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## Discussion paper

# Keynes, Trouton and the Hector Whaling Company. A personal and professional relationship.

BY

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## **Keynes, Trouton and the Hector Whaling Company.**

### **A personal and professional relationship.**

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#### ABSTRACT

John Maynard Keynes' activities on the stock market are well known. One company in which he bought stocks was the Hector Whaling Company Ltd., London – a comparatively small and little known company founded in 1928. The director of this company was Rupert Trouton. He had worked with Keynes for the Government during the First World War, was his student at Cambridge, and became a close partner in the City from the 1920s and onwards. The reason why Keynes invested in Hector was obviously his association with Rupert Trouton.

The first part of this paper explores briefly the development of the Hector Whaling Company and its origins in Norway. The main part analyses the relationship between Trouton and Keynes. The focus is on their co-operation relating to Hector Whaling, but their relationship regarding various other businesses, as well as on the personal level, is also described.

The paper is based on studies of the Keynes archives in Cambridge as well as newly available archives of the Hector company. The analysis provides new insights to the more general question on the motivations and decisions behind Keynes' stock market investments as well as the internationalization of the whaling industry in the 1920s and 30s.

#### KEYWORDS

John Maynard Keynes, stock market, whaling history, Hector Whaling Company

## INTRODUCTION

John Maynard Keynes' activities on the stock market are well known. In addition to being a most influential and respected economist, he used his energy and skills in the City – with his own money as well as on behalf of King's College, Cambridge, where he was bursar between 1924 and 1946.

One company in which Keynes bought stocks in the late 1920s was the comparatively small and little known Hector Whaling Company Ltd., London. The director of this company was Rupert Trouton who had worked with Keynes for the Government during the First World War, was his student at Cambridge, and became a close associate in the City from the 1920s and onwards.

The reason why Keynes invested in Hector was clearly his relationship to Rupert Trouton. The paper explores this relationship, and the analysis provides new insights into more general questions of the motivations and decisions behind Keynes' stock market investments.

The relationship between Keynes and Rupert Trouton is briefly treated in some of the Keynes literature. Harrod mentions Trouton as a 'very able member' of Keynes' team during the war as well as their cooperation concerning Hector Whaling.<sup>1</sup> Both Moggridge and Skidelsky mention Trouton several times, from their First World War association, via the City partnership and their social contact right up to Keynes' last years.<sup>2</sup> There is, however, no real analysis of their relationship, and there is no mention of Hector Whaling in Skidelsky's extensive work, other than a remark about 'a whaling company' Keynes had invested in, formed by Trouton.<sup>3</sup> Chambers and Dimson, in recent papers on Keynes' investments as a bursar at King's College, refer to Hector and Trouton. They mention the relationship as an example of the importance of Keynes' 'personal network'.<sup>4</sup> Marcuzzo and associates in several recent papers analyse Keynes' speculations in the commodity option market where the Keynes - Trouton relationship is also mentioned. For example, based on studies of the Keynes archives they suggest that it was Trouton who, in 1921, introduced Keynes to metal options.<sup>5</sup> However, none of these publications go into any detail on the personal and quite extensive relationship between the two. This is the main aim of this paper.

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<sup>1</sup> Harrod, *The Life*, 219 and 448.

<sup>2</sup> Moggridge, *Collected Writings* XII, 30ff., XVI 224, XX 487, and *Maynard Keynes*, 269 and 907. Skidelsky, *John Maynard Keynes* I; 337, II; 6, 46, 296, 535, 633, III; 17, 153.

<sup>3</sup> Skidelsky, *John Maynard Keynes* II, 296; quoting a letter from Keynes to his wife Lydia Lopokova in 1929 referring to a dinner party in Cambridge where 'we talked all the time about whales'.

<sup>4</sup> Chambers and Dimson, 'John Maynard Keynes', 224 and (with J. Foo), 'Keynes the Stock Market Investor', 23.

<sup>5</sup> Referring to an undated note from Trouton to Keynes probably in the Autumn 1921; Marcuzzo (ed.), *Speculations and Regulations in Commodity Markets*, 7, and Marcuzzo and Sanfilippo, *Keynes and the commodity option markets*, 4. See also Fantacci, Marcuzzo and Sanfilippo, 'Speculations in Commodities'.

Our aim is not to go into Keynes' general investment philosophy and his performance in any detail. To 'explain' it in simple terms is also a very difficult task, since it does not seem to fit into any scheme or rules: 'His portfolios were idiosyncratic and his approach unconventional', is the summary given by Chambers and Dimson.<sup>6</sup> Depending on methods, data and time period under consideration, there are also different views on his performance in the stock market and other markets. A long held view has been that the performance was 'outstanding' and that he was 'beating the market' by a large margin.<sup>7</sup> However, this view is modified in more recent research.<sup>8</sup>

The paper is based on studies of the archive of the Norwegian Hektor company that has recently become accessible for researchers. This also covers important aspects of the operations of Hektor Whaling. Keynes' relations with Rupert Trouton and Hektor Whaling have been studied in the Keynes archives in Cambridge.

The paper is organised as follows: The first part outlines the development of the Norwegian Hvalfangerselskabet Hektor and the British Hektor Whaling Company from their foundation to the end of the whaling era around 1960. The second and main part of the paper analyses the co-operation between Rupert Trouton and John Maynard Keynes. The focus is their co-operation relating to Hektor Whaling, but it will also explore their relationship regarding various other businesses, as well as on the personal level.

## FROM HEKTOR TO HECTOR

### *Hektor – the Norwegian origin*

The whaling company Hektor (*Hvalfangerselskabet Hektor A/S*) was established 24 October 1910 in Tønsberg, Norway, by Finn Bugge.<sup>9</sup> It was founded just a few years after the modern whaling in the Antarctic region had started. The first shore whaling station had been opened on the island of South Georgia in 1904. Two years later the first floating factory ship visited the South Shetland Islands near

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<sup>6</sup> Chambers and Dimson, 'Keynes the Stock Market Investor', 1. On his investment policy, see also Moggridge, *Collected writings* (XII), and Marcuzzo, 'Keynes and Cambridge' in Blackhouse and Bateman (eds.), *The Cambridge Companion*, 123.

<sup>7</sup> Chua and Woodward, 'J.M. Keynes's Investment Performance', 232.

<sup>8</sup> Chambers, Dimson and Foo, 'Keynes the Stock Market Investor', 2 ff. See also Dostaler, *Keynes and his Battles*, 157ff. Recent contributions to this aspect of Keynes' work are Walsh, *Keynes and the Market* and Wasik, *Keynes' Way to Wealth*. None of the two mention Trouton or Hektor Whaling.

<sup>9</sup> On the foundation and early history of the company, see Hektor and Bugge archives. See also Tønnessen & Johnsen, *The History of Modern Whaling*, 195ff, and more in detail the full Norwegian version; Tønnessen & Johnsen, *Den moderne hvalfangsts historie*, II, 380ff. The archives of both the N. Bugge Co. (N. Bugge A/S) and Hektor are with the Vestfold County Museum (Vestfoldmuseene). The archive catalogues contain extensive historical introductions to the companies.

the Antarctic Peninsula. Those two areas became the centres of whaling for the next decade. They were areas under British sovereignty and control, as the Falkland Islands Dependencies, and the whalers had to apply for licenses and leases.

Hektor was granted a licence to set up a whaling shore station at Deception Island in the South Shetlands. This was a preferred anchorage for floating whaling factories, but as yet no shore station had been built there.<sup>10</sup> Hektor also received a license to operate a floating factory jointly with its shore station. A second vessel was acquired in 1912.

The expansion continued. In 1914 Hektor and Bugge bought the whaling company Hvalen, including a factory ship. At the start of the First World War, Hektor operated three floating factories with several catcher boats, and the shore station at Deception, making the company one of the largest operators at the southern whaling grounds at the time. However, the war disrupted whaling, and from 1915 the factory ships were used for other purposes. They were all lost.

