

FAVEREAU ON RADICAL AND PRAGMATIC PROJECTS IN KEYNES'S *GENERAL THEORY*: A CRITICAL VIEW

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According to Favereau (1985), there are two distinct research projects in Keynes' *General theory*, one 'radical', the other 'pragmatic'. Keynes would have first elaborated the radical project, then the pragmatic one in favour of which he would have arbitrated. Moreover, Keynes' intellectual evolution would be explained by the influence of Wittgenstein. Differences of interpretation of the *General theory* would then be explained by the existence of this two inconsistent projects in the *General theory* itself. The paper aims to analyse the relevance of Favereau's argument, which was largely taken up, especially in France. First, the hypothesis of Wittgenstein's influence on Keynes analysed, and second the relevance of the existence of two distinct and conflicting projects in the *General theory*.

IN 1985, Olivier Favereau published an article, entitled "L'incertain dans la révolution keynésienne : l'hypothèse Wittgenstein",¹ in which he maintained the existence of two distinct and rival projects in Keynes's *General Theory*. The basic distinction between these two projects would be the place allocated to uncertainty: generalised in the radical project, restricted to financial markets in the pragmatic one. Strictly speaking, Favereau did not maintain that these two projects coexisted on the same ground in the *General Theory*. Indeed, Keynes would have first elaborated the radical project, then the pragmatic one. After some hesitations between the two, he would have arbitrated in favour of the pragmatic project while writing the *General Theory*, before reactivating the radical project in "The general theory of employment" (1937). Differences of interpretation of the *General Theory* would then be explained by the existence of two different projects in the *General Theory* itself.

How then to explain Keynes's hesitation between the radical and the pragmatic projects? According to Favereau, one could explain, or at least describe Keynes's intellectual evolution by way of Wittgenstein's concept of "language games". Indeed, Keynes would have considered the classical theory as a locked language game, and would have undertaken to unfreeze this game. Such is Favereau's "Wittgenstein-hypothesis".

Favereau's paper was largely taken up, particularly in France.² For

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1. This argument was taken up again in FAVEREAU (1988a).

2. See for example COMBENALE (1999), LAVIALLE (1997), VENTELOU (1997a), VENTELOU (1997b), DE VROEY (1998).

example, Laviolle (1997) analysed chapter 17 of the *General Theory* with the help of Favereau's hypothesis. More recently, Laviolle (2001) referred again to Favereau's argument, but modified his point of view, and now rejects the idea of two distinct projects in the *General Theory*: Keynes's project would have remained radical when his strategy would have become pragmatic under the influence of Wittgenstein. In the same way, Ventelou (1997a) also favoured a link between Wittgenstein and Keynes, but rejected the idea of a radical project: Keynes's methodology would be close to contemporary standard economics (that is "instrumentalism").³ De Vroey (1998) relied on the "reformist strategy" rather than the "radical" one when analysing his "unemployment decision tree". As far as we know, only Berthoud (1988) expressed some reservations with respect to the relevance of Favereau's basic argument.⁴

It seems therefore interesting to examine this debate again and to evaluate the relevance of Favereau's argument. Is it possible to distinguish two distinct research projects in the *General Theory*, or at least during its elaboration? Does the concept of language game explain Keynes's intellectual evolution? Is there an intellectual link between Wittgenstein and Keynes? The present paper is organised as follows. In the first section, we analyse whether it is legitimate to suppose that Keynes took up Wittgenstein's concept of language game. In the second section, the "Wittgenstein-hypothesis" being removed, we evaluate the relevance of the thesis which supports the existence of two distinct and contradictory projects in Keynes's *General Theory* or in its genesis.

1. THE RELEVANCE OF THE "WITTGENSTEIN-HYPOTHESIS"

Favereau's "Wittgenstein-hypothesis" consisted of two interlaced elements.

The first one is theoretical: according to Favereau, Wittgenstein's concept of language game is able to describe Keynes's attitude towards the Classics.⁵ The reason why Favereau uses the concept of language game elaborated by Wittgenstein is that he considers the "astonishing modernity of Keynes's epistemological attitude".⁶ For him, Keynes rejects the dialectics between truth and falseness. He does not pretend to simply substitute his theory for the ones that preceded it: as is well-

3. See also VENTELOU (1997b).

4. See also Favereau's reply to Berthoud, FAVEREAU (1988b).

5. According to Keynes himself: "I mean by the classical school [...] not merely Ricardo and Mill, but Marshall and Pigou and Henderson and myself until quite recently [...]". (CW XIV, 24)

6. FAVEREAU (1985), 39. All the translations from Favereau's French-language contributions are the author's.

known, he exchanges "the old problematic of error and truth in itself for a new one (much more fruitful) of the validity limits of a formal system".⁷ This is exactly what Favereau aims to describe with the concept of language game. Let him explain what is at "the heart of what we decided to call the Wittgenstein-hypothesis":⁸

During the elaboration of the *General Theory*, Keynes gave up carrying on a "radical" research programme, to develop a "pragmatic" one, when it came home to him for the first time (end of 1932-end of 1933) that the economic theory as it was concretely practiced was a *language game* (in Wittgenstein's meaning) with its rules, and that the difficulty in explaining involuntary unemployment corresponded to a *freezing of this game* in too strict rules inherited from a long (classical) tradition. The priority had to be the *unfreezing of this game*.⁹

The second element is historical: Wittgenstein's influence on Keynes's attitude should be taken into consideration. Indeed, Favereau makes an analogy between, on the one hand, an interpretation of Wittgenstein which attributes him two opposite philosophies and, on the other hand, the hypothesis of two contradictory projects in Keynes's theory. Hence he refers to the second Wittgenstein, the one of the language game. In brief, the "Wittgenstein-hypothesis" must be rephrased in the following way: Keynes *himself* would have used Wittgenstein's concept of language game, so as to guide his criticism of the classical theory. But, in the absence of any historical or textual proof, historical prudence leads Favereau to term Wittgenstein's influence on Keynes "indirect, implicit, and unconscious".¹⁰

It should be underlined that Favereau's historical conjecture must be taken into account only if the concept of language game can be used to describe Keynes's attitude against the Classics. In other words, the historical aspect of the Wittgenstein-hypothesis rests on the relevance of its theoretical aspect. That is why our analysis consists essentially in the study of the theoretical element.

