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Keynes's Trading on Wall Street: Did He Follow the Same Behavior When Investing for Himself and for King's?

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In the last few years Keynes's activity as an investor has attracted attention in the specialized literature. Very recently his investments at Wall Street, in particular – both on his own account (Cristiano, Marcuzzo, Sanfilippo 2017) and on behalf of King's College (Chambers and Kabiri 2016) – have been analyzed, and the evident connection with his theoretical analysis of the functioning of the financial markets contained in Chapter 12 of the General Theory has been duly stressed.
The aim of this paper is to make detailed comparison of Keynes's investment choices and strategies in the US stock market when he traded for himself and for King's. As might be expected, there are similarities but also significant differences, well worth investigating. As far as the differences are concerned, one of the most striking is to be seen in his attitude when, after a period of bull market in 1936, he had to face the 1937 burst of the speculative bubble and subsequent recession. Detailed analysis of his behavior reveals that this event took him by surprise but his reaction differed with regard to his personal investments and the King's investments. The prevalence of a 'buy and hold' strategy which, according to Chambers and Kabiri (2016), seemed to characterize his behavior in general when investing for King's, was not always the typical choice when the investments were undertaken on his own account.

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JEL: B26, B31, G11, N22

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1. Introduction[1]

Keynes's investment activity in various markets has recently attracted the attention of scholars, both historians of economic thought and financial historians. A growing literature has appeared in the last few years, mainly grounded on archival material, reconstructing and analyzing his investments in currencies, commodities, and stocks, as well as his behavior as an investor in general (see Table 1 below).

Table 1. Recent Literature on Keynes's investment activity

Commodities	Currencies	Stocks	General
Metals: Marcuzzo-Rosselli (2017) Marcuzzo-Sanfilippo (2016)	Accominotti-Chambers (2016)	Holder-Kent (2011) Chambers-Dimson (2013)	Millmow (2012) Wasik (2013)
Cotton: Cristiano-Naldi (2014)		Woods (2013) Chambers-Dimson-Foo (2015)	Cristiano-Marcuzzo (2018)
Wheat: Fantacci-Marcuzzo-Sanfilippo (2010) Foresti-Sanfilippo (2017)		Chambers-Kabiri (2016) Cristiano-Marcuzzo-Sanfilippo (2017)	

In some cases, scholars focused mainly on reconstruction of Keynes's trading activity in specific markets as an end in itself, a contribution to filling out the picture of this extraordinary economist. The surprisingly wide range of his investment activity that emerges from these analyses, representing only partial accounts of his entire portfolio and its evolution over time, as well as the continuity of his involvement and interest in the actual markets, is further confirmation of the exceptional capacity Keynes had to combine theoretical and professional achievements and helps us towards a better assessment of the fundamental role this aspect played in his life.

In other cases, researchers were more attracted by the possibility, through analysis of his practice as an investor, to shed light on some fundamental theoretical aspects of his system of thought, such as the theory of commodity futures markets, the theory of financial markets, and the theory of choice in a context of radical uncertainty. In yet other cases, they were mainly driven in their analyses by the curiosity to assess his performance and strategies as a

[1] This paper was presented at the 14th Annual STOREP Conference, held in Piacenza, June 8-9, 2017. I wish to thank Carlo Cristiano, Luca Fantacci, Cristina Marcuzzo, Sebastiano Nerozzi and all the participants in the session for their helpful comments and advice. The usual caveats applies.

trader, and discover whether one of the greatest economists of all time was good or bad as an investor, or what type of investor he was. All these studies shared the ambition of contributing to a better understanding of the economist who is widely acknowledged as one of the best interpreters of the actual working of a monetary economy.

One of the sub-fields of Keynes's extensive investment practice which has so far come in for a rather less investigation lies in his investment activity on the US stock market. Keynes invested in US securities on his own behalf and also for King's College from the beginning of the 1930s up to the end of his life, but until very recent times the only data and general source of information we had on Keynes's American investments were contained Tables 4, 5 and 6, provided by Moggridge in his *Introduction* to Vol. XII of the *Collected Writings* (Moggridge 1983: 12-14).[2] This gap in the literature appears all the more surprising if we consider at least three circumstances: 1) the years in which Keynes invested most in the US stock market (that is from 1933 to 1939) coincide with the aftermath of the Great Depression and Roosevelt's administration; 2) in Chapter 12 of the *General Theory*, the celebrated chapter containing the metaphor of the beauty contest and the concept of 'animal spirits', there are also many direct references to Wall Street and the specific characteristics of the US stock market; 3) and, finally, Chapter 12, as emerges from analysis of the proofs of the *General Theory* and reconstruction provided, for example, by Moggridge (1973) and Hirai (2008), was probably written in 1934, when his holdings of US securities (both in his personal and King's portfolios) began to reach significant proportions in value (about $500,000 in all, equally distributed between the two portfolios).