The war losses left Hektor in a difficult position, but the company resumed whaling. The shore station at Deception Island was re-opened. In 1920 the company got a new floating factory ship (*Ronald* of 6,249 grt.). She was the largest vessel in the whaling fleet so far. Another vessel was ready for the 1922/23 season. Hektor was consequently well equipped for the expansion of the industry in the 1920s.

Early 20<sup>th</sup> century Antarctic whaling was led by the Norwegians. But other nations, Britain in particular, was increasingly active on the southern whaling grounds. Indeed, the expansion of the Antarctic whaling industry became very much a Norwegian-British rivalry – but also one of dependence. The British industry needed the Norwegian crew, skills and expertise. The Norwegians needed access to catching grounds: licenses and leases, especially in the Falkland Islands Dependencies.

From the latter half of the 1920s, the relationship changed. The whaling operations moved into international waters (areas that at the time required no licenses) and changed to pelagic whaling. This required investments in larger and more advanced vessels which were difficult to fund in Norway. At this time the Norwegian dependence on the British became primarily financial.

Both the former and the latter type of dependence were reasons for Norwegian whaling companies to move activities to Britain. In moving their companies, it was believed that licenses and leases could be more easily obtained. This was a concern from the mid 1920s when many original agreements

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<sup>10</sup> Dibbern, 'Fur Seals, Whales and Tourists', Hart, *Whaling in the Falkland Islands Dependencies*, 103ff.

needed renewal. Furthermore, during the vast expansion and investments of the late 1920s the Norwegian whaling entrepreneurs turned to the London stock market. The whaling historians Tønnessen and Johnsen pointed out that in the winter of 1927-28 'Norwegian company directors were queuing up in London to have their projects financed'.<sup>11</sup> One option was to advertise stocks in the Norwegian company in London. Another option was to set up a British holding company that held the majority of the shares in the Norwegian company. This latter position is the one A/S Hektor chose.

#### *Hektor Whaling Company Ltd.*

Hektor Whaling Company Ltd. was founded in London on 1 August 1928 and issued 250,000 shares of £ 1 each. The director of the new company was Rupert Trouton who had married Finn Bugge's daughter two years earlier (see later).

A few days after the foundation, the board of Hektor sent a proposal to the shareholders telling them that there had been negotiations with 'an English finance group' and the proposal was as follows: A British company would be established (in fact, it was already established) that would enter into an agreement with Hektor. The new company would take over 70 per cent of Hektor's stocks. The production from Hektor's whaling activities (whale oil, primarily) would be taken over by the new company for 20 years. In exchange, the new company would pay for Hektor's expenses and annual dividends.<sup>12</sup> Bugge and another principal owner in Norway were still very much in control. They sold their Hektor shares in exchange of shares in Hektor.<sup>13</sup>

Hektor Whaling had a flying start. In February 1929, one of the main shareholders wrote to Trouton: 'It is astonishing to see the way the Hektor shares have jumped up'.<sup>14</sup> The first whaling season was a success, and the shareholders were paid a 40 percent dividend. By the end of the year the *Financial Times* wrote that '[T]he first report of Hektor Whaling is a record of enterprise and energetic

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<sup>11</sup> Tønnessen & Johnsen, *The History*, 375.

<sup>12</sup> Proposal from the Board of A/S Hektor (Proposal from the Board), 6. August 1928 (Hektor/Ab/L0001).

<sup>13</sup> The rather complex financial transactions of transferring the control of Hektor to Hektor will not be dealt with here. It involved the foundation of the firm A/S Mercator that became an important link between the companies. See General meeting, foundation of A/S Mercator, 18. October 1928. See also several historical accounts on the foundation; Memorandum, 31. October 1940 and Historikk (by H. Krogh-Hansen), 27. March 1952 (Bugge/Dc/L0015).

<sup>14</sup> Letter from H. Krogh-Hansen to Trouton, 23. February 1929 (Bugge/Ea/L0039).

action.<sup>15</sup> This was, however, about the last piece of good news about the financial markets for some time.

In October 1929 the stock market crashed – at a time when the vast expansion of the whaling industry was at its peak. The following years of depression severely affected the entire whaling industry. The financial markets dried up and the international market for whale oil, and whale oil prices, declined.

Hector was not immediately hit by the difficult times. A new factory ship (*Hektor*, 13,611 grt.) went south for the 1929/30 season. It was able to sell its production of whale oil, and the shareholders were paid a 23 percent dividend.<sup>16</sup> But from then on, market conditions worsened considerably, and was at a low point in 1931. For the southern whaling season of 1931/32 most whaling companies, Hector included, agreed to lay up their fleets in an attempt to regain a better balance between supply and demand.<sup>17</sup> The market did improve, but even for the next couple of years the whaling industry struggled to sell oil at reasonable prices.

Hektor and Hector struggled financially in the 1930s. The shore station at Deception Island was closed in 1931 and never reopened. Both companies were at this point heavily indebted and were, in 1932, granted a moratorium by the major note holder, Hambro's Bank and also by several Norwegian banks.

Fortunately, the market conditions gradually improved and early in 1935 plans were made for a financial reconstruction of the company which could bring in more capital. In May that year, Hector entered into negotiations with Svenska Handelsbanken (a major Swedish merchant bank). This contact was going to have important and lasting consequences for Hector.

The bank and its affiliated company AB Reserva, had a contract for building of a new whaling factory ship and nine catcher boats at the Deutsche Schiff und Maschinen Bau AG, Bremen. The bank was not interested in whaling, but would take the vessels as a payment for outstanding debts that were otherwise impossible to get out of Germany (payment for Swedish Bonds). Their plan was then to sell the vessels to a proper whaling company.<sup>18</sup>

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<sup>15</sup> *Financial Times*, 11. December 1929 (Bugge/Dc/L001/0003).

<sup>16</sup> Historikk (by H. Krogh-Hansen), 27. March 1952 (Bugge/Dc/L0015).

<sup>17</sup> Tønnessen & Johnsen, *The History*, 386ff.

<sup>18</sup> The bank's involvement is dealt with in detail in Hildebrand, *I omvandlingens tjänst. Svenska Handelsbanken 1871-1955*, 332ff. See also Tønnessen & Johnsen, *Den moderne hvalfangsts historie*, III, 474 ff.

During the summer of 1935 agreements were finalized between Hector and the Swedes. The value of the Hector shares was reduced from £ 1 to 5/-.<sup>19</sup> At the same time the shareholders in Hector were offered to underwrite a forthcoming issue of debenture stocks in Hector, so that Hector could acquire shares in the new company.

The new company was called United Whalers Ltd. and registered in London on 4 October 1935. The largest shareholder was Svenska Handelsbanken / Reserva, followed by Hector.<sup>20</sup> Part of the agreement between Handelsbanken and Hector was also a large loan.

The factory ship *Terje Viken* was launched in in Bremen in the summer of 1936 and ready, with its new catcher boats, for the 1936/37 whaling season. With its 20,638 grt, it was the largest factory ship built to date. The vessel brought back full cargos of oil, and the financial position of Hector was much improved.

The Second World War led to major changes for the whaling industry, Hector included. Whaling, with very few exceptions, was terminated. The whaling vessels, both Norwegian and British, were requisitioned by their governments and used for the war effort.<sup>21</sup> The factory ships, which could carry both oil and cargo, were put into the Atlantic convoys. However, these vessels; large, slow and valuable, were easy targets for the enemy. During the war, all the British and most of the Norwegian factories were lost.<sup>22</sup>

In November 1942, the Hector shareholders were informed that there were no trading results, all vessels were under requisition, there was no contact with the Norwegian company, and the Directors had to 'announce with regret that both the floating factories owned by our Associated Companies have now been lost by enemy action'.<sup>23</sup>

1945 was in many ways a new start for the whaling industry. Shore stations were reopened and new factory ships and whale catchers were built. Hector continued its focus on pelagic whaling. The lost

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<sup>19</sup> Hector Whaling Ltd, Prospect, 19. July 1935 (JMK/SE/3/91).