1. 1. *Is the classical theory a language game?*

It is quite clear that Keynes, in his critique of the Classics, dealt with the problem of the "limits of validity of a formal system".¹¹ The matter at hand for him was to define the condition of truth of the classical theory, that is its limits of validity. But Favereau argues that Keynes analysed the classical theory in this way as soon as he had understood that it was a language game locked in too strict rules, restricted to the

7. FAVEREAU (1985), 39.

8. *Ibid.*, 48.

9. FAVEREAU (1985), 48; emphasis added.

10. *Ibid.*, 49.

11. *Ibid.*, 39.

study of a limited case. However, is it possible to state, as Favereau does concerning the language game constituted by the classical theory, that a language game in Wittgenstein's meaning of the word has limits of validity?

In the *Philosophical Investigations*, Wittgenstein elaborates his method of language games. They aim to elucidate the rules of the "logical grammar of sense". The concept of language game constitutes a methodological answer to the central question of all his works: "what is meaning".¹² Indeed, the foremost question of the "first" Wittgenstein, raised in the *Tractatus Logico-Philosophicus* (the only book published during his lifetime), is to distinguish sensible (*sinnige*) and senseless (*unsinnige*) statements, and thus to delimit what can be said and hence thought, from what can be neither said nor thought.¹³ The domain of non-sense is the mystic element, the one of sense is the domain of logic. Are sensible statements those that can be called right or wrong (the scientific statements *par excellence*); the others are senseless.

Later on, the so-called 'second' Wittgenstein goes deeply into this problem. He renounces the simply 'dogmatic' character of the delimitation of the domain of the sense elaborated in the *Tractatus*. He now tries to find its "base". To this end, he elaborates the method of the language game: he then shows, beyond the domain of the sense itself, the existence of logical grammar "rules", which appear in the current language within some situations of life. Sensible statements, namely those that can be said right or wrong, take their meaning by conformity with these "rules". It should be noticed that this new orientation of Wittgenstein's thought does not aim at refuting the *Tractatus* but rather to pursue its argument.

The language games aim to outline the logical rules by which the sensible statement is sensible, independently of the question of its truth: "grammar is not answerable to any reality. To this extent, grammar rules are arbitrary".¹⁴ A language game does in no way aim at the truth

12. *The Blue and Brown Books*, 1. These lecture notes constitute, for the upholders of this interpretation, the link between the two Wittgenstein. However, it can be shown that, even if his methodology to answer his question is modified, Wittgenstein never gave up the question as such. Beyond the two Wittgenstein, Wittgenstein's general intention can be shown by the following quotation: "For, surely, to understand the meaning of 'meaning' you ought also to understand the meaning of 'explanation of meaning'. Roughly: 'let's ask what the explanation of meaning is, for whatever that explains will be the meaning'. Studying the grammar of the expression 'explanation of meaning' will teach you something about the grammar of the word 'meaning' and will cure you of the temptation to look about you for some object which you might call 'the meaning'" (ibid.; emphasis added). Such is the ground on which Wittgenstein elaborates the *Tractatus* but also the method of the language games.

13. "The main point is the theory of what can be expressed by propositions – i. e., by language – (and, which comes to the same, what can be thought) and what can not be expressed by propositions, but only shown (*gezeigt*); which, I believe, is the cardinal matter of philosophy" (*Letter to Russell, August 19, 1919*).

14. *Philosophische Bemerkungen*, 247.

(the limit of validity) or the falseness of formal systems, but the elucidation of *formal conditions of language in general*.

When he considers the classical theory as a language game, Favereau actually confuses two cornerstone notions of Wittgenstein's philosophy, namely sense and non-sense on the one hand, and truth and falseness on the other hand. Contrary to Favereau's argument, in no way can a language game have limits of validity, as a language game does not deal with what we call knowledge, and consequently with the truth or the condition of truth of statements – and thus with the classical theory.

1. 2. *Classical postulates and rules of language games*

Favereau provides other arguments in favour of his Wittgenstein-hypothesis, but these rest on the identification of the classical theory as a language game. However, in order to pursue our analysis, we must suppose with Favereau that it is possible to call the classical theory a "language game" according to Wittgenstein's meaning of this word, even if we know now that it is not accurate. Indeed, Favereau argues that, in his critique of the Classics, Keynes identified the rules of the language games of the classical theory, and *formulated* them in a small number of hypotheses, in order to reject the rule that reduces the classical theory to a special case. Now is it possible to say that Keynes tried to *formulate the rules of a language game* according to Wittgenstein?