Very recently, efforts have been made to fill this gap in the specialized literature. Chambers and Kabiri (2016) have provided a highly detailed and insightful analysis of the strategies, performance and behavior Keynes pursued when he invested at Wall Street on behalf of King's College, while Cristiano, Marcuzzo and Sanfilippo (2017) have provided a reconstruction of Keynes's personal investments on the same market, in relation to his views on the US economy in general, and Roosevelt's policy and Wall Street's opportunities, in particular. These two very recent works, both dealing with Keynes's trading on the US stock market, are grounded on two different databases: the King's College Papers for Chambers and Kabiri's analysis and the Keynes Papers[3] for Cristiano, Marcuzzo and Sanfilippo's investigation (for more details see the Appendix). Both these studies contribute to reconstruction of Keynes's investment activity in a complex and peculiar international stock market, as indeed Wall Street was during the 1930s, but only if considered together do they enable a more comprehensive understanding and appreciation of Keynes's different behaviour accordingly as a 'personal' or 'institutional' investor.

In the present paper, therefore, we intend to compare Keynes's investment choices and strategies in the US stock market when he traded for himself and for King's (section 2). As might be expected, there are similarities but also significant differences, well worth

[2] Some information on Keynes's dealings on dollar securities is also to be found in Wasik (2013) and in Keynes's biographies (Moggridge 1992, Skidelsky 1992).
[3] King's College Papers and Keynes Papers are kept in the King's College Archives, Cambridge, UK. (In this paper we refer to Keynes Papers as KP, followed by the catalogue reference numbers).

investigating. As far as the differences are concerned, a particularly striking case is to be seen in his investment choices when, after a period of bull market in 1936, he had to face the 1937 burst of the speculative bubble and subsequent recession. Detailed analysis of his behavior reveals that this event took him by surprise but his reaction differed with regard to his personal investments and the King's investments (section 3). The prevalence of a 'buy and hold' strategy which, according to Chambers and Kabiri (2016), seemed to characterize his behavior in general when investing for King's, was not always the typical choice when the investments were undertaken on his own account. Finally, a possible interpretation of this difference is suggested (section 4), together with some provisional conclusions on Keynes's investment philosophy and attitude towards risk when investing for himself and for his College which should help fill out the picture of Keynes as a trader on Wall Street.

2. Keynes's personal and King's investments on Wall Street compared

2.1 Similarities

The similarities more closely regard his general investment philosophy and approach and the time-frame of both investment activities.

As for the types of securities, to begin with, in both cases we observe a definite preference shown by Keynes for shares over bonds. According to the figures provided by Chambers and Kabiri (2016: 308, Table 1), the latter represented, especially for the period 1934-39, a very small quota of King's US portfolio (less than 4% on average) in terms of value and an even smaller quota of his own US portfolio for the same period (KP SE/11/5-7). Things partially changed, at least for the King's US portfolio, during the war, when the quota of bonds rose to about 25% on average for the period 1940-45 (according to our calculations on data provided by Chambers and Kabiri 2016: 308, Table 1), while his own portfolio was completely devoid of dollar bonds from 1941 to 1945 (KP SE/11/5-7).

Secondly, both analyses confirm that Keynes started his regular investment activity on the US stock market in the same period for King's and on his own account, that is after the Great Crash, when the stock market was at a low point, showing a *contrarian* approach. The only difference is that while for his personal investments trading in dollar securities began between the end of 1931 and the beginning of 1932 (see KP SE/2/6; Cristiano, Marcuzzo and Sanfilippo 2017), for King's Keynes started his incursions in the US stock market a bit earlier, just a few months before and after the Great Crash, and more precisely in April 1929 and September 1930 (Kabiri and Chambers 2016: 303). Unfortunately, the authors provide no explanation as to why Keynes undertook these investments, and with King's funds, precisely during the turmoil of the Wall Street collapse.