<sup>20</sup> United Whalers Ltd. was incorporated with a share capital of £ 350,000 in shares of £ 1. The major shareholders were Svenska Handelsbanken (155,000), Hector Whaling (65,000), Bugge and Krogh-Hansen (15,000); United Whalers Ltd. kontrakter m.m. (Bugge/Dc/L0003a).

<sup>21</sup> The British whaling fleet was requisitioned by the Government after the war broke out in September 1939. For the 1939/40 whaling season the Ministry of Food took over the financing and also the oil production; Minutes of Meeting of Directors of Hector Whaling Ltd., 8. November 1939 (Bugge/Ac/L0002).

<sup>22</sup> On World War II and whaling, see Tønnessen & Johnsen, *The History*, 472-498. See also an analysis of the conflicts about the use of the factory ship; Basberg, 'Whaling or Shipping'.

<sup>23</sup> Hector Whaling Ltd., Chairman's Statement on accounts and Report and Balance Sheet, 25. November 1942 (JMK/SE/3/186 and JMK/SE/3/190).



*Terje Viken* was replaced by *Balaena*, delivered by Harland & Wolff, Belfast in 1946 to United Whalers Ltd. This company was then fully controlled by Hector, and the two merged in 1953.<sup>24</sup>

The end of the war also led to a change in the relationship between Hektor and Hector Whaling. The turmoil and the financial reconstruction in the 1930s, had led to 'somewhat complicated financial arrangements' between the British and the Norwegian companies.<sup>25</sup> In 1946 it was agreed to terminate the so-called trading agreement between them.<sup>26</sup> The principal Norwegian shipowners, however, remained as shareholders in Hector Whaling.<sup>27</sup>

The years until the mid-1950s were successful for most whaling companies, Hector included. *Balaena* was the main asset of the company. In fact, she was for several years among the top performing whaling expeditions.<sup>28</sup> There was a brisk demand for whale oil, and the prices were good. However, in the latter half of the 1950s, there were clear signs of excess capacity in the industry. The European whaling companies started to reduce their Antarctic operations.<sup>29</sup> After the southern season 1959/60 *Balaena* was withdrawn from the whaling grounds. With most of its catcher boats, she was sold to Japan in 1960 and Hector was dissolved.<sup>30</sup>

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<sup>24</sup> Bakka, *Hvalfangsten*, 75ff. See also *The Norwegian Whaling Gazette*, 41 (5), 1952, 241-42. Hector also considered starting whaling again at the Deception Island station, but this never happened. Instead, the company was involved in several shore station whaling operations on the African coast.

<sup>25</sup> Letter from Hector Whaling Ltd. to The Chief Cashier, Exchange Control, Bank of England, 20. May 1946 (Hektor/Ab/L0001).

<sup>26</sup> A detailed account of the very complex relationship between the various companies; Historikk (by H. Krogh-Hansen), 27. March 1952 (Bugge/Dc/L0015). The relationship with Norway continued regarding some aspects of the business. Hector had a management contract with Bugge & Krogh Hansen. Crew were still hired in Tønsberg where *Balaena* was laid up between seasons for maintenance.

<sup>27</sup> Oversikt over Hector Whaling aksjer, 1/1-1959 (Bugge/Dc/L0001/0008) and Minutebook recording decisions of the boards of directors regarding salaries of staff, Hector Whaling and United Whalers, 1947-62 (NMM/HWL/1/1).

<sup>28</sup> *Balaena* was 15,715 grt – somewhat smaller than *Terje Viken* – but of a typical size for the post World War II factory ships. In some years she had a record oil production. *Balaena* also, more than most other Norwegian and British factories, specialized in by-products, and was equipped with a very advanced processing plant. Bakka, *Hvalfangsten*, 71. For a personal account of working aboard *Balaena*, see Ash, *Whaler's Eye*.

<sup>29</sup> Basberg, 'The Crises that Never Came', 198.

<sup>30</sup> Hector Whaling Ltd. was taken over by Clan Line Steamers Ltd. This company was a part of the much larger British & Commonwealth Shipping Co Ltd – and managed by Cayzer, Irvine & Co Ltd., a company that had been a main shareholder in Hector throughout the 1950s. The Norwegian company A/S Hektor and the various Bugge companies remained in business and Hektor was formally dissolved in 1985 (N. Bugge AS archive, AS Hektor archive; Introductions).

## KEYNES, TROUTON AND HECTOR

*Rupert Trouton*

Rupert De Burgh Trouton was born in 1897 and lived with his parents and siblings in London where his father was a professor of Physics at the University of London.<sup>31</sup>

His schooling was interrupted by ill health - he was born with a weak heart. He entered Winchester College in 1910, but had to leave after a little more than a year. He then spent his time at home for several years. Because of his health, Trouton could not enter regular military service during the First World War. Instead he was employed by the War Trade Department in 1915. Shortly after he was, at his own request, transferred to the Treasury. This is when he first met John Maynard Keynes who was head of the so-called 'A' Division. It is not known if Keynes' presence there was why Trouton was transferred, but Keynes and the Trouton families knew each other.<sup>32</sup>

After the war Trouton's (or may be his family's) plan was for him to go to Oxford, but in January 1919 he went up to King's College in Cambridge on Keynes' recommendation. He intended to read Mathematics – a field where he had shown talents, but soon changed to Economics and became one of Keynes' students.

Trouton spent two years (1919-1921) studying economics at Cambridge. He was obviously a bright student, and gained a first in the second part of the Economics Tripos. Indeed, he was 'one of Keynes' bright young men'.<sup>33</sup>

After his final exams in Cambridge in 1921, Trouton headed for the City. He became a partner in the stockbroking firm Laurence, Keen & Gardener as well as in Buckmaster and Moore. He also worked closely with Keynes in setting up new businesses (discussed below).

In the autumn of 1925, Trouton met Maude Edle Bugge (b. 1902) – an event that would change his life both privately and in business. Maude was the daughter of Finn Bugge – the principal owner of Hektor. She grew up in Tønsberg, Norway, and then went to London to go to a 'finishing school'. This was probably not an unusual thing to do for a member of a wealthy Norwegian family. Finn Bugge

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<sup>31</sup> For biographical data on Rupert Trouton: Personal communications with his daughter Karin (Tulla) Young (néé Trouton), W.R. Darwin, 'Mr. Rupert Trouton', Obituary, *The Times*, 1965, 'Rupert de Burgh Trouton', *King's College Gazette*, November 1965, 58-59, B. Birley Roberts, 'Rupert De Burgh Trouton – Obituary' (1966).

<sup>32</sup> One of Trouton's schoolfriends (Winchester and Cambridge) and later colleague in the City was W.R. (Billy) Darwin. The Darwin and Trouton families were friends, and Billy Darwin's sister Margaret was married to Geoffrey Keynes; Maynard Keynes' brother. See M. Darwin Keynes, *A House by the River*, 222.

<sup>33</sup> Jackson, *British Whaling Trade*, 201.

himself was married to an English woman, Mary Jane Jewell (b. in London in 1873). Maude's two younger brothers later studied at Cambridge.

Maude stayed with her aunt in London. It so happened that the son of one of Bugge's business associates there (his whale oil broker) shared an apartment with Trouton. The broker had told his son about Maude and suggested that he invite her for dinner. It is not known what plans they may have had, but that was how Maude and Rupert met. Three months later, in February 1926 they married.<sup>34</sup>

It is said that the sudden marriage (which took place in London) was not very popular with Maude's parents in Norway. However, relationships must have improved quickly, because after a short period of time Trouton was involved in his father-in-law's business – in particular the international aspects of how the company could gain more financial strength. He became instrumental for the foundation of Hector Whaling and how the relationship between the Norwegian and the British companies should be organized. He became Hector's first Director and later Chairman – a position he held until 1959. He retired on 31 July 1961.<sup>35</sup>

Rupert Trouton died in Cape Town, where he and his wife had a house, on 10 May 1965.

