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# Uncertainty and Identity: A Post Keynesian Approach

John B. Davis

Marquette University, [john.davis@marquette.edu](mailto:john.davis@marquette.edu)

## Uncertainty and identity: a post Keynesian approach

JOHN B. DAVIS

*Marquette University*

*University of Amsterdam*

**Abstract:** Marshall's asset equilibrium model provides a way of explaining the identity of entrepreneurs. Keynes adopted this model but transformed it when he emphasized the short-period and volatile character of long-term expectations. This entails a view of entrepreneur identity in which radical uncertainty plays a central role. This in turn deepens the post Keynesian view of uncertainty as ontological in that entrepreneurs' survival plays into their behavior. This paper explores this role-based view of individual identity and uses the analysis to comment on Keynes's ideas for the socialization of investment and euthanasia of the rentier in the last chapter of *The general theory*.

**Keywords:** identity, uncertainty, Marshall, Keynes, post Keynesian economics, expectations

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When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done (Keynes 1973 [1936], 159).

[...] though this state of affairs would be quite compatible with some measure of individualism, yet it would mean the euthanasia of the rentier (Keynes 1973 [1936], 375-376).

Keynesianism in the tradition of Keynes is a theory of a monetary economy in time guided by individuals' expectations of the future. There is no permanent state of rest in a monetary world, and the equilibria that emerge are temporary and transient. But this does not

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imply that everything in the economy is in flux. Not often appreciated is that this view of the economy implies a conception of economic agents as enduring through change. Economic agents act today on expectations about an economy that they themselves expect to face tomorrow. Whether or not their expectations about the economy are fulfilled, and however the economy changes, they nonetheless act on the assumption that they continue as essentially who they are—else it would make little sense to make plans for tomorrow. That is, though the economy is a system of change, and though much also changes in the characteristics of economic agents, including the disappearance of some (through bankruptcy or voluntary withdrawal), when economic agents act, they act as if they retain their respective identities through time. The concept of agent identity, then, is an implicit tenet of Keynesianism and a correlate of the idea of a monetary economy as a system of change. From this perspective, Keynesianism is thus a theory of the economy in time based on the idea that there are agents who survive through time by managing the consequences of time.

Post Keynesians, of course, have extensively investigated the role of expectations in the economy, but relatively little post Keynesian research investigates the properties of economic agents specifically seen as enduring beings, particularly those agents under the greatest burden of negotiating time, namely, entrepreneurs and investors (in contrast to consumers and workers who are generally treated as largely passive agents). However, it can be argued that the theory of uncertainty in Keynes's later thinking and in post Keynesianism offers a basis for explaining the identity of agents when its ontological dimension is emphasized.

Uncertainty in an ontological sense means that what occurs in the world is not predetermined by some set of economic 'fundamentals' underlying behavior (Davidson 1996). This entails that what individuals do today can have an impact on what happens tomorrow, leading them to form expectations about what effects they can have on what happens to them tomorrow. Thus expectations in an ontologically uncertain world have a dual character in that they refer to both identity (of economic agents) and change (in the economy). Accordingly, the basis for investigating the nature of economic agents as enduring beings can be found in Keynes's thinking about individuals' formation of expectations in an uncertain world.

This paper attempts to develop a modest analysis of this last proposition. It does so by looking back to the roots of Keynes's thinking about time in his inheritance of Marshall's thinking about time and subsequent critique of that thinking. The argument builds on my previous work on the identity of individuals, where I proceed in an ontological-criterial manner, evaluating different candidate conceptions of the individual in economics according to whether 'individuals' as they are described can indeed be regarded as distinct and re-identifiable, as is required by the concept of an individual (Davis 2003; Davis forthcoming). I use that framework here, but focus not on individuals in general but rather on the particular type of individual responsible for the central role investment plays in Keynesian and post Keynesian thinking, namely, the individual/entrepreneur, whose identity is explained in both Marshall and Keynes in terms of asset holdings. My general conclusion is that the departure Keynes made from Marshall's view of the identity of the individual/entrepreneur is important for understanding investment in monetary economies guided by individuals' expectations of the future. Thus identity matters to our understanding of the economy.