The distinction between 'to say' (*sagen*) and 'to show' (*zeigen*) is Wittgenstein's great thesis. A statement is not a simple addition of words: "The statement is no more an aggregate of words than a melody an addition of notes".¹⁵ Indeed, to explain the sense of a statement, it is necessary to make other statements, with other words, but which make use of the same rules of the meaning of the statement to explain, just like a grammar book makes use of the grammar it explains – Wittgenstein rejects the possibility of meta-language. This method, which consists in drawing up simple sentences analogically, *to show*, by their resemblances, rules of the sense which are immanent and inexpressible by themselves, is exactly what Wittgenstein means by language games.¹⁶ The logical grammar rules, which the language games make use of, can never be *formulated*, but they *show* themselves when we draw them up to analogical sentences.

Hence, one cannot argue that Keynes, formulating in a small number of postulates the classical research programme, expressed the rules of a language game. Indeed, contrary to scientific hypotheses, rules of

15. *Tagebücher 1914-1916*.

16. "And hence also 'obeying a rule' is a practice. And to *think* one is obeying a rule is not to obey a rule. Hence it is not possible to obey a rule 'privately': otherwise thinking obeying a rule would be the same thing as obeying it" (*Philosophical Investigations*, § 202).

language games are absolutely inexpressible. They cannot be the object of dismissal, and even less of discussion.

1. 3. *Is the classical orthodoxy a locked language game?*

Favereau provides other arguments in favour of his Wittgenstein-hypothesis. And again, these rest on the arguments previously provided. Hence, is it possible, as Favereau argues, for a language game to be locked?

It has been demonstrated that the method of language games consists in drawing up simple uses of the language within forms of life, so as to show the rules of the sense of these propositions.¹⁷ These rules are nothing but “family resemblances” of the different propositions that we draw up.¹⁸ Thus, the rapprochement of propositions or singular uses of language are in principle and in fact unlimited, and there is no definable limit to a language game – as there is no limit to a system of resemblance in an infinite world.

Keynes’s criticism of the classical theory cannot be compared to the “unfreezing of a language game” according to Wittgenstein, a language game being always open.

1. 4. *Language game and paradigm*

Favereau considers that Keynes tried to reject the classical paradigm (which he also calls language game), and tried to impose a new one. Just as Favereau does not make any difference between Kuhn’s paradigms, Lakatos’ research programmes and Laudan’s tradition of research, we shall merely point out that in epistemology, a paradigm is constituted by a set of hypotheses accepted by a definite scientific community as the undisputed framework of scientific debates and heuristics. What we call revolution is the rejection of this framework of hypotheses and the imposition of a new one. It is of course a major concept of the sociology of science. And this is why Favereau associates the philosopher Wittgenstein with “the great effort to construct a social theory of knowledge, which reassembles such varied minds as Durkheim, Mauss and nearer us Rorty, Habermas or Bourdieu, and of course Kuhn”.¹⁹

Now, is it possible, as Favereau argues, for a scientific paradigm to constitute a language game according to Wittgenstein? Can we consider the works of Wittgenstein as social epistemology?

17. “To repeat: don’t think, but look!” (*Philosophical Investigations*, § 66).

18. “I can think of no better expression to characterize these similarities than ‘family resemblances’; for the various resemblances between members of a family: build, features, colour of eyes, gait, temperament, etc. etc. overlap and criss-cross in the same way. – And I shall say: ‘games’ form a family” (*Philosophical Investigations*, § 67).

19. FAVEREAU (1985), 47.

Actually, Wittgenstein made use of the word "paradigm". But in what sense? "An example of something corresponding to the name, and without which it would have no meaning, is a paradigm that is used in connexion with the name in the language-game".²⁰ For example, a sample of colour defines by itself, by way of a tangible object, the "logical rules" for the use of colour names. It is what *shows* me that speaking of "greenish red" is a grammatical non-sense, but that "orange-red" is a logical or sensible statement. And this sample of colour is a paradigm according to Wittgenstein, "it is not something that is represented, but is a means of representation".²¹ Hence, the logical grammar is not strictly internal to language: it includes objects of the world and situations, what Wittgenstein calls a "form of life". This form of life, as concrete as it is, has only a grammatical (and not a sociological) function: it reveals the paradigms of statements. Moreover, for the needs of the logical analysis, these paradigms as the statements that they regulate are supposed to be extremely simple.

Thus Wittgenstein's paradigms cannot be compared to Kuhn's scientific paradigms. Therefore, unless we confer a value or a sociological sense to the grammatical analysis of forms of life by Wittgenstein, it is erroneous to associate the classical paradigm with a language game. Wittgenstein never wrote a single text on sociology.²²

1. 5. Conclusion

Favereau's Wittgenstein-hypothesis rests on major misinterpretations, which can be summarised as follows. Favereau confuses logical paradigms with language games according to Wittgenstein, and with Kuhn's paradigm. He wrongly considers that a language game can be locked. He assumes that the rules of a language game can be changed as easily as a scientific hypothesis. Finally, Favereau confuses the two cornerstone notions of Wittgenstein's philosophy, namely truth and sense. But Favereau's most fundamental error is the permanent confusion between the notions of language and theory: for him, the elucidation of the "unalterable" conditions of the *sense in the language* is equivalent to the delimitation of the *truth in the discourses* (whereas the domain of the truth includes also the false).

Thus one cannot consider any theory whatever, *a fortiori* the classical theory, as a language game. The Wittgenstein-hypothesis given by Favereau, according to which "one can *shed light* on Keynes's intellectual evolution by the [...] influence of the conceptual tools elabo-

20. *Philosophical Investigations*, § 55.

21. *Philosophical Investigations*, § 50.