### *City partners*

Rupert Trouton and Maynard Keynes' first working relationship was, as noted above, in the Treasury's so-called 'A' Division during the First World War. By the end of the war, the staff numbered seventeen. Trouton was an eighteen year old junior when he started there.<sup>36</sup> Another member was Oswald Toynbee Falk (from 1917). He was already involved in stockbroking, and met Keynes in a dining and discussion club Falk had started, The Tuesday Club, where post-war financial issues were discussed.<sup>37</sup> Civil servants and economists working in the City met here, and Trouton became a member.

After the war, Trouton's relationship with Keynes continued. Keynes went to Paris in January 1919 to be part of the large British delegation at the peace negotiations. He headed a small team of five, including Falk, from the Treasury. Keynes soon complained about the extreme workloads on his team, and in February asked The Treasury to find 'a Junior' they could send over. In March, Rupert

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<sup>34</sup> Personal communications, Tulla Young. She was Maude and Rupert's only child, born after eleven years of marriage, in 1937.

<sup>35</sup> Minutebook recording decisions of the boards of directors regarding salaries of staff, Hector Whaling and United Whalers, 13. March 1961 (NMM/HWL/1/1).

<sup>36</sup> Moggridge, *Collected writing* XII, 30ff. and Skidelsky, *John Maynard Keynes* I, 337.

<sup>37</sup> Harrods, *The Life*, 220.

Trouton arrived and was put to work as a Secretary of the Finance Commission – one of several commissions and councils chaired by Keynes.<sup>38</sup> In June 1919 Keynes withdrew in protest and Trouton, together with other Treasury people, left Paris. Keynes then moved to Cambridge, to begin teaching and research at King's College. He also became a Second Bursar in November 1919 (a position supposedly created by himself) and a First Bursar from 1924 until his death.<sup>39</sup>

After two years as Keynes' student, the cooperation between Trouton and Keynes was resumed in the City. Trouton's main affiliation was, as we have seen, with the stockbroking firm Laurence, Keen & Gardener, but he was also involved with Buckmaster and Moore – a company Keynes used for his commodity trading and stock market transactions. Keynes himself had bought his first stocks in 1909, but it was in this first decade after the war that his investments and speculations in stocks, currencies and the commodity markets became large-scale.

Trouton also worked closely with Keynes and Falk in setting up new businesses. In 1921 they started The A.D. Investment Trust with Falk as chairman and several other former colleagues from the 'A' Division as shareholders. In 1923 they started The P.R. Finance Company, again with Falk as chairman. Keynes also, with Falk, set up the Independent Investment Company (in 1924) with Keynes as the majority owner.<sup>40</sup> Indeed, Independent became the majority owner of the P.R. company, which made Keynes the person in control also of that company. The P.R. Finance Company became quite important for the Keynes - Trouton relationship, as we will see.

Already, in September 1921, Trouton wrote to Keynes and explained in detail the technicalities of how the cotton futures market functioned.<sup>41</sup> During the next three years, they corresponded about futures and options markets in general, but in particular on lead, tin, copper, spelter and pig iron. Typically, Trouton suggested where Keynes should buy or sell, and Trouton was obviously very well informed about these special markets. Sometimes he wrote privately, and explained that Keynes would hear back 'officially' from Buckmaster and Moore – indicating his role as a confidential advisor.<sup>42</sup> The language was that of stock market colleagues who knew each other well, as indicated in this passage from one of Trouton's letters to Keynes:

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<sup>38</sup> Letters from Keynes to John Bradbury (Treasury), 11. February and 18. March 1919. 'Treasury Section at Paris – Staff arrangements' (Memorandum, Keynes), 19. March 1919 (JMK/1/51ff).

<sup>39</sup> Dostaler, *Keynes and his Battles*, Appendix 1, 261ff.

<sup>40</sup> On Keynes' involvement with City and firms there; Harrod, *The life*, 299ff., Moggridge, *Collected Writings* and Skidelski, *John Maynard Keynes*. See also N. Davenport, 'Keynes in the City', in Milo Keynes, *Essays*, 224-229.

<sup>41</sup> Letter from Trouton to Keynes, 22. September 1922 (JMK/SE/2/1/140). This handwritten letter may be the note referred to by Marcuzzo; see note 6.

<sup>42</sup> Letter from Trouton to Keynes, 8. February 1923 (JMK/SE/2/2/170).

'In general, what you lose on the swings, you make up on the roundabouts, as you are a bull in commodities, as well as being bear in exchange. Any way this is the theory'.<sup>43</sup>

When Hector Whaling was founded in 1928, this company became a main occupation for Trouton for the years to come. We do not know exactly when Keynes was informed about the plans and the actual formation of the company but we may assume, given the close contact between the two, that Trouton kept him informed about the development. In fact, Keynes bought stocks from the very beginning. The earliest evidence is his handwritten notebook on 'personal speculations', where he entered 250 Hector shares in 1928. 125 more shares were bought in 1929, then 250 in 1930.<sup>44</sup> This was a small holding compared to his other holdings at the time. As of January 1929, his 250 Hector shares were valued at £ 262. At the same time he listed 22 other companies, all of them much larger holdings.<sup>45</sup> However, Keynes was much more involved in Hector than these figures seem to suggest. The P.R. Finance Co., where Keynes was a major shareholder, held a much larger amount of Hector stocks. It has not been possible to find out exactly when P.R. bought its first Hector stocks but it may be assumed, given Trouton and Keynes' roles, that it was in 1928. In 1932, P.R. Finance held 3,000 Hector shares. That was among its largest holdings, together with the familiar Austin and Leyland Motors.<sup>46</sup>

Keynes' financial involvement with Hector Whaling was, as shown, both direct and indirect. He owned Hector stocks personally. He owned stocks in P.R. Finance. He also had major interests in Independent Investment Co. and A.D. Investment Ltd. that both held large amounts of shares in P.R. Finally, he used his position as a Bursar at King's College to direct some of their assets into Hector.

King's College stock market investments seemed to follow the patterns of Keynes' personal investments. In 1934, one year where data are available, the college held stocks in about 35 different companies. Austin Motors topped the list with 3,750 shares (valued at £ 20,390). Second on the list was P.R. Finance Co. with 6,000 shares (valued at £6,000). King's College also held 3,400 Hector shares.<sup>47</sup>

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<sup>43</sup> Letter from Trouton to Keynes, 16. October 1922 (JMK/SE/2/2/68).

<sup>44</sup> Ledger on Keynes' personal speculations, 1920-1933 (JMK/SE/11/14).

<sup>45</sup> Valuation, 1. January 1929 (JMK/SE/11/4/3). The largest holding was 10,000 Austin shares, valued at £ 6,000.

<sup>46</sup> Stock Exchange Securities, P.R. Finance Co., 9. February 1932 (JMK/PR/4/6).

<sup>47</sup> Report on the Estates Committee on the Chest, King's College, 1933-34 (JMK/KC/5/5/141). The shares were valued at the time at only £ 425, indicating the difficult times.

*The 1930s: Saving a struggling Hector*

After a few profitable years for Hector, the market, as discussed earlier, changed dramatically. The collapse of the whale oil market in the early 1930s, in particular the lay-up season of 1931/32, shook the whaling industry. It also led Keynes into a new relationship with Hector.

A major concern for the whaling company owners in Norway and Britain was now how to deal with the principal buyer of whale oil, Unilever; whether to cooperate or not on sales agreements; and whether to resume whaling or not for the 1932/33 season. But, as is nearly always the case, this was a time when business could be made, especially if you were interested in futures and options. Whale oil was, indeed, part of the wider commodity market where Trouton and Keynes were familiar players. In this particular market, they were obviously also significant shareholders.

