommendations of the time, engaging foreign consultants who often had little knowledge and understanding of Russian specifics.

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¹³ NEP - a new economic policy introduced after the end of the civil war in 1921 and based on a combination of different forms of ownership using market methods along with state regulation.

¹⁴ RGAE, f.7733, op.3, d.1248, l.37