22. However, for an interpretation of Wittgenstein in terms of social epistemology, see for example BLOOR (1981).

rated by Wittgenstein”,²³ has no theoretical consistency. Favereau can then argue in favour of Wittgenstein’s “implicit, indirect and unconscious influence”²⁴ on Keynes, the Wittgenstein-hypothesis must nevertheless be entirely rejected.²⁵

2. THE RELEVANCE OF THE PROJECT DUALITY IN THE *GENERAL THEORY*

We now know that the concept of language game can in no way explain, or describe Keynes’s intellectual evolution, and that at least in this way, Wittgenstein could not have influenced Keynes. What does remain of Favereau’s thesis? Quite independently of the Wittgenstein-hypothesis, the idea of the coexistence of two distinct and rival projects, the first one pragmatic, the other radical, remains. With regard to Keynes’s *General Theory*, it is now necessary to evaluate the relevance of this thesis, its genesis and its posterity.

In his article, Favereau distinguishes the *existence* of the two projects and their *dynamics* during the genesis of the *General Theory*. In this section, we shall do the same, in analysing successively first the logical distinction between the two projects, then their economic content, and finally the genesis of the *General Theory* as it is reconstructed by Favereau.

2. 1. *The logical distinction between the two projects*

According to Favereau, the two projects of the *General Theory* answer distinct questions. The pragmatic project answers the question:

In the classical²⁶ tradition, characterised by its exclusion of involuntary unemployment, what is the *minimal hypothesis to be lifted* so that involuntary unemployment becomes a phenomenon that is analytically possible.²⁷

The radical project answers the question:

In the classical tradition, characterised by its exclusion of involuntary unemployment-

23. FAVEREAU (1985), 49.

24. FAVEREAU (1985), 49.

25. What about historical facts? Historical facts provided by Favereau are correct. But the conclusions Favereau tries to infer from them are historically wrong. Favereau’s principal argument in favour of a “friendship link” between Keynes and Wittgenstein is the following: “it is to Keynes that Wittgenstein sent his manuscript of the “Tractatus”, when as an Austrian soldier, he was a prisoner in a camp in the south of Italy” (FAVEREAU, 46). But, according to MONK (1990), if Wittgenstein sent his manuscript to Keynes, it is only because Keynes (who was at this time with the British delegation at the Versailles Peace Conference) managed to get permission for Wittgenstein to receive books and to be exempted from the rule allowing him only two postcards a week, so that he could engaged in learned correspondence. These privileges Wittgenstein did not refuse. They made it possible for him to send his manuscript to Russell.

26. Classical means classical according to Keynes, according to HUTCHISON (1978) terminology, taken up by Favereau.

27. FAVEREAU (1985), 41; emphasis added.

ment, what is the *fundamental hypothesis* that makes involuntary unemployment analytically possible.²⁸

From a strictly logical point of view, what is the difference between a minimal and a fundamental hypothesis? Logically, a hypothesis is always at the basis of a reasoning and, in this sense, always fundamental.²⁹ Moreover, the fundamental hypothesis – i. e. the one responsible for the analytical impossibility of involuntary unemployment – is exactly the hypothesis to be rejected *a minima*, in order that involuntary unemployment becomes analytically possible. If in these two definitions, identical words have an identical meaning, the two hypotheses are strictly the same, and the alterations to which the radical and pragmatic projects lead must be identical.³⁰

But, according to Favereau, the two projects are different, and even contradictory. What constitutes this difference? It seems to be a difference of degree in the modifications to be brought to the classical theory. Indeed:

Instead of maintaining [as in the pragmatic project] a maximal part of the analytical tools of the classical theory, [in the radical project] one only keeps what is consistent henceforward with the negation of the fundamental hypothesis, responsible for involuntary unemployment.³¹

The pragmatic project seems to lead to a *minimal* alteration of the classical theory, the radical project to a *maximal* alteration, but both aim to render involuntary unemployment possible. On the one hand, in the classical theory one rejects what is not consistent with involuntary unemployment; on the other hand, one only retains what is consistent with involuntary unemployment. Radical and pragmatic projects are tautological.³²

28. FAVEREAU (1985), 41; emphasis added.

29. Etymologically, 'hypo-thesis' means 'what lies under'.

30. LAVIALLE (2001) gives an argument close to the one we developed here.

31. FAVEREAU (1985), footnote 17.

32. Besides, Favereau also questions the internal consistency of the pragmatic project, as he himself asks: "Is even the pragmatic project consistent? Because at length, the project of integrating the possibility of involuntary unemployment in a (neo-)classical system, in lifting a minimal number of hypotheses is inconsistent if this complete system is consistent. As we preserve most of the (neo-)classical system, it is necessary to admit that what we preserve is neutral with respect to the existence or not of involuntary unemployment. This is *a priori* not very plausible, if not in the authors mentioned by Keynes, at least today after the development of axiomatic systems." (FAVEREAU 1985, 60-61). Now, it clearly cannot be argued that the pragmatic project might be logically inconsistent in itself. Indeed, the classical hypotheses (compatible with the absence or the impossibility of involuntary unemployment) preserved are not necessarily incompatible with respect to the existence of involuntary unemployment. For example, are the (classical) concept of equilibrium or an interest-elastic investment incompatible with the existence of involuntary unemployment? Moreover, there is no doubt that a requirement of formalised axiomatic systems is to possess at one and the same time the logical properties of completeness, sufficiency and consistency. If he had talked about pure mathematics, Favereau would be right in saying that rejecting an axiom of a formalised axiomatics leads it to lose these three properties at the same time. But the question at hand here is not pure math-

Thus, from a strictly logical point of view, this distinction between a radical and a pragmatic project is not relevant. The only way to conceive a difference between these two projects is to think that identical words have a different meaning in the two projects. If the alterations, which the two projects convey, are different, it is because the words “involuntary unemployment” do not have the same meaning in the radical project as in the pragmatic one. Hence, the opposition between radical and pragmatic projects cannot come down, as Favereau says, to the extent of the alterations necessary for the classical theory to “produce” involuntary unemployment, but concerns more fundamentally the content given to the concept of involuntary unemployment.