In August of 1932 Trouton suggested to Keynes that they bought some of Hector's whale oil production for the coming 1932/33 season:

'Heaven knows what other people are going to do but if you think we could get up a Syndicate to participate in the risk, I am sure Hector would sell and would manage the storage and retailing of the oil at a later date, on reasonable terms. My only trouble in recommending such a course is that the Whalers are lunatics and I cannot foretell what their general policy will be but I think that no decision needs to take place for some time as I do not anticipate them working the price up from the present level for some little time'.<sup>48</sup>

Keynes was 'quite attracted by the idea' and was prepared to 'look after 2.000 tons'.<sup>49</sup> He also wrote to his business associate Walter Case in the investment firm Case, Pomeroy & Co. in New York recommending the plan, indicating that this could be of interest to American investors:

'It relates to the formation of a small syndicate to deal with the balance of the forthcoming catch of whale oil by Hector Company. This comes to me, as you will surmise, through Rupert Trouton, with whom I am closely connected and who is a director of the Hector Company'.<sup>50</sup>

Keynes explained to Case the severe financial difficulties Hector had been through due to the collapse in whale oil prices, and that the company now needed liquidity more than profits. Keynes also realized the risks and peculiarities of the whaling business: 'The difficulty about whale oil is, of course, the absence of any proper market'. On the other hand, he recommended the speculation to Case: 'If you have any belief in the future of commodities I think that this represents a commodity which in any event is at a fairly safe level and which has possibilities'.

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<sup>48</sup> Letter from Trouton to Keynes, 29. August 1932 (JMK/BM/2/234).

<sup>49</sup> Letter from Keynes to Trouton, 31. August 1932 (JMK/BM/2/236).

<sup>50</sup> Letter from Keynes to W. Case, 31. August 1932 (JMK/BM/2/237).

The plan was, for unknown reasons, not brought into action. However, one year later, in August 1933, Trouton reported to the Board of Hector on a conversation with his old colleague O.T. Falk about the purchase of 11,000 tons of the production of *Hektor* for the next season (1933/34). That was a substantial quantity, about half of the anticipated total. Trouton was obviously on both sides of the negotiation table and

‘reported his interest in the sale as a director of the P.R. Finance Company and as being connected with Messrs. Laurence, Keen & Gardener, both which concerns are parties to the syndicate for whom O.T. Falk & Company Ltd. are acting’.<sup>51</sup>

The Hector Board decided on the terms, but was concerned that Falk and his syndicate would sell the oil below market price. Trouton had to calm his colleagues, and promised to provide a letter that stated that the syndicate did not intend to ‘throw the oil... on the market’. A month later

‘a letter dated 14<sup>th</sup> September 1933 from Mr. J.M. Keynes, a member of the Syndicate, to Mr. Trouton, was submitted. This letter stated Mr. Keynes’ understanding that the Syndicate would not make hurried sale of the whale oil’.<sup>52</sup>

The agreement was formally approved by Hector, and similar arrangements were later made for the 1934/35 as well as the 1935/36 seasons.

Keynes was, as can be seen, still a part of this speculation, together with several familiar associates. Even King’s College became involved, and reported in their Balance for 1935 a holding of ‘Whale Oil’ valued £ 71.7.0. This was a small speculation and must have been more of a curiosity. At a price of about £ 10 per ton, it added up to about 7 tons.<sup>53</sup>

Despite the severe financial problems of the early 1930s, Hector was, as we have seen, involved with the foundation of United Whalers in 1935 and the new factory ship *Terje Viken*. Hector took a part ownership in United and financed it by the issue of debenture stocks in Hector. The Hector shareholders were invited to underwrite the issue, and Keynes, personally as well as on behalf of King’s College, participated.<sup>54</sup> Keynes also encouraged his fellow partners in Independent Investment Company that they should underwrite the forthcoming issue, and argued (convinced by Trouton, presumably), that this was a very promising adventure:

‘My own opinion is that the scheme represents a highly attractive speculation, and I am myself underwriting a substantial amount. (...) I have been in close touch with the company for several

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<sup>51</sup> Minutes of the meetings of Directors of Hector Whaling, 9. August 1933 (Bugge/AC/L0002). O.T. Falk and four partners had in 1932 left Buckmaster and More and started O.T. Falk & Company – an investment banking firm; Letter from Falk to Keynes, 15. January 1932 (JMK/SE/2/6/50).

<sup>52</sup> Minutes of the meetings of Directors of Hector Whaling, 16. October 1933 (Bugge/AC/L0002).

<sup>53</sup> Chest Investment Capital Account, King’s College, 20. July 1935 (JMK/KC/5/5/237). The total balance was about £ 475,000, with large items of currencies and commodities.

<sup>54</sup> Letter from Keynes to Trouton, 1. July 1935 (JMK/SE/1/2/60).

years, and have a fair knowledge of the position. (...) If the scheme goes through, Hector will have a substantial, and in certain circumstances controlling, interest in the largest and most efficient whaling expedition in the world'.<sup>55</sup>

Keynes' 'substantial amount' appeared to be £ 7,500, which was among his largest holdings in a single company in the late 1930s.<sup>56</sup>

The 1930s was also a time for other speculations. One area of business where Trouton and Keynes cooperated was in property investments. In 1934, Trouton suggested that Keynes invest in a company for building flats (Dollis Hills Flats), but Keynes feared an oversupply of such flats and turned the proposal down.<sup>57</sup> A year later, he did agree, on behalf of Providential Insurance Co. to participate in erecting flats in Edinburgh (Ravelston Dykes Flats). This was in co-operation with a 'Trouton Syndicate', indicating, as usual, a number of investors.<sup>58</sup>

#### *The P.R. Finance Company Ltd.*

A company where Keynes and Trouton co-operated particularly closely was the P.R. Finance Company. This will therefore be dealt with in some detail because it illustrates the relationship between the two.

The company was founded 2 January 1923 with just a small group of six shareholders, among them Keynes and his brother Geoffrey. In Harrod's words, this was a very 'select company' and '...a channel contrived by Keynes to enable his close friends to increase their capital'.<sup>59</sup> In 1931 the number of shareholders had increased to 48, but was still dominated by Keynes' close acquaintances. According to Falk, it was 'a private company of a somewhat personal character'.<sup>60</sup> He was one of the directors from the start, together with Trouton.

Trouton retired from the board in 1927 to concentrate on other matters, presumably the planning of Hector. However, in 1932, due to a reorganisation of the management, he was on Keynes' initiative again appointed to the board as the Director. P.R. had then experienced some turbulent years as did

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<sup>55</sup> Letter from Keynes to F.C. Scott, 1. July 1935 (JMK/SE/1/2/65).

<sup>56</sup> Keynes' Hector debenture stocks were managed by Laurence, Keen & Gardener. Monthly lists of his securities lodged with this company shows that the value of the Hector stocks increased substantially. On 2 December 1937 they were valued at £ 14.196 (JMK/5/123).

<sup>57</sup> Letter from Keynes to Trouton, 22. June 1934 (JMK/L/34/49).

<sup>58</sup> Letter from Trouton to Keynes, 23. September 1935 (JMK/PC/1/29).

<sup>59</sup> Harrod, *The Life*, 299. 'P.R' was an acronym for *Panta Rhei* (Πάντα ῥεῖ); the Greece philosopher Heraclitus famous statement that *everything flows*. See also Moggridge, *Collected Writings*, XII, 31ff. and Dostaler, *Keynes and his Battles*, 261.