Of course neither Marshall nor Keynes reasoned explicitly in terms of agent identity. Yet they both made claims about the nature of the entrepreneur that bear on what the identity of the entrepreneur involves. Both their conceptions, moreover, satisfy my individuation and re-identification criteria, though Keynes's view of time and uncertainty in a post-Victorian, post-'fundamentals' world has altogether different consequences for our understanding of the economy. Let me add that an additional implication of the approach taken in the paper is that different types of agents have different types of identities, so that the functioning of the economy needs to be understood in terms of the interaction of identifiably different (or heterogeneous) types of economic agents. I do not discuss this implication here, but restrict the paper to the topic of the identity of the individual/entrepreneur.

The organization of the paper is as follows. In the first section, I briefly review Keynes's thinking about uncertainty and its appraisal in recent post Keynesian economics in connection with the emphasis placed on ontological as opposed to epistemological uncertainty. Here I also attempt to explain why the investigation of agent identity may be of value to post Keynesianism, in order to motivate interest in the argument of the paper. The second section discusses the antecedents of

Keynes's thinking about entrepreneurs in time in Marshall's early theory of asset market equilibria dating back to his 1871 essay on "Money", which Keynes praised. It then uses this discussion to reconstruct a Marshallian theory of the agent identity of the individual/entrepreneur. The third section turns to Keynes's own approach to asset market analysis, emphasizes its departures from Marshall's understanding, and then constructs an alternative view of the agent identity of individuals/entrepreneurs appropriate to Keynes's view of the economy. Section four offers brief summary remarks regarding the status and nature of individual/entrepreneur identity in a world in which Keynesian economic policy dominates.

## 1. KEYNES ON UNCERTAINTY

Keynes's thinking about uncertainty originally derives from his thinking about the concept of probability and the weight of arguments in his 1921 *Treatise on probability*. In the *Treatise*, uncertainty has both epistemological and ontological dimensions. Regarding his concept of probability, understood to mean the degree of belief individuals may have in uncertain propositions, he distinguishes four cases:

There appear to be four alternatives. Either in some cases there is no probability at all; or probabilities do not all belong to a single set of magnitudes measurable in terms of a common unit; or these measures always exist, but in many cases are, and *must remain*, unknown; or probabilities do belong to such a set and their measures are *capable* of being determined by us, although we are not always able so to determine them in practice (Keynes 1973 [1921], 33, original emphases).

The first case clearly concerns an ontological claim, and was famously emphasized many years later in Keynes's 1937 defense of his *The general theory of employment, interest and money* (1936), in the *Quarterly Journal of Economics*. There Keynes asserted that with respect to long-term investment decisions, "there is no scientific basis on which to form any calculable probability whatever" (Keynes 1973 [1937], 113). The three other cases are more epistemological in nature. The second concerns non-comparability and accordingly the limits of our knowledge in regard to how probability is to be measured; the third concerns what can and cannot be known regarding probabilities that exist; the fourth concerns the limitations imposed on knowledge associated with our practices regarding data generation and estimation procedures.

Regarding the weight of arguments, Keynes is there concerned with the amount and completeness of the relevant evidence an agent has regarding the probability of a given outcome. Low weight refers to insufficient and/or incomplete evidence, which is an epistemological concern. This concept of weight re-appears in *The general theory* in connection with Keynes's emphasis on how the 'state of confidence' affects investment: "It would be foolish, in forming our expectations, to attach great weight to matters which are very uncertain", whereas, "It is reasonable [...] to be guided to a considerable degree by the facts about which we feel somewhat confident" (Keynes 1973 [1936], 148; see Runde 1990).