2. 2. *The economic content of the two projects*

2. 2. 1. The question of wage rigidity

First of all, one should note Favereau’s ambiguity on the role played by wage rigidity in the concept of involuntary unemployment. According to him:

A form almost equivalent of the pragmatic question would be the following: how to account for involuntary unemployment while preserving most hypotheses of the classical tradition and *without directly assuming a money-wage rigidity*?³³

Nevertheless, Favereau considers later the point that “an actual weakness of the pragmatic project”³⁴ is that “the hypothesis of price and wage rigidity lacks micro-foundations”.³⁵ Favereau’s position on this point is clearly inconsistent: as it appears, the pragmatic project *does and does not suppose* wage rigidity in its explanation of involuntary unemployment.

Whatever the project, it should be recalled that wage rigidity can in no way be considered as Keynes’s explanation for involuntary unemployment.³⁶

Let us now turn to the question of the economic content of the two projects.³⁷ According to Favereau, the answer to the pragmatic project is the Keynesian theory of interest, which Favereau sums up in the following way:

ematics but scientific *theory*. And the scientific principles other than mathematics must comply not with the logical properties of the formalised axiomatics, but with their object. Favereau’s inference is inopportune.

33. FAVEREAU (1985), 41; emphasis added.

34. *Ibid.*, 61.

35. *Ibid.*, 61.

36. On this point, see for example PATINKIN (1976, 18 and 122) quoted in Favereau’s footnote 14.

37. In order to distinguish in our evaluation the existence of the two projects and their dynamics, the texts of the genesis of the *General Theory* are ignored here.

The effect of *uncertainty on the financial markets*, especially gambling on stock price decrease, is to freeze the interest rate, taking into account the perspectives of yield of investors: only a miracle could provide for the profitable investment to correspond to the saving on production of full employment. Without this miracle, a cumulative process begins, until the diminution of production makes investment correspond again to saving. [...] *Involuntary unemployment is the repercussion on the labour market of the repercussion in the goods market of the interest rate rigidity.*³⁸

Later, in Favereau's "recapitulative table of the two Keynesian projects",³⁹ the pragmatic project is defined as "*the minimal modification of the classical theory* (search for the flaw by which it is possible to integrate involuntary unemployment)".⁴⁰

Concerning the radical project, according to Favereau, "Keynes did not answer this question in the *General Theory* (except in a roundabout way in chapters 4, 5 and 12). *He did not even ask this question*".⁴¹ But he would have done it in his 1937 article, entitled "The general theory of employment", which was written after a year of controversy. According to Favereau:

The classical fundamental hypothesis is that of perfect information on all mutually beneficial exchanges, including intertemporal exchanges. Now, the reality of facts is exactly the contrary: we know nothing about the remote future; about the near future, we only know that there is every chance for it to remain the same as the present if a majority of agents are sure of it. *All of economic theory should be reconstructed on this base.* In particular, involuntary unemployment is one of many manifestations of micro-economic adaptations of this state of affairs.⁴²

And, in the recapitulative table, the radical project is defined as "*the deep transformation of the classical theory* (reconstruction without the main hypothesis responsible for the exclusion of involuntary unemployment: perfect information on the transaction possibilities)".⁴³ The ambition of the radical project would be strikingly much broader than the pragmatic one.

In brief, the pragmatic project would correspond to the Keynesian theory of interest; here uncertainty would be limited to financial markets. In contrast, the radical project would consider a fundamental uncertainty generalised to all markets and modes of behaviour. What is the relevance of such a distinction between, on the one hand, the so-called pragmatic project and, on the other hand, a radical one?

38. FAVEREAU (1985), 41; emphasis added.

39. *Ibid.*, 59.

40. *Ibid.*; emphasis added. The footnote 37 provides a much more precise formulation of the pragmatic project. In a letter to Harrod, Keynes claims: "I substitute the analysis of supply and demand of liquidity to that of saving". According to Favereau, "this is defining the pragmatic project in a single sentence".

41. *Ibid.*, 42; emphasis added.

42. *Ibid.*, 42-43; emphasis added.

43. *Ibid.*, 59; emphasis added.

First of all, it should be emphasised that Favereau does not provide textual evidence for the existence of one or the other project, by way of quotations of the very text of the *General Theory*, especially if it is argued that Keynes did not raise the issue of the radical project in the *General Theory*, except in some hints in chapters 4, 5 and 12.

2. 2. 2. The question of the existence of a pragmatic project

Second, what is the relevance of the pragmatic project in terms of its economic content? Is it possible to call the Keynesian theory of interest a “minimal modification of the classical theory”?

It is clearly not the subject of our paper to analyse at length Keynes’s theory of interest or his conception of a monetary economy. However it should be recalled that chapters 13, 15 and 17 analyse the different motives of the demand for money, including the key-concept of liquidity-preference. Why hold money, when it has no yield? Because we do not know, because money is by definition the most liquid asset, and thus allows us to provide against uncertainty. The interest rate is then “the ‘price’ which equilibrates the desire to hold wealth in the form of cash with the available quantity of cash”.⁴⁴ These chapters also analyse the consequences of the monetary character of the economic system on its functioning. Keynes’s considerations about money, the motive for holding it, the determination of the interest rate, uncertainty, are all tightly linked, and these considerations cannot be separated. Hence, the Keynesian theory of interest is not adequately summed up in the interest downward-rigidity because of speculation on financial markets. On the contrary, according to Keynes, the interest rate is the price of liquidity in a monetary economy in which only holding the most liquid asset can protect against radical uncertainty. The monetary character of the economy – the monetary determination of the interest rate being one of its many manifestations – overthrows also the employment and wages relation. In an economy in which money is no longer a veil the distinction between real and money-wages becomes fundamental.