What we can remark here is that in March 1930 he had publicly[4] rebutted the pessimistic view of his business partner Oswald Falk on the future of the British industrial sector and also his

[4] In the letter to the *Times* titled 'Investment Abroad' (CWK XXI: 331-2).

suggestion in favour of redirecting investments from British to US shares[5] (see Cristiano, Marcuzzo and Sanfilippo 2017). Falk considered the Wall Street market after the Great Crash as offering a good opportunity for British investors to buy cheap and gain from future appreciation. Keynes took a gloomy view of the US economy at the time – an impression which was subsequently reinforced during his trip to the United States in May and June 1931, when he was able to perceive the extent of the economic crisis more directly. These opinions could partially explain why in this period his personal portfolio shows no trace of any dealing in US securities, at least up to 9 November 1931. Nevertheless, on the evidence of the data provided by Chambers and Kabiri (2016: 303, Table 1), between 1930 and 1931 King's US holdings grew from a value of $9,900 to $17,600, which suggests that when investing on behalf of King's, even though on quite a small scale, Keynes was more inclined to try Wall Street, taking advantage of low prices.

As for the subsequent evolution of the two portfolios over time, both studies confirm that 1934, the first year of Roosevelt's administration, represented the watershed in Keynes's US investments, since in both cases they reached significant proportions in value. They then peaked in 1936 and remained quite substantial up to the mid-1940s (with some appreciable differences between the two portfolios in 1937).

Both studies testify to Keynes's extreme care in collecting all the relevant information on the companies and shares he invested in, anticipating what came to be known as the 'fundamental security analysis' (Chambers and Kabiri 2016: 306, Cristiano, Marcuzzo and Sanfilippo 2017). In fact, in his stock-picking strategy he followed, for both King's and himself, a value approach, aiming at selecting, in particular, market undervalued shares.

Finally, both studies confirm the importance of the core holdings approach as a general investment philosophy followed by Keynes also in the case of his US dealings.

In an oft-quoted passage in a letter to Francis Scott on August 15th, 1934, Keynes presented his golden rule for investment: 'As time goes on, I get more and more convinced that the right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes'(CWK XII: 57).

Here Keynes is referring to companies and selection of them in an investor's portfolio. Keynes well clarifies the motivations that should guide the choice and, interestingly enough, the two reasons he gives are both grounded on factors of a mainly subjective nature. One relates to the quantity of information that the investor *believes* he possesses on these companies, the other to the *degree of confidence* that the investor has in the management of the different companies.

Keynes used to define this small set of companies (and shares) he was keen on as his 'pets'. A few years later, he made clearer how many companies he knew 'something about' and how many there were in whose management he 'thoroughly believed': 'I myself follow very closely,

[5] For a detailed reconstruction of Falk's and Keynes's positions on this point, see Millmow (2012).

or think I have some knowledge, of upwards of perhaps 200 investments [...]. Now out of the 200 which one tries to follow more or less, there are probably less than 50 in all classes about which, at any given time, one feels really enthusiastic' (Memorandum for the Provincial Insurance Company, 7 March 1938, in CWK XII: 99).[6] In their analysis of Keynes's core holdings in his personal US portfolio, Cristiano, Marcuzzo and Sanfilippo (2017) concentrated mainly on the selection of companies and the reasons behind Keynes's choice. They thus identified Keynes's American 'pets' as a subset of 23 companies whose shares he held for at least 4 years over the period 1932-1945 (see Cristiano, Marcuzzo and Sanfilippo 2017, Table 4), and which represented only a quarter of the total number of companies traded by him in the period considered. On average, however, these holdings accounted for about 3/4 of the value of his personal portfolio over this period. The authors also provided some tentative explanations of Keynes's picking-up strategy for companies, which has to do with their solidity or performance, his confidence in their management, the quantity of information he possessed (directly, or through his personal connections) and, finally, his grounded opinions on the future development of a particular sector. Chambers and Kabiri (2016: 320-21, Table 2), on the other hand, focused more specifically on the stock-picking strategy adopted by Keynes in his management of King's portfolio. They identified King's core US holdings according to the following, more quantitative criterion as 'any security held for a period of at least 5 years with a weighting greater than 1 percent of the total value of his US stocks'. They thus arrived at the number of 20 core stocks which accounted 'for an average of two-thirds of his US portfolio across the whole period from 1931 to 1946' (Chambers and Kabiri 2016: 319).

Now, for more direct comparability of the two subsets (the core holdings of US securities in King's portfolio as reconstructed by Chambers and Kabiri 2016, Table 2 and the core holdings of Keynes's personal US investment as reconstructed in terms of 'pets' by Cristiano, Marcuzzo, and Sanfilippo2017, Table 4), we list below (Table 2) the US *securities* that Keynes kept longest, regardless of their weight in his own US portfolio.

[6]As recently recalled by Woods (2013): 'As Keynes himself admitted in 1938, his approach to portfolio management changed dramatically during the course of his career. He abandoned 'speculation' in favour of 'investment' – namely "a careful selection of a few investments [...] having regard to their cheapness and potential 'intrinsic' value over a period of years ahead"'.