That Keynes understood uncertainty to be both epistemological and ontological, and placed special emphasis on the latter, is argued by Davidson and others to be particularly important for understanding Keynes's view of the economy (Davidson 1996; also McKenna and Zannoni 2000-2001; Rosser 2001; Dequech 2003, 2004, 2006; Wilson 2009). Where epistemological uncertainty is involved it is possible that individuals may learn the probabilities relevant to their decision-making, but where ontological uncertainty is involved no such learning is possible. In that instance, Davidson follows Shackle (1972) in saying this implies that some states of the world are not predetermined but remain to be determined as a result of the actions we undertake. The economy is nonergodic. Or as Dequech puts it, "under fundamental uncertainty," that is, ontological uncertainty, "the innovator creates new opportunities and new states of the world" (Dequech 2003, 527).

Important to this argument is whether states of the world that are not predetermined are nonetheless possible under the laws of nature, since it can be argued that if they are possible then the innovator cannot really create them. Creativity can still be maintained in a weaker sense as the idea that innovators help bring about particular possible states of the world—which ones depending on their actions—and thus help realize the future under conditions of fundamental uncertainty (see Wilson 2009). Another issue is whether people moderate and reduce uncertainty through recourse to rules of thumb and conventions which tend to determine future states of the world, a matter emphasized by Keynes in connection with his account of investment behavior (Keynes 1973 [1936], 152). In effect, strategies for reducing epistemological uncertainty also reduce ontological uncertainty.

However we assess these issues, it is still fair to say that Keynes's thinking about uncertainty gave special emphasis to ontological uncertainty, and that this gives the economy a nonergodic, historical, or even evolutionary character in which agents' actions play a creative role. Note, then, that this 'creative' role can explain dynamic growth in the economy when 'animal spirits' are high, and it can also lead to quite destructive economic consequences when long-term expectations are disappointed or there is damaging speculative behavior that depresses output. A nonergodic world has no predetermined pathway, and thus our interest lies in what the effects of agents' actions are. Keynes's interest, of course, was in their consequences for output and employment. Yet he certainly knew that behind these aggregate phenomena individuals are also affected, even if this was not a subject he often specifically addressed. Thus, taking economic agents as relatively enduring, might we also ask in parallel fashion how their identities are affected as a result of their actions? If there is no predetermined pathway for the economy, then it seems there is also no predetermined identity pathway for its agents. It follows that we must include in our analysis of undetermined possible future states of the world what may happen to the individuals as well.

I suggest there are two rationales for this extension. One is that it potentially offers a deeper understanding of the nature of long-term expectations. Long-term expectations are often simply treated as subjective, or as perhaps depending on group dynamics and average expectation as in Keynes's beauty contest explanation. But it may be that we can add to this understanding if it can be argued that agents' orientation toward the future reflects a concern regarding the extent to which their identities as entrepreneurs are at risk.<sup>1</sup> The second rationale lies in the possible advantages of better understanding Keynes's reliance on and revision of Marshall's early asset market equilibrium thinking, which Lawlor argues "became Keynes's basic supply and demand meta-theory for asset markets" (Lawlor 2006, 28). My suggestion is that our understanding of this too can be enhanced with a better understanding of the agents concerned with portfolio management. In the following

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<sup>1</sup> In my earlier discussion of how Keynes's philosophical thinking developed (Davis 1994) I make interdependent belief expectations central to Keynes's *The general theory* (Keynes 1936) understanding of conventions and average expectation. That argument, however, is not framed in terms of entrepreneur identity, but rather in terms of Keynes's rejection of his own early philosophical thinking as inspired by G. E. Moore's intuitionism (Moore 1903).

section I begin from this latter vantage point, and argue that it offers an early framework for explaining the agent identity of entrepreneurs/individuals. The section after looks at how Keynes revised this asset market equilibrium framework, and comments on the implications this has for thinking about the personal identity of entrepreneurs as creative agents.