<sup>60</sup> Note from O.T. Falk to the shareholders, 1. March 1932 (JMK PR/1/48).



most other similar companies. 1927 had been the last year in which a net profit had been generated. Then there were losses for four consecutive years until 1932.<sup>61</sup> O.T. Falk had been a director all along, but was now retiring. In fact, the relationship between Falk and Keynes had worsened during the turbulent years after the stock market crash of 1929, causing their cooperation in several companies to come to an end.<sup>62</sup> Instead, Keynes took a more active role as chairman (he was also the largest shareholder) and over the next couple of years he worked closely with Trouton to improve the results of the company, and the value of the shares was indeed increased substantially. But they also had a different agenda which was to liquidate the company and be able to give the shareholders a final profit. They discussed dates for when the accounts should be settled and how to avoid paying income taxes. A letter from Trouton to Keynes in April of 1934 on such issues concluded: 'The object of my letter is to put the idea into your head that the £ 40,000 profit of last year might as well be increased by altering the accounts'.<sup>63</sup> A few days later a long and very detailed letter from Trouton to Keynes filled with numbers and equations ended in the following way: 'I do not agree with your calculations because I do not believe we shall have to pay Tax on anything, or if on anything very little.'<sup>64</sup>

Their endeavours were apparently successful, because when it was decided to liquidate the company, the other shareholders were happy. Cecil Budd wrote to Keynes: 'I have today received the Report Accounts of the P.R. Finance Company and feel that you and Trouton are entitled to the congratulations and still more the aptitudes of the shareholders'.<sup>65</sup> The positive results and the turnaround of P.R. may have come as a surprise to the shareholders who had seen their investments in this company as pure speculation. A typical attitude was expressed by John Maffley: 'I have taken a sporty rather than a financial interest in your dramatic resurrection of P.R. I hope the execution of this coup de théâtre gave you as much pleasure as it must have done to others'.<sup>66</sup>

A special remuneration from the shareholders was discussed for both of them, but Keynes insisted that it should only go to Trouton:

'He left the Board before the period of loss and came back to it at almost the lowest point of our fortunes and he played a considerable part in the recovery. When we come to wind up I have had in mind to ask the shareholders to vote him some fairly substantial sum'.<sup>67</sup>

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<sup>61</sup> Letter from Curry & Co to the Secretary, P.R. Finance Co. (JMK/PR/1/80).

<sup>62</sup> Skidelsky, *John Maynard Keynes II*, 342. Skidelsky writes that Falk left P.R. in 1928. The correct year was 1932.

<sup>63</sup> Letter from Trouton to Keynes, 23. April 1934 (JMK/PR/1/93).

<sup>64</sup> Letter from Trouton to Keynes, 26. April 1934 (JMK/PR/1/59).

<sup>65</sup> Letter from Sir Cecil Budd to Keynes, 14. July 1934 (JMK/PR/1/103).

<sup>66</sup> Letter from Sir John L. Maffey to Keynes, 30. July 1934 (JMK/PR/1/107). Maffey was at the time Permanent Under-Secretary of State for the Colonies.

<sup>67</sup> Letter from Keynes to Sir Cecil Budd, 18. July 1934 (JMK/PR/1/105).

A later letter to Cecil Budd went into great detail on Trouton's work for P.R.: 'He has played an important part in this recovery, and his services have unquestionably been of very great value indeed to the shareholders'.<sup>68</sup>

A donation from the company as suggested by Keynes was not approved by P.R.'s solicitor for formal reasons, but instead the shareholders agreed to pay to Trouton a fraction of the amounts they were paid as 'a tangible recognition' when P.R. was liquidated on 18 May 1935.<sup>69</sup>

The liquidation of P.R. also involved Hector Whaling because there were Hector shares in P.R.'s portfolio. Two weeks before the liquidation meeting Keynes wrote to Trouton and asked if he would like to buy the entire holding for £ 1 a share before the meeting. Keynes himself did not seem to be convinced that Trouton would accept the offer 'which very likely is not worth while accepting but which you might consider for what it is worth'.<sup>70</sup> It is not known if Trouton accepted this offer, but their cooperation on matters involving Hector Whaling continued throughout the 1930s and during the following war years.

### *The Second World War – changing relationships*

To some extent, it was business-as-usual until the outbreak of the war. In May 1939, Trouton and Keynes corresponded about Hector's involvement with United Whalers. Keynes and the Independent Investment Company supported the actions that were taken.<sup>71</sup> Trouton worked on a plan for increasing Hector's position by buying more United Whalers stocks from Svenska Handelsbanken by extending the bank's loans. However, on 28 August he had to inform Keynes that the Swedish bank was reluctant to fulfil the agreement if there was a war. Trouton viewed the situation in the following way in a letter to Keynes – two days before the war broke out:

'I am afraid that the atmosphere of the City has gripped me sufficiently for me to think that the chances are greater in favour of war than peace but that war is by no means a certainty'.<sup>72</sup>

He hoped that if there was still peace when Keynes returned from a U.S. trip, that they could see each other to talk about the finances of Hector and United. There was, indeed, no longer peace

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<sup>68</sup> Letter from Keynes to Sir Cecil Budd, 25. April 1935 (JMK/PR/1/122).

<sup>69</sup> Letter from James Currie (solicitor) to Sir Cecil Budd, 16. May 1935 (JMK/PR/1/151). It was agreed to pay him 6 d per share.

<sup>70</sup> Letter from Keynes to Trouton, 1. May 1935 (JMK/PR/1/136).

<sup>71</sup> Letter from Keynes to Trouton, 28. May 1939 (JMK/SE/1/2/71).

<sup>72</sup> Letter from Trouton to Keynes, 28. August 1939 (JMK/SE/1/2/29).

when Keynes returned to England, but the two continued to meet and correspond especially during the first three years of the war.

Keynes returned to an office among old colleagues in the Treasury and was involved in all aspects of the British War Economy and eventually, increasingly on matters relating the post-war reconstruction. From 1944 he spent extended periods in the U.S. on the British delegations at Bretton Woods and on the Lend-Lease negotiations.

Trouton remained with Laurence, Keen & Gardner, but from 1942 he worked for the Ministry of Supply. Little activity occurred with Hector Whaling: There was no whaling, and the vessels were requisitioned by the Government for other uses. The contact with Hektor in Tønsberg in occupied Norway was limited.

Despite this disruption in the whaling business, there were other matters that occupied the active and restless Rupert Trouton. He was concerned with all sorts of shipping matters and especially how the merchant fleet was employed by the Government. In the early part of the war, there was a concern about shortage of tonnage. According to Trouton, the problem was not a lack of ships, but bad and insufficient planning by the Government. A prime example could be viewed on the Clyde (the entrance to the major port of Glasgow), where more than a hundred vessels could be held up for long periods due to lack of repair capacity or various other reasons. Trouton wrote extensive memoranda on the matter, pointing to a wide range of problems and possible measures. He was obviously especially concerned about the whaling fleet, and how vessels like *Hektor* and *Terje Viken* were managed (or *mis*-managed according to Trouton). His knowledge of whaling factory ships also led him later to suggest building an extra top deck on tankers to convert them into aircraft carriers so that they could have escort planes available during convoys.<sup>73</sup>

Trouton sent these memoranda to Keynes, and they discussed the various issues in detail. Sometimes they disagreed, and Trouton ended one of his letters: 'On re-reading your letter I am made to wonder – only ever so slightly of course – are you becoming "official minded"?'<sup>74</sup> That might, in fact, have been the case. Trouton was at the time (this was in 1940) outside the Government and felt that he was considered 'a troublesome person'.<sup>75</sup> Keynes, on the other hand, was well placed in the Treasury, but still with a rather free position there as a 'semi-outsider' and later 'an official and rather irregular insider'.<sup>76</sup> Keynes duly responded to Trouton's letters, passed around the memoranda and discussed them with more well positioned Government officials such as Sir Arthur

<sup>73</sup> Memorandum from Trouton, 7. March 1941 (JMK/W/1/123).

<sup>74</sup> Letter from Trouton to Keynes, 29. November 1940 (JMK/W/1/89).

<sup>75</sup> Letter from Trouton to Keynes, 7. March 1941 (JMK/W/1/122).

<sup>76</sup> D.E. Moggeridge, 'Economic policy in the Second World War', in Milo Keynes, *Essays*, 177.