Is it then possible to call the elaboration of a monetary economy as Keynes undertook it a minimal transformation of the classical theory? We do not think so. Even if there existed such a pragmatic project, limited to the theory of interest, it would not limit itself to substitute interest rigidity for wage rigidity. The alterations that it would entail would be much broader than Favereau pretends. That is the reason why the classical theory cannot be made a special case of the Keyne-

44. *General Theory*, 167. Moreover: “There is, however, a necessary condition failing which the existence of a liquidity-preference for money as a means of holding wealth could not exist. This necessary condition is the existence of uncertainty as to the future of the interest rate” (*General Theory*, 168).

sian system, even if the classical *conclusion* of full employment is a special issue of the Keynesian results: the matter at hand is the logical functioning of the economic system, and not its specific results.⁴⁵

2. 2. 3. The question of the existence of a radical project

Finally, what is the relevance of the radical project, understood as radical uncertainty generalised to all markets and behaviours, and involving a “deep” modification of the classical theory? It should be recalled once again that according to Favereau Keynes did neither answer nor ask this question of the radical project in the *General Theory*. It is the 1937 article, “The general theory of employment”, that is supposed to have re-introduced the radical project.

First of all, it should be emphasized that in the *General Theory*, uncertainty is not restricted to financial markets, but exists also on the goods market. The definition of – expected – aggregate demand in chapter 3 or the “parable of the deferred dinner” in chapter 16 clearly proves this point. It is not necessary to wait for the 1937 article to verify considerations of uncertainty. Moreover, these arguments on radical uncertainty are not strictly confined to the financial markets and they are, anyway, not stated indirectly.

Moreover concerning Favereau's sole explicit reference in support of his allegations, it is perfectly true that Keynes develops there some considerations of uncertainty that we do not already find in the *General Theory* itself. For example, one can quote:

Actually, however, we have, as a rule, only the vaguest idea of any but the most direct of our acts.⁴⁶

By ‘uncertain’ knowledge, let me explain, I do not mean merely to distinguish what is known for certain from what is only probable. [...] The sense in which I am using the term is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest twenty years hence. [...] We simply do not know.⁴⁷

Because, partly on reasonable and partly on instinctive grounds, our desire to hold money as a store of wealth is a barometer of the degree of our distrust of our own calculations and conventions concerning the future.⁴⁸

But, as Dimand rightly points out:

In his 1937 reply to reviews in the *Quarterly Journal of Economics*, Keynes discussed fundamental uncertainty about the future, but *drew only two implications* from it for his theory: the existence of a speculative motive for holding money, and the possibility of sharp shifts in investment when long-term expectations changed.⁴⁹

45. In the same way, the ‘Keynesian special case’ of the classical theory *à la* Patinkin suffers from the same weakness.

46. “The General theory of employment” (1937), CW XIV, 113.

47. *Ibid.*, 113-114.

48. *Ibid.*, 116.

49. DIMAND (1988), 190-191; emphasis added.

Why does this paper, which constitutes for Favereau the most tangible evidence of the existence of the radical project, not make a clean sweep of the classical theory? Why did Keynes, in this article, limit himself to the mere consequences of fundamental (or radical) uncertainty on liquidity-preference⁵⁰ and investment, when according to Favereau, “the whole economic theory should be reconstructed on this base”? Because, as Keynes himself argued in the *General Theory*, “the ultimate object of our analysis is to discover what determines the volume of employment”⁵¹ (and not, we would be tempted to add, to forecast the possibility of a war, the price of copper or the interest rate twenty years hence).

On the one hand, it has been shown that the Keynesian theory of interest is not a ‘minimal transformation’ of the classical theory. On the other hand, we have also refuted calling “The general theory of employment” (1937) a ‘deep transformation’ of the classical theory. This opposition between a pragmatic and a radical project does not hold against the evidence.

But as Favereau does not defend the extreme thesis that these two projects coexist on the same ground in the *General Theory*, but that they are rather the subject of an arbitration, or at least of an evolution, during the elaboration of the *General Theory*, we now turn to the dynamics of these projects in the genesis of the *General Theory*.

2. 3. *The dynamic distinction of the two projects: the genesis of the General Theory*

According to Favereau:

The years of genesis of the *General Theory* (September 1930-December 1935) were dominated by a tension between the two projects, tension cleared up in the *General Theory* by a quite explicit choice in favour of the pragmatic project.⁵²

How does Favereau reconstruct the genesis of the *General Theory*?

In the elaboration of the *General Theory* we will distinguish four stages:

- 1) The stage: *Attempting to revise the Treatise on money*, from the end of 1930 to the beginning of 1932.
- 2) The stage: *Emergence of a radical research project*, during 1932, with ramifications at the beginning of 1933.
- 3) The stage: *Progressive obliteration of the radical project, for the benefit of the pragmatic project*, from the end of 1932 to the end of 1934.
- 4) The stage: *Definitive achievement of the pragmatic project*, during 1935.⁵³

50. Which determines, it should be recalled, with the total quantity of money the interest rate. It is now obvious that the confusion is complete.

51. *General Theory*, 89.