Table 2. US 'Pet' securities in Keynes's own portfolio, 1932-1945. (Source: our elaboration from Keynes Papers, SE/11/5-7).

Securities	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
American Cities Power and Light (C)														
American General Corporation (C)														
American Metal Co. Ltd. (C)														
American Power & Light (P)														
Associated Dry Goods (P), (C)														
Central States Electric(P), (C)														
Chicago Corporation (C)														
Chicago Rock Island & Pacific (B)														
Clymax Molybdenum Co. (C)														
Commonwealth & Southern (P)														
Electric Power & Light Corporation (P)														
Erie Railroad Co. (B)														
General American Investors (C)														
General Realty & Utilities (P)														
Homestake Mining Co. (C)														
International Hydro-Electric System (P)														
National Power & Light (P)														
Pennroad Corporation (C)														
Prudential Investors Corp.(C)														
Tri-Continental Corporation (C)														
US & Foreign Securities (P)														
United Corporation (Delaware) (C)														
United Gas Corporation (P), (C)														

Legend: P=preferred; C=common; B=bond

	Railways and railways related (locomotives)
	Utilities
	Oil
	Investment trusts
	Motors and motors related (tyres)
	Mining and Metallurgy
	Industrial and Consumer goods
	Insurance

Focusing, then, only on the qualitative criterion of longest security holdings in the two portfolios, we observe that Keynes, whether investing for himself or on behalf of King's, had a net preference, among the different sectors, for securities of companies belonging to investment trusts and public utilities, especially from 1934 onwards (see Chambers and Kabiri 2016, Table 2: 320 and Table 2 below, respectively peach and purple colors). As for the specific items selected, we observe that 13 securities[7] appearing as core holdings in King's portfolio also appear as core holdings in Keynes's personal portfolio. This substantial overlapping[8] in the stock-picking strategy is not surprising, and simply testifies that when Keynes *believed* in a particular investment, he decided to buy (and hold) it when acting both as a personal investor and as manager of King's portfolio.

2.2. Differences

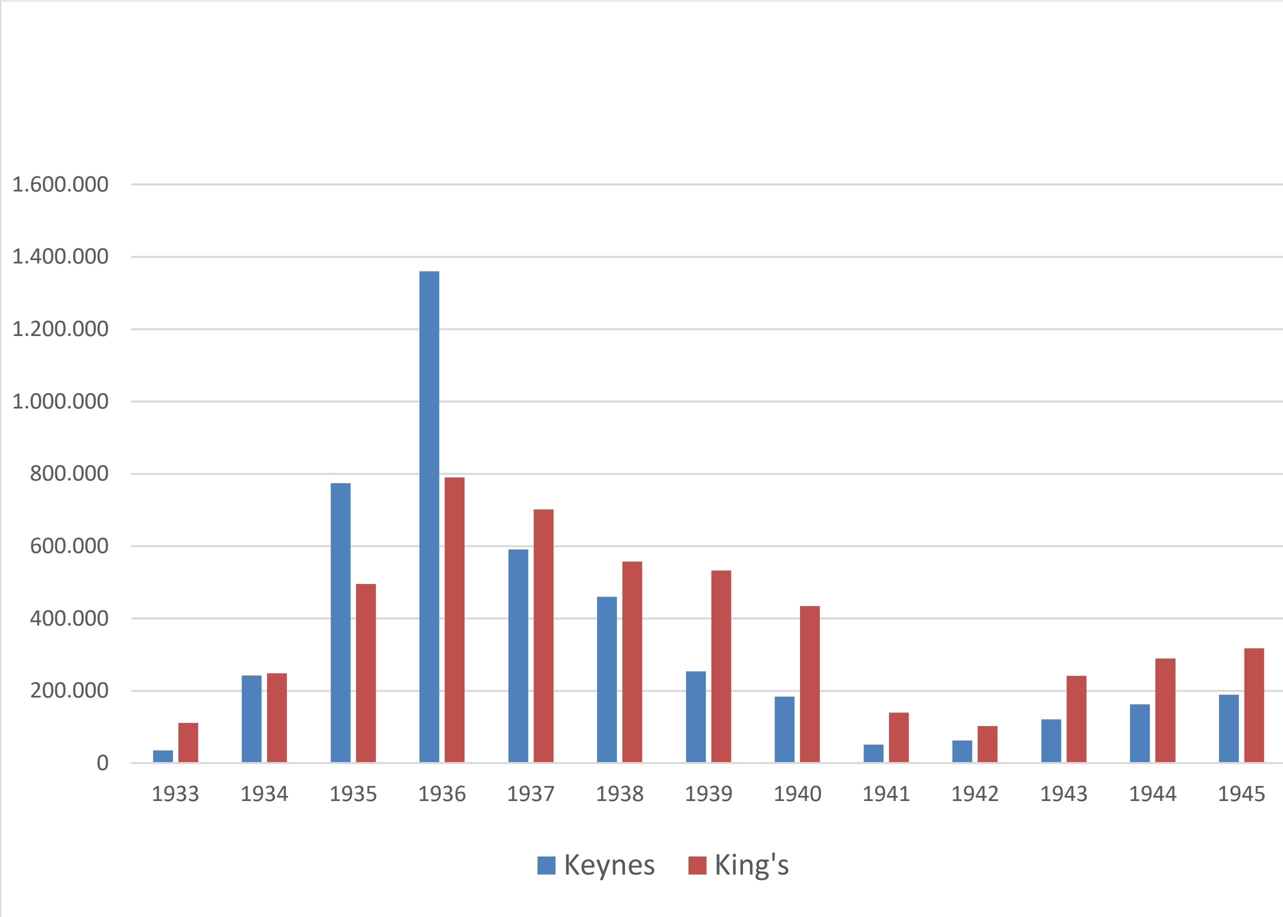
As again might be expected, some significant differences in Keynes's management of the two portfolios can be found, and they concern the following aspects: 1) the relative dimension of the investment and its evolution over time; 2) the degree of diversification; 3) the allocation between common and preferred shares; and finally 4) his different behaviour in the face of the specific event of the March 1937 collapse of the US stock market.