Salter and R.I. Metcalfe.<sup>77</sup> He was in many ways Trouton's intermediary or door-opener. This was the way in which Keynes during these years assisted both friends and colleagues on a wide range of economic matters.<sup>78</sup> However, he obviously had too many important tasks to concentrate on, and in March of 1941, after a meeting about shipping, Keynes wrote to Trouton:

'I am glad you are persisting. These details matter a great deal and are just the sort of thing which gets overlooked. I am again putting your document into circulation. (...) I felt I had done more than my duty in the shipping matter and withdrew from the controversy, so I have nothing to report'.<sup>79</sup>

But Keynes and Trouton continued to meet, for lunches and dinners. Despite his increasing workload, Keynes himself often suggested that they met, as was the case in January 1941:

'I have not seen you for a long time. Any chance of seeing you at lunch or dinner in the early part of next week? (...) And, if you have convenient transport for going out in the evening, there is always supper in the kitchen at 46 Gordon Square round about 7.30, which can make use of time for talk otherwise often wasted'.<sup>80</sup>

After one such dinner, Keynes wrote to his Cambridge colleague, the economist Richard F. Kahn, and clearly expressed his admiration for Trouton:

'Rupert in brilliant form last night. It is a great pity that the authorities cannot find some proper use for him, though I have to admit the Ministry of Shipping have offered him a job. He has more ideas than everyone else put together'.<sup>81</sup>

As we have seen, Trouton did not go to the Ministry of Shipping, but ended up in the Ministry of Supply. There, he continued his crusade on inefficiency in shipping matters, for example how various kinds of war materials going across the oceans from the U.S. should be packed in other ways, and how rules should be changed to allow an increase in 'the cubic capacity per dead-weight ton'. Again, he wrote Keynes and asked for his views.<sup>82</sup>

The war had, as discussed earlier, dramatic consequences for Hector Whaling when ships were lost. Keynes and the other shareholders had to think of their holdings. In Keynes' letter to Kahn, who was also a Hector shareholder and a partner in Independent Investment Company, he could reveal some sad news:

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<sup>77</sup> Both were heavily involved with the war management of the merchant fleet in the Ministry of Shipping. Salter moved to Washington DC in 1941 to head the British Merchant Shipping Mission there.

<sup>78</sup> Ibid. Moggeridge quotes from P.D. Proctor's recollections of the war years in the Treasury (1949): He was 'just "Keynes", free to shoot at anybody – and anybody, regardless of rank, was free to go to him with his troubles'.

<sup>79</sup> Letter from Keynes to Trouton, 4. March 1941 (JMK/W/1/119).

<sup>80</sup> Letter from Keynes to Trouton, 10. January 1941 (JMK/W/1/11).

<sup>81</sup> Letter from Keynes to R.F. Kahn (Board of Trade), 28. March 1941 (JMK/SE/1/2/90).

<sup>82</sup> Letter from Trouton to Keynes, 12. June 1942 (JMK/W/1/137).

'You may be interested to know that the great "Terje Viken" has gone to the bottom, in rather tragic conditions, although fortunately without loss of life. The net result according to Rupert, is that after paying off the debentures, Hector Whaling will now hold cash equal to 6/- per ordinary share together with the rest of the property'.<sup>83</sup>

In fact, two crewmembers died, but compared to the tragic fate of so many merchant ships and their crew, it could have been much worse.

Until the loss of the vessels, the shareholders were paid a dividend, and the value of the debenture stocks in Hector still had a high value.<sup>84</sup> After the losses, the insurance payment allowed for post-war planning. Indeed, Rupert Trouton was, especially in the latter part of the war, heavily involved in how the whaling industry was going to be rebuilt.<sup>85</sup> In particular, of course, he used his energy on how Hector was going to resume its position.

In between the concentration on the war effort and Hector matters, the stock portfolio had to be managed. It was probably not the main focus of neither Trouton nor Keynes, but in December 1941 Trouton wrote to Keynes and reminded him about his Rhodesian copper shares: 'From time to time we bought for you, King's College, and Providential, a certain number of Rhodesian copper shares which I think you still hold.'<sup>86</sup> Trouton argued that the post-war prospects for such shares were probably not good because of large unmined reserves and a potential excess of scrap metals salvaged from war material. It has not been possible to verify whether Keynes had time or interest to consider the advice or not.

After the war and until his death on 21 April 1946, Keynes did not to any extent resume his activities on the stock market, being severely affected by years of overwork and deteriorating health. However, he held on to his shares in Hector Whaling.

Keynes' friends and family who, influenced by Keynes, had become Hector-shareholders over the years, also held on to their shares. Some of them even increased their holdings. In 1946, after Keynes' death, when Milo Keynes (son of Maynard's brother Geoffrey), sought advice from Richard Kahn and Billy Darwin about investing his legacy, Darwin 'added a few United Whalers preference

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<sup>83</sup> Letter from Keynes to Kahn, 28. March 1941 (JMK/SE/1/2/90).

<sup>84</sup> Letter from Trouton to Keynes, 20. August 1941 (JMK/SE/5/229) and 'List of Securities lodged with Laurence, Keen & Gardner by J.M. Keynes', 31. December 1941 (JMK/SE/5/...).

<sup>85</sup> In an attempt to coordinate the Norwegian and British plans for rebuilding the whaling industry after the war, the British-Norwegian Joint Committee of the Chamber of Shipping, Whaler Section and the Norwegian Shipping and Trade Mission was established in 1943. Trouton had been the Vice Chairman of the Whaler Section of the Chamber of Shipping, and became an active member of the Joint Committee; Tønnessen & Johnsen, *Den moderne hvalfangsts historie*, IV, 168.

<sup>86</sup> Letter from Trouton to Keynes, 19. December 1941 (JMK/SE/1/2/171).

shares'.<sup>87</sup> United Whalers, as we have seen, was a company at the time in part owned by Hector. Two years later, Milo Keynes asked Kahn about advice on United Whalers and Hector dealings. He also had advice from the fringes of this small whaling fraternity. He told Kahn that he had spent time with his aunt Lydia Lopokova (Maynard Keynes' widow), and 'I gather from what Lydia had been told by Mrs. Trouton that the last year has been good and I suppose therefore they will go up.'<sup>88</sup>

### *A personal and professional relationship*

Rupert Trouton was obviously an intelligent and talented economist and businessman. Colleagues and friends alike praised his skills. One of them was Erling D. Naess, a colleague in London (and later ship owner) when Hector Whaling Company was launched:

'Rupert was a young man of intense individuality, highly intelligent, with supreme confidence in the powers of his own reasoning. It was always a joy to listen to his analysis of the stock market prospects, interest rates or advantages of reversible propeller blades. His admiration for Keynes was equal to my own. [...] Like myself, he was inspired by the idea that economists should be able to use their understanding of the vagaries of the business cycle to profitable account. So was Keynes....'<sup>89</sup>

Trouton and many others were obviously enormously influenced by Keynes. But it should also be quite clear that Keynes was influenced by Trouton on many decisions on the stock and commodity markets. Some advice brought positive results, some the opposite. An indication of the latter is found in a letter from Keynes to F. C. Scott on 7. June 1938 where he is complaining about losses in several companies ('concerns'):

'You will notice that these are practically all specialties and rather obscure concerns, mostly bought on private advice. Omes was due to Trouton: Carbo Plaster and South African Torbanite to Falk; Enfield Rolling Mills and Grand Union Canal to Brett. I am sure experience shows that private and personal recommendations of this class of security tend to turn out wrong in the long run'.<sup>90</sup>

It may be impossible to calculate Keynes' profits and losses from taking advice from Trouton. When it came to P.R. Finance Company, Keynes obviously credited Trouton with the final success. Hector Whaling also, despite its ups and downs, became a success for Keynes. Hector was also a company

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<sup>87</sup> Letter from R.F. Kahn to Milo Keynes, 12. November 1946 (RFK/15/2/20).

<sup>88</sup> Letter from Milo Keynes to R.F. Kahn, 9. April 1948 (RFK/15/2/3).

<sup>89</sup> Naess, *Autobiography*, 33.