52. FAVEREAU (1985), 44.

53. *Ibid.*, 50-51

We add to these four stages of the *General Theory* a fifth one, "the reactivation of the radical project", appearing in 1937 with "The general theory of employment".

By comparison, Patinkin⁵⁴ distinguishes a first stage of criticism of the *Treatise on Money* (until the end of 1931), then a second stage of the elaboration of the *General Theory* (which partly overlaps the first stage and lasts until mid-1934), and finally a stage dedicated to the discussion of the galley proofs. If Favereau has "nothing to add to Patinkin's (1976) erudite descriptions concerning the first stage"⁵⁵ (the criticism of the *Treatise on money*), it is not the same with the other stages. Let us then examine this reconstruction of the genesis of the *General Theory*.

2. 3. 1. The emergence of a radical project: 1932-beginning of 1933

To justify the "stage of the emergence of a radical project" during 1932, Favereau refers to the first drafts of the *General Theory*, and especially to chapters 7 and 8 entitled "The monetary theory of production" and "The instability of a profit-seeking organization of production".⁵⁶ Favereau finds here "the idea of a circuit between firms [...] and the whole of wage-earners"⁵⁷ but also the multiplier "in the form of a cumulative modification of employment and production (admitting a limit)" and the idea of a "too high interest rate".⁵⁸ Moreover, "the variables concerned are all expected ones".⁵⁹ Favereau also refers to the first available table of content,⁶⁰ and to Keynes's 1932 "Lectures" on "The monetary theory of production". According to him, "the essential ingredients of the *General Theory* were here, as early as 1932".⁶¹

But in 1932, even if the concept of multiplier is already elaborated, the concepts of effective demand, involuntary unemployment, inducement to invest, and the marginal efficiency of capital, are still absent. In short, these are the essential ingredients of the *General Theory*! We share Dimand's opinion, when he rightly says:

The model Keynes presented in his Michaelmas 1932 Lectures is clearly not that of the *General Theory*. The supply functions for the output of capital and consumer goods are not derived from any explicit assumptions, nor is it clear whether supply depends on prices or on profits. The labour market is not even mentioned [...]. There is no saving function [...]. The multiplier is never mentioned [...]. Instead, Keynes limits

54. PATINKIN (1976), 55.

55. FAVEREAU (1985), 51.

56. CW XIII, 380-396.

57. FAVEREAU (1985), 51.

58. *Ibid.*, 52.

59. FAVEREAU (1985), 52.

60. CW XXIX, 63 and ff.

61. FAVEREAU (1985), 52.

himself to the assertion that changes of output have the same sign as changes in investment. [...] The treatment of liquidity-preference is closer to its final form [...] but there is not yet a statement of a money demand function depending on both income and the interest rate.⁶²

Hence, it is impossible to argue that 1932 constitutes the emergence of a radical project in the *General Theory*, as Dimand naturally continues:

What was missing was the analysis of effective demand, output and employment which is the heart of the *General Theory*.⁶³

2. 3. 2. The progressive obliteration of the radical project, for the benefit of the pragmatic project: from the end of 1932 to the end of 1934

Here, Favereau distinguishes two periods, namely 1933 and 1934. According to Favereau 1933 is “the year of theoretical hesitation par excellence”.⁶⁴ For him, on the occasion of two intellectual shocks, namely the Malthus- and Pigou-shocks – which are supposed to have strongly influenced Keynes’s thought - Keynes became aware of “the existence of a klassical paradigm”.⁶⁵

The radical project would have only seduced authors already marginalized. The orthodox authors are those to be reached, and for them the pragmatic project, less appealing, will be more effective.⁶⁶

In short, we will say that as the considerations on the klassical theory develop, considerations on uncertainty fade.⁶⁷

As for 1934, it is “a year dominated by the pragmatic project which henceforward fills up most of the theoretical space”.⁶⁸ The role of expectations is more and more bridled: while in 1932 all the variables are expected ones, they are then amalgamated into a composite variable, finally made exogenous. It should be noticed that a public broadcast reproduced in *The Listener* in 1934⁶⁹ is crucial for Favereau’s purpose: in this text, Keynes contrasts orthodox and heretic views, siding himself with the heretics, and briefly develops his theory of interest.

What is the relevance of such a reconstruction of the elaboration of the *General Theory*? If there is no doubt that considerations on the Classics developed during this period, and that expectations were more and more bridled (these are Favereau’s crucial arguments to justify the

62. DIMAND (1988), 155.

63. *Ibid.*, 157; emphasis added.

64. FAVEREAU (1985), 52.

65. *Ibid.*, 52.

66. *Ibid.*, 53.

67. *Ibid.*, 53.

68. *Ibid.*, 52.

69. CW XIII, 486-489.

emergence of a pragmatic project), this is not sufficient to call 1933 the "year of theoretical hesitation *par excellence*". Why? Because it is necessary to wait for the "Lectures" at the end of this year to see the emergence of:

The liquidity-preference, the theory of effective demand and the analysis, in terms of the two classical postulates, of the inability of workers to bargain for a market-clearing real wage in a monetary economy, all in forms recognizably similar to those of the *General Theory*.⁷⁰

It should also be noticed that it is necessary to wait till October 1933, October 16th to be precise, to see in Keynes's "Lectures" the explicit mention of the concept of involuntary unemployment,⁷¹ although this concept is crucial for both pragmatic and radical projects.

1933 is crucial for the elaboration of the *General Theory*. This year is the one during which effective demand emerges. Except if one ignores, as Favereau does, fundamental concepts, that is, effective demand, involuntary unemployment and the inducement to invest, one cannot call 1933 "the year of theoretical hesitation *par excellence*" between two projects.

