

An analysis of Keynes's investments in the wheat futures markets: 1925-1935

Tiziana Foresti (University of Rome, La Sapienza)

Eleonora Sanfilippo (University of Cassino)

JEL codes: B26; B31; N22; N24; N5

Keywords: Keynes; investment; wheat futures; speculation theory

This paper reconstructs Keynes's investments in the wheat futures markets in the decade 1925-35 with the aim of providing a contribution to exploration of the complex link between his theoretical representation of speculation (i.e. the theory of 'normal backwardation'), and his own practice as an investor. The relevant sources employed for the reconstruction of Keynes's trading in wheat futures are mainly his ledgers and the weekly statements of the Tilton Company (the company created by Keynes in 1926 for the management of his own wealth) as well as the data on spot and future prices as drawn from the *Corn Trade News*, one of the most important grain trade bulletins of the time. The fact that, during those years, Keynes traded on four different market places (Chicago, Winnipeg, Liverpool and Buenos Aires) makes this analysis particularly significant for appreciation of the variety of his investment strategies. In fact, one of the main findings of the paper is the fact that Keynes adopted a completely different strategy when he operated on the North-American markets from the one he followed when he traded on the Liverpool market. In the former case he tried to anticipate reversal in the price trend, aiming at 'beating the market'. In the latter, he followed a roll-over strategy (renewal of long positions), which is a behaviour more consistent with his own theoretical representation of the speculator as a 'risk-bearer'. This attitude confirms that, in his investment activity, Keynes paid great attention not only to the general economic conditions of the wheat futures trade—i.e. the volumes of production, the stock levels and, obviously, the spot and futures prices—but also to the institutional characteristics and the specific conditions of each market place in which he operated.

The full text of the paper is available on demand.

Please contact: tiziana.foresti@uniroma1.it