<sup>90</sup> Sited from Moggridge, *Collected writing* (XII), 65-66. Omes Ltd. was a manufacturer of electric heating devises and Keynes bought stocks both for himself and on behalf of King's College in 1935; Letter from Keynes to Trouton, 7. March 1935 (JMK, SE/1/2/53).

where he took a long view as an investor, contrary to his typical short-term speculations of the 1920s. Harrod remarks on this change in Keynes' views on his investments in the 1930s:

'In this connection mention should also be made of his heavy investments in Hector Whaling, to which he adhered through evil days, in support of Mr. Rupert Trouton (...). In the end the investment brought large profits'.<sup>91</sup>

Keynes may have bought his first stocks in Hector Whaling in 1928 as a short-term speculation. But he held on to them, and at least in retrospect the Hector stocks became an example of Keynes' policy of 'faithfulness-investing'.<sup>92</sup>

Maynard Keynes had a vast number of colleagues and friends in academia, politics, business and the arts with whom he kept in touch, both face-to-face and through correspondence. Rupert Trouton was, of course, only one among very many confidants.<sup>93</sup> In the City, Keynes had several advisors with whom he worked closely for many years, like Oswald Falk and Trouton's colleague in Laurence, Keen & Gardener, Billy Darwin, who advised Keynes on particular stocks and commodities. Moggridge, in his biography of Keynes, includes Trouton on a very long list of people with some kind of relationship to Keynes, and describes him as 'an occasional business associate'.<sup>94</sup> That should be interpreted as an understatement. There seems to have been a special and close relationship between Keynes and Trouton. It continued uninterrupted for thirty years; from when they met in the Treasury during the First War until Keynes' death in 1946. King's College wrote, after Trouton's death: 'In Rupert Trouton's association with Lord Keynes there was never a break. They were close friends, with mutual respect for another's qualities'.<sup>95</sup>

Their relationship also survived the depression - despite Hector's severe problems. That was not the case with all Keynes' relationships. Several close friendships, in Skidelsky's words, 'cooled as the depression hotted up'.<sup>96</sup> One of them was with Falk, a relationship that in many ways had resembled the one between Keynes and Trouton. They had met during the war and became close City associates. Falk and Keynes developed different views on investment policy, and this was evident even before the crash, for example in National Mutual Life, where they were both directors. In the

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<sup>91</sup> Harrod, *The Life*, 448.

<sup>92</sup> Skidelsky, *John Maynard Keynes II*, 342.

<sup>93</sup> Keynes' various personal relationships with other men may have taken on a new meaning after the publication of Davenport-Hines, *A Universal Man*. There is, however, no mention of Rupert Trouton in the book.

<sup>94</sup> Moggridge, *Maynard Keynes*, 907.

<sup>95</sup> *King's College Gazette*, November 1965, 59.

<sup>96</sup> Skidelsky, *John Maynard Keynes II*, 342.

autumn of 1928 Geoffrey Marks, the Manager, wrote to Keynes: 'It is a nuisance for you to have influenza and Oswald at the same time, and I sympathise sincerely'.<sup>97</sup>

Rupert Trouton was first and foremost a businessman although he was trained as an economist, and often took an economist's approach to his analysis of the markets. That was obviously also Keynes' approach, and one reason that the two enjoyed each other's company. Keynes' influence on Trouton as an economist was also clear, and Trouton took Keynes' side on several major economic issues. For example, the only two academic publications from Trouton both related topics of importance to Keynes: In 1921 Trouton published a paper in the *Economic Journal* on the cancellation of international debts after the war.<sup>98</sup> He explained how the Treasury had operated during the war by giving loans rather than gifts when settling for supplies of war materials to the Allies. But he argued strongly that both Britain and the US should cancel such loans. This was also Keynes' view, and one reason for his withdrawal from the Versailles negotiations.

In 1931 Trouton published a pamphlet on *Unemployment: Its Causes and their Remedies*. Keynes must have liked what he read and he wrote a foreword which is almost panegyric:

'Mr Trouton has set forth something approaching a complete collection of the chief categories of remedy for unemployment. Anyone who really wants or hopes to cure the malady must make a selection from Mr Trouton's Pharmacopoeia'.<sup>99</sup>

One of Trouton's remedies especially recommended by Keynes was a proposal for a duty on all imports combined with a rebate or bounty on all exports. It may not come as a surprise that such a view was shared by Keynes, but rather that it was coming from Trouton - a more liberal minded businessman.

When the debate on Britain's return to the Gold Standard was raging in 1925, Trouton also took the position of his old teacher. Keynes strongly opposed the re-introduction and was also involved in the public debate in the major newspapers. *The Times*, which supported the official policy, on one occasion declined to publish an article submitted by Keynes.<sup>100</sup> This led Trouton to write a long letter to the editor Geoffrey Dawson explaining the adverse consequences of the return to gold. He sent a copy to Keynes, of course, with a handwritten introduction: 'I have sent this (not for publication) to

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<sup>97</sup> Letter from G. Marks (General Manager National Mutual Life Assurance Society) to Keynes, 26. November 1928 (JMK/NM/1/4/144). Further on the relationship between Keynes and Falk; Moggridge, *Collected Writings*, XII, 31ff (P.R) and 36 (National Mutual Life).

<sup>98</sup> R. Trouton, 'Cancellation of International Allied Debts', *Economic Journal*, Vol. XXXI, No. 121, 1921.

<sup>99</sup> Moggridge, *Collected writing* (XX), 487. In a letter from Trouton to Keynes, 3. December 1930, he thanks Keynes for reading and commenting the draft and also he forwards a request from the publisher if Keynes would be willing to write an introduction (JMK/L/30/110).

<sup>100</sup> Moggridge, *Maynard Keynes*, 430.



the old fool in order to explain to him that he does not understand you.’<sup>101</sup> He repeated his action with a similar extensive letter to the Editor of *The Financial Times*, again with a small personal note to Keynes: ‘I gather that you think efforts at the education of editors of no avail.’<sup>102</sup>

Keynes and Trouton continually discussed business and economic issues. They shared views. Sometimes they disagreed, but they always seemed to have enjoyed discussing and arguing – on equal terms. Their relationship spanned from business to family. Maynard and Lydia had married in 1925, less than a year ahead of Maude and Rupert. They became friends, and the families frequently spent time together. Maude and Lydia continued to see each other until Lydia’s death in 1981.

## SUMMARY AND CONCLUSIONS

The first part of the paper provides an overview of the history of Hector Whaling Company Ltd. which originated as a Norwegian whaling company (Hektor) in 1910. The focus is on the late 1920s, when several Norwegian whaling companies approached the London financial market to provide funding for further expansion. This was what Hektor did in 1928 when Hector Whaling was founded as a holding company. Instrumental in this process was Rupert Trouton who in 1925 had married into the Norwegian Bugge family – the main owners of Hektor.

Trouton, who had worked with Maynard Keynes during the First World War and had been his student at Cambridge, also worked closely with Keynes in the City from the 1920s. Keynes, active on the stock market, bought shares in Hector from the very beginning.

A main focus of the paper is to analyse the relationship between Trouton and Keynes. This is mentioned in some of the literature on Keynes, but has never been explored in any detail. It is obvious that Keynes bought his stocks in Hector because of his association with Trouton. But our findings also indicate that Keynes’ involvement with Hector was much more active than just keeping some stocks as part of his large portfolio. He owned stocks personally, but they were also owned by friends, family, colleagues and King’s College. Hector stocks were also owned by the investments firms in which Keynes was involved, in particular the P.R. Finance Company – a company that also Trouton worked for. Finally, Keynes and his associates for several years, bought forward production of whale oil from Hector as a speculation.

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<sup>101</sup> Letter from Trouton to Keynes, 6. August 1925 (JMK/L/25/59).

<sup>102</sup> Letter from Trouton to Keynes, 12. August 1925 (JMK/L/25/69).

Trouton and Keynes were in close contact on Hector matters, but also on a wide range of other business matters and speculations (in other companies and in the commodity market). Their contact and co-operation were extensive and lasted throughout the war right up to Keynes' death in 1946. They seemed to enjoy each other's company and frequently met for conversations and discussions.

Keynes had been Rupert Trouton's teacher, and throughout the years he continued to appreciate Keynes' advice on matters relating Hector and many other issues. But Trouton was also Keynes' advisor on the stock market and the commodity market. Keynes had numerous other advisors and contacts in the City and elsewhere, and it may be difficult to assess the importance to him of advice from Trouton, in particular, although Keynes held on to his Hector shares. The company – and the shares – certainly went through ups and downs, but it was a profitable investment in the long run. His relationship to Trouton was also a lasting one that involved family as well as business. It was, indeed, a personal and professional relationship.

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