## **2. MARSHALL'S ASSET MARKET EQUILIBRIUM AND ENTREPRENEUR IDENTITY**

### ***The 1871 essay on "Money"***

The earliest source of Marshall's asset market equilibrium analysis is his 1871 essay on "Money", later published by Whitaker (Whitaker 1975; see Lawlor 2006, 108ff.). Marshall began with a complaint about the monetary theory of his time. He pointed out that the standard explanations of the value of money were not formulated in terms of the same systematic supply-and-demand analysis used in the determination of the exchange value of commodities, but were rather formulated in terms of such things as money's rapidity of circulation or its cost of production. He then argued that it was individuals' determination to hold a stock of money that determined its value, and that these decisions were not made in isolation from their decisions to hold other assets. Consequently, since the demand for all assets involves a balancing of the opposing advantages the individual expects to derive from each, the value of money needed to be determined in terms of its relative advantages and disadvantages compared to all other assets individuals held. Marshall put this in terms of the simple choice one might face between owning a productive asset—his example is a horse—and holding a stock of non-interest bearing coin. Whether one wants the horse or the coin depends on how one chooses to apportion one's wealth given the respective 'conveniences' and 'inconveniences' of these two assets at the margin. The value of money, then, was established in the same way as the value of any other asset through supply-and-demand and marginalist reasoning.

From an equilibrium perspective, individuals are consequently seen as being in a state of equilibrium with respect to their portfolio choices over different wealth holdings. At the same time, however, individual-level equilibrium analysis needs to be accompanied by a market-level equilibrium analysis, since the market values of all assets individuals hold are equalized by the forces of supply and demand in the trading between individuals. Thus Marshall's general asset market equilibrium



analysis sees each entrepreneur as being in individual equilibrium, and equilibrium simultaneously obtaining between all entrepreneurs with respect to all the different possible assets people can hold. Moreover, as an analysis of assets the framework is intertemporal. Productive assets can generate returns in the future, and money provides the means for transactions people wish to carry out today (one liquidity motive, as we would call it). Thus as individuals make their portfolio choices they do three connected things: they determine what combination of assets best suits their own individual situations, they make their own positions consistent with those of others, and they do all this over time.

### ***Entrepreneur identity***

Let us then treat this analysis as a framework for explaining entrepreneurs' agent identities as manifested by their asset holdings. In the most basic sense, identity analysis is simply an accounting system for keeping track of some kind of distinguishable entity through a process of change that is believed to be important for the purposes of some explanation. If you claim you can refer to some type of distinguishable, persisting entity you think important to your analysis, in principle you need to be able to show what makes that entity a separate and distinct thing in terms of how you have described it, and then show how you can track it as that separate and distinct thing through a process of change that may alter many of its characteristics. Explaining the identity of that entity then makes it possible to go on to argue how it may or may not function as a causal agent, able to affect its environment as well as be affected by it. In economics, of course, we are concerned with economic agents, and in Keynesian and post Keynesian economics we are interested especially in one particular type of economic agent, the entrepreneur, or, in Marshall's framework, the individual managing a set of asset holdings. Thus, explaining individuals'/entrepreneurs' agent identities as manifested by their asset holdings involves mobilizing some essential description of individuals/entrepreneurs that allows us to individuate and track them over time despite change in their non-essential characteristics, such as which particular assets they hold in their portfolios, who they trade with and when, and the like.

