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HOW KEYNES CAME TO CROATIA*

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Taking the present opportunity to discuss about Keynes sixty years after, I am prompted, being inspired by the well-known Galbraith's story of how Keynes came to America, to tell you a story about Keynes' coming to Croatia. I am sure that it is equally exciting, especially that those distant events happened in much more difficult conditions of a small country, involved in a bitter ideological and political feud. They have left deep impact on the intellectual life of Croatia, the full extent of which could be properly judged only now, when we are finally freed of the totalitarian legacy.

Croatian economic thought has a long tradition, from Benedikt Kotruljević, an outstanding precursor of the mercantile doctrines in the 15th century, Juraj Križanić, a missionary social reformer in Russia in 17th century, to Josip Šipuš, an early admirer of Smith in 18th century. In the 19th century and the first third of the 20th century the preponderant influence had, Austrian cameralist authors (Sonnenfels in the first place), and later the German historical school. The Anglo - Saxon economic tradition was partly known, but never had a distinct follower.

Among the first Croatian economists who was familiar with professional activities of Keynes was Đ. Račić, who already in 1929 in his hand-book Financial Science made reference to Keynes's theoretical work (particularly to his The Tract on Monetary Reform) in support of stable money and better regulation of the reparations and war debts. Later in his Science of Money (1955), he stated that Keynes left the strongest impact on contemporary economic debates. He devoted much space to presenting and commenting Keynesian views on monetary problems. But he did not consider himself a Keynesian.

The change came about in the early 1930s, with the appearance of a group of young economists well educated in monetary economics. Their

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spiritual leader was Mirko Lamer, who made his doctoral studies at the Institute of the World Economy in Kiel in Germany, on international economic problems. His doctoral thesis was about integration of Yugoslavia to the world economy. In 1935 and 1936 he stayed in Washington and New York in order to prolong his studies. He also was a driving force of founding in Zagreb an economic monthly journal, Ekonomist, to which he regularly contributed articles and reviews on topical issues. The name of Keynes appeared very often in his writings concerning the debate of current, especially American, economic issues. So, he wrote the article Stabilizing American Economy by Regulating Prices. Referring to Keynes' The Means to Prosperity, he wrote: "In this respect, a marked influence on Washington's circles have theories of Professor Keynes, who maintains that the industrial prosperity is characterized by the fact that investments exceed savings, and that during depression the contrary holds. Therefore, he considers that during depression the state should with its own investments set in motion the wheels of industrial process, and in respect of the secondary effects of those investments draws some interesting theoretical calculations. (Ekonomist, No. 1, 1935). Later he published American Constitution against Roosevelt: National Recovery Act - Unconstitutional, constitutional aspects of Roosevelt's New Deal, as well as an article about Roosevelt's reform of the Federal Reserve System, making echo of the Keynesian theoretical propositions. He also contributed several reviews of books, pertaining to the same theoretical and practical debate (Report of the Columbia University Commission on Economic Reconstruction; D.V. Brown, The Economics of the Recovery Program; Sumner Slichter, Toward Stability; John Strachey, The Nature of Capitalist Crisis; John A. Ryan, A Better Economic Order; A.C. Pigou, Practical Questions of Political Economy).

After his return to Croatia, Lamer extensively wrote about "Keynesian" topics, (public works, credit creation, war and war economy, forms of economic policy, principles of a planned economy), much in a spirit of Keynes, with numerous references to his works. He well noted the change in Keynes' theoretical foundations, which took place in the General Theory of Employment, Interest and Money in comparison with Keynes' earlier works. In 1938 he undertook great efforts to found a research institute in Zagreb. With few other enthusiasts he succeeded to convince the authorities to found the Institute of Economics of Croatia, the present Institute of Economics, Zagreb. He directed the research work of the Institute, until 1941, when he was taken to the government. Soon after he profited opportunity and emigrated to Switzerland. After the war he stayed abroad and joined FAO as expert.

But the story of Croatian Keynesianism was not an one-man story. Lamer had several followers and friends. The most prominent among them was Jozo Tomašević, a financial expert of the National Bank of Yugoslavia. He made his studies of economics and got doctoral degree in Basel, Switzerland, with the dissertation on the state debts of Yugoslavia. He

contributed largely to economic journals in Zagreb and Belgrade, on public finances (Investments budget as a means of business promotion policy; public debts in France, England, United States; public works). More important were his two books: Financial Policy of Yugoslavia (1935) and Money and Credit (1938). Already in the first book he discussed Keynes' monetary views, but only in his Money and Credit he good intimate knowledge of all major Keynes's works from Indian Currency and Finance, The Tract on Monetary Reform, Treatise on Money to the General Theory of Employment, Interest and Money. This book is an extensive scholarly treatise, where Keynes's views occupy the central place. Keynes is quoted more than any other author, and if his views are not always fully accepted, they are always considered with high appreciation. The foreword to the book is written by Ivo Belin, an other prominent economist and vice-governor of the National Bank of Yugoslavia, who wrote in the Keynesian vein and shared much of Keynesian views.