As far as the relative size of the investments is concerned, comparison of the two portfolios (not taking into account the time-lag of a few months in the date of valuation, the end of August of each year for King's portfolio, and the end of December for his personal portfolio) reveals that while in the years from 1931 to 1933 the value of King's US portfolio was appreciably higher (between 5 and 3 times greater) than his own, in 1934 the values of the US holdings – which substantially increased in both cases – reached more or less the same dimensions (as shown in Graph 1 below). In fact, from 1933 to 1934 King's US security portfolio valued at market prices doubled, rising from $110,900 to $248,100 (according to the data provided by Chambers and Kabiri 2016, Table 1: 308), while Keynes's own portfolio (according to his own evaluations) grew almost 7 times greater, rising from $35,000 to $242,000.

[7] These were: General American Investors, Prudential Investors, Tri-Continental, Climax Molybdenum, Homestake, United Corp., (all common); and US and Foreign Securities, Associated Dry Goods, American Cities Power and Light, Commonwealth and Southern, Electric Power and Light, United Corp., United Gas Corp., (all preferred).

[8] The remaining differences in the subsets are also due to the different definitions adopted respectively by Chambers and Kabiri 2016 and Cristiano, Marcuzzo and Sanfilippo 2017 to identify the core holdings.

Graph 1: US Holdings held by Keynes and King's College, 1933-1945 (USD$). Source: our elaboration from data provided by Chambers and Kabiri (2016: 308, Table 1), for King's US holdings, and from Keynes's own Evaluations (KP SE/11/5-7) for Keynes's US holdings.



The relative scale of the two portfolios between 1933 and 1934 is further confirmation of Keynes's strong (personal) inclination throughout 1934 – when Roosevelt started to implement his policy of public spending – to invest in the US, and evidences the increasing 'degree of confidence' in his conviction.[9] In the following two years, 1935 and 1936, this inclination persisted, and the scale of his own investment became much larger than the proportion of investment on behalf of King's. His own investment holdings amounted to almost $775,000 (against something less than $500,000 as far as King's holdings were concerned) in 1935 and reached the peak of almost $1,400,000 (against something less than $800,000 in the case of King's) in 1936. The situation reversed in 1937, when Keynes's own portfolio proved smaller than King's, and remained so also in the following years.

Looking and the evolution of the exchange rate over the period considered, the pound sterling went through depreciation and instability immediately after the abandonment of the gold standard and up to the end of 1932, when the parity was at 3.5$. Then, during 1933, after the

[9] It may be worth recalling that it was precisely from 1933 to 1934 that the scale of his loans greatly increased, rising from a value of £78,000 to about £165,000 (Moggridge 1983, CWK XII: 11, Table 3).

US's suspension of gold convertibility and consequent dollar devaluation in 1934, the dollar/sterling exchange rate reached the peak of 5$=1£, and remained substantially stable around this parity until 1937 (Board of Governors of the Federal Reserve System 1943, *Banking and Monetary Statistics, 1914-1941*, p. 681). Afterwards, the dollar experienced a slight appreciation up to March 1940, when the British government took the decision to peg the value of the pound to the dollar, at $4.03, where it stayed up to 1950.