I suggest, then, that the 'essential description' of the individual/entrepreneur that Marshall offers in his 1871 essay includes three connected things entrepreneurs do when they make portfolio

choices, and which are instrumental to their characterization as distinguishable, enduring entities with agent identities. First and most basically, individuals are distinguishable independent beings in virtue of their exclusive identification with the assets which they own. That is, the system of private ownership for stocks, bonds, real estate, bank deposits, and so on, provides a straightforward means of distinguishing entrepreneurs as independent agents. Second, it nonetheless goes too far to say that entrepreneurs are isolated atomistic beings, since for Marshall the actual values of the assets they own are determined in interaction with other entrepreneurs. As what they are made up of is not just a matter of the assets they hold but also obviously a matter of the value of those assets, entrepreneurs are only relatively autonomous and thus both independent and also interdependent beings. Third, Marshall's entrepreneurs are also enduring, re-identifiable beings in that, whatever the mix of assets they happen to own, their wealth portfolios are always seen as being in equilibrium at any point in time and thus through time as well.

This equilibrium property is crucial because it elicits what is essential in entrepreneurs' identity as asset-holders when there is continual change in the mix of assets they own. Were they to be identified solely as collections of assets without the equilibrium principle, they would then be collections of multiple selves, each different from moment to moment according to changes in their portfolios. But here individuals are enduringly distinct beings, because their identities are tied to their ability to exercise an equilibrium principle regarding the management of their asset holdings—the idea of balancing the conveniences and inconveniences of different assets at the margin. With these three components in mind, then, let us go on to see what further interpretation we can give to this agent identity conception by looking at Marshall's later treatment of time and his distinction between short-term and long-term expectations in his *Principles* (1920).

In the *Principles* Marshall provides a 'real' theory of interest in terms of the demand and supply of capital. Long-term expectations are driven by the productivity of capital which motivates investment decisions, whereas short-term expectations are determined by current production. Further, long-period values, or 'normal' values, reflect the deep underlying factors such as the marginal productivity of resources, marginal disutility of saving, and so forth, that Marshall believed ultimately explain the functioning of the economy. Short-period

phenomena depend on other more transient factors, and accordingly adjust in the long run to the former. Applying this to the asset market equilibrium characterization of individuals above, it follows that individuals ultimately guide their lives by long-term expectations regarding their durable investments. That is, the mix of assets in their portfolios reflects thrift and steadfastness in their preference for holding long-term investments, at the expense of liquidity and frequent adjustment to one's holdings.

Hedging and speculation cannot pay off in the long run for Marshall because they are responses to transitory phenomena out of keeping with the fundamentals underlying the economy. Consequently, entrepreneur/individual identities are, as it were, highly secure in that stability in their personal portfolios through time gives their identities an enduring nature. Put differently, as their identities are securely distributed across time by this long-term orientation, despite the continuous process of transitory change in markets, they are effectively 'out' of time. Their equilibrium identity principle, that is, allows them to defeat time by organizing their identities around the deep, timeless values residing in fundamental scarcity relationships that for Marshall hold between human life and nature. We thus might say that this late nineteenth century concept of entrepreneur identity is classically Victorian in that the established values of thrift and hard work associated with that era underlie the pre-eminent role that long-period 'normal' values in Marshall's economic analysis play in individuals' organization of their lives *vis-à-vis* time.

### **3. KEYNES ON ASSET MARKET EQUILIBRIUM AND ENTREPRENEUR IDENTITY**

#### ***Keynes on Marshall and asset market equilibria***

To understand Keynes's thinking on asset market equilibria, I begin with his adoption and re-assessment of Marshall's distinction between the short-period and long-period. As a Marshallian, Keynes used Marshall's time distinction, but his development of the idea of the economy as a monetary economy made short-period equilibrium the key concept, and not a temporary state ultimately overcome by the gravitational pull of long-period forces as was the case for Marshall. This inversion of Marshall's thinking followed from Keynes's changed view of the character of long-term expectations. Thus for Keynes, as essentially with Marshall, short-term expectations are concerned with the price the entrepreneur can get for finished output, and are generally fulfilled, or