Furthermore, 1934 cannot be called "a year dominated by the pragmatic project" as, according to Dimand, "Keynes' theory of investment was the last part of the *General Theory* to reach its final form, appearing in 1934".⁷² It should be recalled that, even if Keynes's statements on uncertainty were to rely on Keynes's radical project, Keynes himself limited those considerations to his theory of investment. 1934 should be considered as the *achievement* of Keynes's (single) project rather than a year dominated by such or such project.⁷³

That is the reason why 1935 is not "the year of the definitive *achievement* of the pragmatic project". At that time, Keynes's theory was roughly completed and this year was dedicated to the criticisms of the galley proofs.⁷⁴

2. 3. 3. The reactivation of the radical project: 1937

Favereau argues that "The general theory of employment" (1937) constitutes the reactivation of the radical project because of the considerations on uncertainty developed in the second section of this article.

70. DIMAND (1988), 166.

71. RYMES (1989), 87.

72. DIMAND (1988), 184.

73. "The analytical structure and terminology of the [...] 1934 draft are already those of that were to characterize the *General Theory* in its published form, so that *this draft can be said to mark the end of the formative stage of the writing of this book*" (ΠΑΤΙΚΙΝ 1976, 59; emphasis added).

74. "It was only after galley proofs started to flow in early 1935 that Keynes exposed his work to the criticisms of economists outside the intimate world of his junior colleagues at Cambridge" (ΠΑΤΙΚΙΝ 1976, 60).

But the following sections deal with the theory of interest (concerning both the demand for money and the inducement to invest). It should be recalled, however, that the Keynesian theory of interest constitutes, according to Favereau, the quintessence of the pragmatic project ... Keynes presents again his theory of effective demand (in a manner close to chapter 3 of the *General Theory*). Finally, this article ends with another criticism of the orthodoxy or of the classical theory. Besides, the terms “orthodoxy” and “classical theory” have no less than sixteen occurrences in this text, when Keynes’s unceasing statements against the classical tradition or the orthodoxy should be the very proof of the pragmatic project.⁷⁵ Hence, did Keynes reactivate the radical project (because of the considerations on uncertainty) or the pragmatic one (because of the numerous references to the Classics)? 1937 cannot reactivate a radical project, since the latter simply does not exist.

3. CONCLUSION

3. 1. *Theoretical refutation*

In his 1985 article, Favereau argued that there was a duality of projects, if not in the *General Theory*, at least in its genesis. To maintain his thesis, Favereau assumed that Wittgenstein’s influence on Keynes through the notion of language game led Keynes to deviate from his initial radical project towards a pragmatic one. It is then possible for Favereau to describe the genesis of the *General Theory* as the story of Keynes’s hesitation between these two projects. This hesitation would be pursued up to the strong divergences of interpretation of the *General Theory* until now.

In this paper, it was demonstrated that Favereau’s explanation of Keynes’s deviation from his initial project is not accurate. It is impossible that Keynes would have considered the classical theory as a locked language game under Wittgenstein’s influence, and that he would have aimed to unfreeze this game. Then it was argued that Favereau’s reconstruction of the genesis of the *General Theory* was not pertinent. There is no evidence that Keynes would have hesitated between two rival projects during the elaboration of the *General Theory*. Indeed, it is not contradictory, on the one hand, to elaborate a theory and, on the other hand, to strive to convince one’s peers. This constitutes in no way two contradictory projects, but a single project adapted to its implementation. Finally, it was demonstrated that the opposition be-

75. “The theory of interest rate” (1937) (in *The Lessons of Monetary Experience: essays in Honour of Irving Fisher*, 1937, reproduced in CW XIV, 101-108) comprises also numerous references to the orthodoxy. It should be recalled, once for all, that the theory of the interest should correspond to the pragmatic project.

tween Favereau's two projects from the logical point of view as well as from the economic content of their definition, was perfectly inconsistent. Thus this thesis of a duality of projects in Keynes's thought must be rejected.

3. 2. Methodological implication

Actually, Favereau made an error of principle. His first argument in favour of a duality of projects in the *General Theory*, its elaboration and its posterity is "the polarisation of the received interpretations [of commentators]".⁷⁶ And the polarisation of these interpretations would in turn be explained by the duality of projects in Keynes's thought: "This duality of projects enables us to enlighten the divergence of the well-known interpretations..."⁷⁷ So Favereau inferred from the divergent interpretations of Keynes's theory the hypothesis of inconsistency of the latter. By so doing, he committed the historical error *par excellence*: he projected in retrospect the oppositions between Keynes's commentators to the *General Theory* itself. If his reading of the *General Theory* did not contradict this hypothesis, it is precisely because this hypothesis shapes the reading: each difficulty of comprehension of Keynes's text becomes an argument in favour of the hypothesis of its inconsistency.

That is the reason why we reject this hypothesis also for methodological reasons. First, the rational interpretation of texts requires that each argument concerning the intention or the will of their authors should be demonstrated on the basis of the texts of the author himself (and not of his posterity). Without the objective support of texts, trials based on assumptions have always provoked futile debates and wrong reading. Second, and principally, it should be necessary from a methodological point of view to assume *a priori* that the *intention* of the author whose texts we read is consistent. So making the bet of sense restores the difficulties of reading or the inconsistencies of texts to their fecundity. Now, the *a priori* hypothesis of a duality of projects in Keynes's work (that is the retrospective projection into Keynes's work of later debates among commentators) forbids such a bet.

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76. FAVEREAU (1985), 31.

77. *Ibid.*, 30.

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