There is no need here to discuss Tomašević's exposition and appraisal of Keynes's views, but only to indicate their presence in the book we offer the list of topics included: functions and nature of money, bank money, deposit money, money and gold, Indian monetary system, circulation of money, theory of purchasing power of money, saving investments equilibrium, quantitative theory of money, psychological aspects of business fluctuations, theory of multiplier, Keynes' relation to inflation and deflation, his advocating stable money in the Tract and changed view in the General Theory, managed money as a means of achieving full employment, influence of international monetary flows in determining exchange rates, rejection of basing intervalutary rates on metallic reserves of central banks, problem of transnational bank-money. Keynes is, in fact, presented as the highest authority on all these issues. As an authoritative treatise on the subject. Tomašević's did not fail to have a strong impact among students and professional circles.

In 1938 Tomašević was awarded a two-years Rockefeller Foundation fellowship. He went to the United States and after the outbreak of war in Europe he stayed there as a professor at the San Francisco City University.

More dramatic was the destiny of the third prominent Keynesian in Croatia, Milan Fišter. In 1936 as a young student he enrolled economics at the University of Cambridge, where he attended lectures of Keynes himself. After three years of studies he graduated and returned to Zagreb, where Lamer employed him in the Institute of Economics. He published his first book-review of Colin Clark's The Condition of Economic Progress, stressing the connection between Clark, Pigou and Keynes.

When the war broke out and the pro - nazi regime was established in Croatia, the range of issues which could be publicly discussed was severely reduced. Topics pertaining to democratic societies and personalities representing their values were practically excluded, so that the journal Ekonomist could at best write about "neutral" Swedish economists (e.g.

Cassel). In such circumstances Fišter continued to prepare his doctoral dissertation on the use of contingents in commercial policy, which he defended in Berlin before prof. Brinkman. But he also decided to prepare the selected works of Keynes. What was surprising it is that not only he prepared them, but he actually published them in 1944, it is true, under mysterious title Problems of Money Between the Two Wars. but still with the subtitle Selection from works of Keynes. The publisher was Matica Hrvatska, a leading national cultural association, what made the event even more curious and significant.

Fišter made indeed a representative selection from Keynes's writings on money. He included part of A Treatise on Money, The Economic Consequences of Peace, A Tract on Monetary Reform, The End of Gold Standard, The End of Laissez-faire, The Economic Prospects of Our Grand-children, How to Pay for the War, Robert Malthus, Alfred Marshall. The largest part was given to the General Theory of Employment, Interest and Money. The criterium of money obviously was not fully respected, and the inclusion of essays on Malthus and Marshall clearly indicated that he wanted to present a larger account of the Cambridge School.

In his introduction to the book Fišter was clear in indicating his intention: to present, "within the framework of present possibilities", "economic or monetary problems in one of centers of the world economic and social crisis" through a selection of works of Keynes, who "attempted a reform of the classical theory of political economy". Further, he put, Keynes, as nobody else, regularly and in the same time treats the theoretical and politico-economic problems on the basis of his own practical experience. Finally, monetary problems are most common and have an international significance, he concluded.

But that his aims went beyond the declared targets, indicates the fact that he added his own comments and included several appendices, like that about lending among Allies, actual problems of gold in the international monetary system, actual British financing of war, international management of money, transition from the war to the peace economy, what gave him opportunity to present to the Croatian public the full text of the Bretton-Woods agreement on International Monetary Fund, as well as the account of the British policy of full employment (the Beveridge Report) and economic recovery. The way how those texts were presented and amended conveyed a message to the public, that the Allies were going to win the war and establish a new international order. It was no doubt that his sympathies were with the Allies.

The message was well understood by the authorities as well, which were alarmed. They seized the edition and destroyed it. Only a small number of copies were saved. Fišter was put under custody. But even the end of war did not bring him relief. It seems that he was equally suspected by the new communist regime. In 1946 he was arrested and vanished without trace. So, just when Keynes triumphed in the United

States and officially promoted by the Employment Act, in Croatia he was severely banned, and officially replaced by Marx and Lenin.

None the less, the fact remains that the Keynesian message succeeded to reach the public during the occupation, and, more important, that it somehow survived under the new totalitarian regime. Although the main protagonists of the Keynesian revolution were not active any more in Croatia, many others who understood the message managed to stay active and expanded the new economic doctrines. To mention but few: Rudolf Bičanić, Marijan Hanžeković, Zlatko Gašparović, Slobodan Štampar, Ivo Vinski. The most vocal was Rudolf Bičanić, who persisted in challenging openly the official views on theoretical and politico-economic issues. During the Second World War he lived in Great Britain and was engaged in preparatory works for Bretton - Woods, and he probably knew Keynes personally. Another important person was Rikard Lang, who spent some time in the Economic and Social Council of UN and for years directed Institute of Economics. He made of it a center of modern economics in Croatia. In the 1950s a number of young economists went abroad to study, especially to the United States and Great Britain. Among them the most prominent was Branko Horvat. In the 1960s the new generation of Croatian economists educated abroad, mainly in the United States, and they were followed the world trends in their own theoretical work and applied research. The most distinguished Keynesions, Joan Robinson and Alvin Hansen, were among the first in the 1950s to visit Zagreb and the Institute of Economics.

To conclude: as it is now becoming more difficult to recognize what in modern economics is Keynesian and what is not-Keynesian, we could easily with Milton Friedman claim that we are all Keynesians. But the Croatian economists can not forget that the modern economics came to Croatia first with Keynes.

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PRIKAZI

SUPPLEMENTS