revised in a predictable way, in light of market performance. But in contrast to Marshall he believed that long-term expectations, which are concerned with future returns on additions to the entrepreneur's capital stock, were often disappointed, and moreover it is often unclear to the entrepreneur why this was the case. Keynes inferred from this that long-term expectations consequently never really settle down and, absent a rational basis in the calculation of expected returns, are driven by investors' animal spirits. Part of the reason for this was that the rise of stock markets, associated with the historical shift in capital holdings away from privately-held family/entrepreneur firms toward rentier-type investors, made long-term expectations more changeable and unpredictable. The development of stock markets also gave rise to speculative behavior. In contrast to Marshall's late nineteenth/early twentieth century experience, then, it was simply no longer clear what drove long-period expectations. Keynes recognized this historical development, and consequently shifted the focus of Marshallian analysis from the long-period to the short-period to give "the theory of a system in which changing views about the future are capable of influencing the present situation" (Keynes 1973 [1936], 293). In fact, for Keynes there is really no longer any long-period as everything occurs in the present. Rather the long-period, as Lawlor says, is "just a succession of changing regimes of long-period expectation" that impacts us from one present to the next (Lawlor 2006, 19).

Given this, Keynes still held a high opinion of the basic ideas involved in Marshall's monetary theory as well as of the asset equilibrium model on which it depended. In his biography of Marshall (Keynes 1925), the content of the 1871 essay and Marshall's early monetary thinking in general were discussed quite favorably. (Indeed, Keynes specifically requested a copy of the essay from Mary Paley Marshall in order to write the biography.) But Keynes's later development of this framework in *The general theory* also significantly changed it by expanding upon the reasons individuals might find some assets to be 'convenient' to include speculative expectations regarding their possible appreciation.

The idea of speculative expectations, of course, was entirely foreign to Marshall's thinking since it allows for expectations not grounded in real factors but rather in transitory phenomena. It also introduces a dimension into the determination of asset values altogether at odds with Marshall's thinking about individual behavior, since speculation

allows opinion to influence individuals (such as Keynes described in his beauty contest example), and draws them away from the economy's fundamentals. For Marshall, the deep factors that determine economic behavior lay in the relationship between human beings and nature, not between human beings per se. That is, social relationships for him needed ultimately to be somehow 'naturalized'.

### ***Keynes on entrepreneur identity***

How, then, does all this change the Marshallian entrepreneur identity conception for Keynes? In Marshall's asset equilibrium model of entrepreneur identity, the entrepreneur's identity is sustained across change in the variety of assets that make up the entrepreneur's portfolio through the entrepreneur's preference for holding long-term investments. In effect, if we look at entrepreneur identity in terms of how entrepreneurs position themselves towards time, the particular interpretation Marshall gives to this, by favoring long-term investments, gives individuals an identity through time largely through their minimizing the significance of time. People endure as entrepreneurs because they make choices with respect to their holdings that make time unimportant. However, in inverting Marshall's expectations analysis, Keynes produces quite a different view of entrepreneur identity. As the short-period becomes the only period and time contracts to the present, entrepreneurs shift their portfolios away from long-term commitments, constantly revising the mix of assets that they own. The unsettled character of long-term expectations, then, removes their ability to be 'out' of time, forcing them to be ever 'in' time in the sense that they are ever changing what they own and thus who they are. Accordingly, in Keynes's world entrepreneurs cease to be enduring, re-identifiable agents. Rather entrepreneurs fragment into successions of unconnected episodic selves, where the most that can be said to link each entrepreneur's multiple selves is their common desire for short-term portfolio gain.