As for the level of diversification, again on comparing the two portfolios we observe that King's portfolio was more diversified than his personal portfolio. In 1938-39 the number of US securities held in King's portfolio reached the highest figures for the whole period considered by Chambers and Kabiri (2016: 308, Table 1) - in both years over 40 securities - while in the case of his own portfolio the number fell to below 25 (KP SE/11/5-7). A plausible explanation of this difference may have to do with the more stringent constraints to hedge risk in the case of King's.[10] But this difference might also reveal something about his personal attitude towards risk, since he was more inclined to bear risk when investing for himself than for King's.[11]

Moreover, while in both cases his serious involvement in Wall Street dates back to the beginning of the 1930s, with his holdings increasing in 1934, 1935 and 1936, and declining in the 1940s (see Graph 1 above), in 1937 and the following two years 1938-1939 we observe another striking difference in the two portfolios.

His personal portfolio was dramatically reduced in 1937 (falling from a value of about $1,400,000 in 1936 to something less than £600,000) and continued so in 1938-39, while King's portfolio remained respectively 88% in 1937, 70% in 1938 and 67% in 1939 of the value of his 1936portfolio.

Some possible interpretations of this difference come to mind.

First of all, we might consider the greater weight of common stocks in Keynes's portfolio than in King's (see Table 3 below, 1st and 2nd rows). This feature, combined with the larger scale of his personal exposure in 1936, made the need to limit his personal losses in a falling market stronger and more urgent, when, after March 1937, the bubble burst and fears were that a new Great Crash seemed to be forthcoming.[12]

Secondly, there was, of course, the different degree of freedom in taking decisions on his own behalf and in his management of King's portfolio. This element played a part especially during

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[10] The constraints we refer to here might not necessarily have been of an external kind (let us recall that he invested in the US stock market on behalf of King's through the Discretionary Fund) but also internal, as a feeling of self-restraint, due to his own sense of responsibility.
[11] Another factor that could have played a role is the fact that in the case of his personal investments he made considerable resort to bank loans, especially from 1933 onwards (Moggridge 1983, CWK XII: 11, Table 3).
[12] The Wall Street crash of Spring 1937 was followed by a real contraction (a 10% fall of real GDP accompanied by a 20% rate of unemployment), which lasted from May 1937 to June 1938. According to the literature (see, e.g., Bordo and Haubrich 2012, Romer 2009), the tightening policy adopted by the FED as from Summer 1936, when it began to raise reserve requirements, together with a premature halt in the expansionary fiscal policy, contributed to the subsequent recession (see also Friedman and Schwartz 1963).

1937, when Keynes lost his confidence in the measures implemented by the US administration to cope with the crisis (on this point see Cristiano, Marcuzzo and Sanfilippo 2017). It seems significant that a great part of his liquidation took place precisely in November 1937, in the same period that saw his scathing criticism of Roosevelt's measures.[13]

Table 3. Weight of common and preferred shares (%) in Keynes's own portfolio and King's portfolio, 1934–1939 (Source: our elaboration from Keynes Papers, SE/11/5-7, for Keynes's portfolio, and from Chambers and Kabiri 2016: 308, Table 1, for King's portfolio)

	1934	1935	1936	1937	1938	1939
Keynes's portfolio (C)	51.9	45.7	53.2	54.6	45.4	63.2
King's Portfolio (C)	42.9	28.5	36.6	46.8	39.7	45.0
Keynes's portfolio (P)	45.0	53.0	44.0	44.0	52.4	36.0
King's portfolio (P)	51.3	65.8	60.1	52.5	56.1	51.1

Legend: C=common; P=preferred

Keynes certainly showed a difference in attitude when investing on his own behalf or on behalf of King's. Clearly, in the management of the King's portfolio (as well as the portfolios of other institutions) Keynes was more inclined to resort to instruments like preferred shares (see Table 3 above, 3rd and 4th rows), which were more similar to bonds, than in his own investments.[14]At the same time, this explains why Keynes's interest in common stocks as a form of long-term investment as from 1925 – convincingly argued by Chambers and Kabiri (2016: 302) – is better evidenced by the composition of his own portfolio than by that of King's. A more general reflection is that probably any type of innovative investment strategy in the stock market could be more easily and extensively adopted in the case of his own portfolio than when managing King's funds.

[13] See, for example, his letter to W.W. Stewart, Professor of Economics at Amherst College and Economic Advisor to the Bank of England, dated 14 November 1937, where he severely criticised Roosevelt because he was not spending enough and because of his failure in the management of three crucial sectors like housing, railways and public utilities (CWK XX1: 427-8). See also the private letter he wrote to Roosevelt on 1 February 1938, again highly critical of his industrial policy, judged ineffective and contradictory (CWK XXI: 433-439) (see Cristiano, Marcuzzo and Sanfilippo 2017).

[14] The specific characteristics of the preferred shares are well explained by Chambers and Kabiri (2016: 309): 'Other things being equal, preferred stocks – being without voting rights and without any claim to the residual cash flows of a firm – tend to trade like bonds. Furthermore, preferred stock dividends are paid before common stock dividends and provide a more secure income stream in uncertain times'.

3. Keynes's different behavior during the 1937 US stock market collapse

As for Keynes's behavior during the 1937 crisis, we find here the most striking difference when managing his own portfolio and that of King's – an aspect which does not emerge in the findings of Chambers and Kabiri (2016).

The collapse in stock prices in 1937, which Keynes had not been expecting (see also Chambers and Kabiri 2016), prompted different responses: to liquidate massively in the case of his own portfolio, also because of his greater exposure in common stocks, and a 'keeping' strategy in the case of King's portfolio, allocated to a greater extent in preferred shares. The liquidation on his personal portfolio was of considerable proportions (see Table 4 below).

Table 4. Purchases, Sales and Net Purchases/Sales in volume and in value in Keynes's own portfolio in 1936 and 1937 (Source: our elaboration from Keynes Papers, SE/9/43-75)

Year	No. Shares Bought	No. Shares Sold	Net Bought (No.)	Purchases ($)	Sales ($)	Net Purchases ($)
1936	33400	6390	27010	537166	362918	174248
1937	16367	26550	–10183	479826	527233	–47407

The liquidation, mostly of common stocks in various different sectors, started around April 1937 and continued in notable proportions in the second half of the year: first of all Railways (he sold 800 shares of two different companies, *Erie* and *Great Northern Railway*); then on to Industrials (3500 common shares only of *Carriers and General Corporation*), oil companies (1800 common shares of three different companies) and Investment Trusts (he sold, mostly in August, 4000 shares of *Atlas Corporation*, 2500 of *Blue Ridge*, 1600 shares of *Chicago Corporation*, 600 of *Tri-continental* and 500 of *General American Investors*), ending with mining companies (in November he sold 1400 stocks of *Homestake*) and again Investment Trusts (other 2100 stocks).The considerations guiding Keynes in the management of King's Discretionary Fund were different from those he followed in his role as a personal investor; his changed views on the evolution of the macroeconomic context and Roosevelt's economic policy were likely to be reflected more promptly and to a greater degree in the case of his own portfolio.

4. Conclusions

Chambers and Kabiri (2016), who undertook highly detailed analysis of King's College US portfolio managed by Keynes, provided some general conclusions on Keynes as a trader on Wall Street which confirm the shared view in the literature (see, e.g. Wasik 2013; Woods 2013) that Keynes, during the 1930s, had decidedly turned to a buy-and-hold strategy based on the selection of a limited set of securities. However, in their study they do not investigate Keynes's personal dealings in the US stock market, assuming that analysis of Keynes's own investment in the US stock market could not add anything new or anything different to their analysis of the King's investments. However, any analogy between Keynes's personal and institutional dealings should not be accepted as altogether obvious, without a comparative analysis of both portfolios. This is the contribution offered by this paper, which may help, in our opinion, to qualify the findings and conclusions reached by Chambers and Kabiri (2016) and better appreciate Keynes's different behavior as a personal investor and as manager of an institution's portfolio when he traded on Wall Street.

In the case of choice between common and preferred stocks, for example, we reached a more qualified conclusion. One of the findings of Chambers and Kabiri's investigation based on analysis of King's holdings is that Keynes allocated his investments equally between preferred and common stocks (Chambers and Kabiri 2016: 313) and this is further confirmation of Keynes's innovative style as an institutional investor (see also Chambers and Dimson 2013; Chambers, Dimson and Foo 2015). But if we focus in closer detail on the period 1934-1939, when the dimension of both portfolios was greater, and compare the share of common stocks in Keynes own and the King's portfolios, we observe that the weight of common stocks in his personal holdings is steadily and, in some cases (for instance in 1935 and 1936) substantially, higher than that of King's. It is reasonable to suppose that Keynes's innovative investment philosophy as an institutional investor somehow reflected ideas that could be tested more freely while investing on private account.

As for diversification and attitude towards risk, our analysis reveals a more risk-prone Keynes when investing on his own than on King's behalf.

Furthermore, with regard to the increase of US holdings in 1934, which characterized both portfolios, we have seen that the relative extent of this increase is very different, being much greater in the case of his own portfolio. A likely conclusion seems to be that his personal conviction as an economist on the rightness of Roosevelt's policy was given greater play in influencing Keynes the personal investor than in his institutional role.

As for the 'keeping' strategy seen by Chambers and Kabiri as typifying Keynes's choice, it is confirmed on the whole by analysis of the US core holdings in his personal portfolio but belied at least in the significant case of the 1937 US stock market collapse. The different attitude shown by Keynes seems to depend on three factors: 1) the greater weight of the common stocks in his own portfolio; 2) the greater freedom in taking decisions in the case of his own portfolio; 3) and the extent of his personal disappointment with Roosevelt's policy at the end of 1937. To these considerations another one, very tentative, could be added. In 1934 Keynes had greatly increased both his personal and King's exposure on the US stock market, but in 1936 his personal US portfolio was double that of King's, and the March 1937 crash took him very much by surprise. In the light of the dimension and composition of his own portfolio it seems plausible that he had a sort of overreaction, which led him (even though with a delay of few months and having missed the right moment) to liquidate in November 1937, in particular selling common stocks.[15] A few months later he regained some confidence, as he wrote to G.H. Recknell on 30 April 1938: “In the case of the United States, the immediate prospect is more obscure. But there is surely a case for patience and fortitude. Both the forces of natural recovery and those of official assistance may take a bit of time to work. But, after reading innumerable reports and statistical analyses of the American position, I can see no reason for expecting a very serious further recession and every reason for believing that things will be a great deal better than they are by the end of the year” (CWK XII: 40).

As for King’s portfolio, on the other hand, smaller in scale and more invested in preferred shares, the decrease in his holdings from 1936 to 1937 amounted only to a value of $100,000 (about 12% of 1936 portfolio), which implies that he substantially held on to securities. Having retained securities when the bubble crashed, in the following two years he continued largely to hold on to securities, while in the case of his own portfolio he continued to disinvest. During the 1940s, the circumstances of the war and the Treasury restrictions on American dealings affected Keynes the personal and the institutional investor in much the same way, and the pattern of the two portfolios became more aligned.

Appendix on Archival Sources

The relevant information on Keynes’s US personal investments is scattered throughout many files of Keynes’s Papers. They include statements of account sent by the brokers to Keynes (mainly files KP SE/9, and SE/8), notes and computations handwritten by Keynes on dealings and profits on each company across time and correspondence with brokers (mainly file KP SE/2/6-7), exchanges (published and unpublished) with other investors and businessmen, containing views or considerations on specific companies and/or the US markets, weekly statements of the Tilton Company (mainly files KP TC/3/4, TC/3/5, TC/4/3 and TC/5), registering the open positions and valuations at each date, and, finally, Keynes’s manuscript ledgers (file KP SE/11/5-7). The main source for Keynes’s holdings and dealings in dollar securities for the period March 1932 to July 1939 is file SE/9, which contains the statements of his dollar account with Buckmaster & Moore (Keynes’s main broker). It contains the list of US stocks (companies) in which Keynes invested in chronological order, indication of the type of stock (if common or preferred), the dates of buying and selling operations, although not recorded pair-wise, the quantities traded, and, as far as dividends are concerned, a complete account of the sums received at different dates. Unfortunately, the information on the stock prices at which Keynes’s made his dealings is not registered, but only the total debit (including taxes) and credit positions for each buying and selling operation, with no exact indication of the matching between stocks bought and sold. Two other fundamental sources of information lie in the ‘Valuations’ of his security portfolio (including both British and US) at the end of each year, made by Keynes himself in his ledgers (files KP SE/11/5-7) and the B&M statements

[15] From the end of 1936 to the end of 1937 his personal US holdings more than halved.

of accounts relating to Keynes's positions at each date, recording the number of shares held for each company, the (market) stock prices (in sterling and in dollar for the US shares) and the total value of the stocks held, always in sterling (for the US shares too) (file KP SE/2/6-7).

As for Chambers and Kabiri's analysis (2016) of Keynes's US investments on behalf of King's, we were unable to find detailed indication of the data sources in their paper, while they provide full archival details for the list of people Keynes met during his trips to the USA. Nevertheless, we can infer that their data sources are King's College Papers, subsection Administrative Records/Assets/Stocks, Shares and Equities (King's KC/KCAR/4/D/2).

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