Moreover, on Keynes's view entrepreneur identity is always at risk. When entrepreneurs are identified with the assets they own, then, since they no longer maintain long-term positions as the core of their portfolios, should they sustain serious losses they are threatened with elimination as agents and individuals altogether. On an asset identity model of the entrepreneur, that is, their losses are not to a financial portfolio separate from the individual but in fact losses to the individual

identified with that portfolio. Thus, just as a financial portfolio might go bankrupt and cease to exist, so might the entrepreneur identified as a portfolio go bankrupt and cease to exist. In our ordinary way of thinking, of course, we maintain a separation in our minds between individuals and what they own, allowing us to imagine that individuals continue and may somehow sustain their identities should they go bankrupt and cease to be wealth owners. But the analysis here does not distinguish between agent identity and personal identity, and indeed in the economic world as Marshall and Keynes described it individuals are subsumed by the roles they play in the economy, so that difference arguably does not exist there either. Thus, in a world that has become thoroughly economic in nature, the risk that Keynesian entrepreneurs face in losing their 'identity' portfolios makes the unsettled character of long-term expectations an even more serious matter.

It is not just an institutional change in the way market economies began to work in the early twentieth century with the rise of stock markets and speculative investing that then underlies Keynes's shift of focus to the present and changed view of long-term expectations. When we take the basis for entrepreneurs' agent identity to be the Marshallian asset equilibrium model, Keynes's changed view of the world also signals a different understanding of the culture of the market system whereby uncertainty becomes a deeply ontological concern for entrepreneurs themselves. For them, accordingly, radical uncertainty is not only about what entrepreneurs cannot know about the future (an epistemological uncertainty), but also ultimately about whether they themselves may even exist in the future (an ontological uncertainty).

Part of Keynes's view, we saw, is the special emphasis he places on the role that opinion plays in the determination of entrepreneurs' asset choices. Given the analysis of entrepreneur identity above in terms of independence, interdependence, and enduringness, what more does this then imply about the identities of entrepreneurs? Note that since opinion is not grounded in timeless Marshallian 'fundamentals' but is rather the product of a social interaction that can produce swings in investor sentiment, it can generate both bull and bear markets. In the former entrepreneurs profit when they go long and hold assets for extended periods, whereas in the latter they profit when they go short by borrowing and selling assets forward. Thus whether entrepreneurs take a long-term perspective going long or a short-term perspective going short is in large part a matter of the state of opinion. And,

ironically, opinion-driven bull markets inadvertently produce a Marshallian-like world from the point of view of entrepreneur identity, since they encourage individuals to hold long-term positions.

But Keynes had no confidence that such a circumstance would prevail over any significant period of time. It should not be overlooked accordingly that, in the last chapter of *The general theory*, Keynes argued for ‘socializing investment’ and for the ‘euthanasia of the rentier’ as means by which he hoped stability and growth might be brought to capitalist market systems. Of course he was not advocating socialism or state take-over of the economy—“[i]t is not the ownership of the instruments of production which it is important for the State to assume” (Keynes 1973 [1936], 378). Rather, he was interested in whether the state could develop policies and strategies which might influence the nature of entrepreneur behavior by encouraging long-term holding of capital assets and reducing short-termism in the way entrepreneurs approached their asset portfolios. That is, Keynes essentially sought the state’s assistance in ensuring a more stable climate of opinion that would channel entrepreneurs’ animal spirits in the direction of a more Marshallian-like world.

In terms of the view of entrepreneur identity set forth here, Keynes hoped public authorities might help stabilize the opinion-influenced interdependence component of entrepreneur identity and thereby reframe entrepreneur independence in such a manner as to restore their status as enduring, re-identifiable agents. Markets themselves already threatened to euthanize the rentier. Keynes was willing to lend his assistance, particularly as a step in the direction of ensuring the survival of the entrepreneur as the key economic agent in the capitalist market economy. But this required more realism regarding the social side of the entrepreneur as well as practical measures aimed at changing how interdependence figured in entrepreneur identity.

#### **4. KEYNES AFTER MARSHALL**

Thus Keynes is still a Marshallian, albeit one who learned from the history he experienced. He shares the Marshallian entrepreneur identity conception implicit in the asset equilibrium model, but his understanding of the early twentieth century evolution of asset markets caused him to think more deeply than Marshall had about entrepreneur interdependence. This reflects two ways in which Keynes’s ontological view of the world was different from Marshall’s. First, though the

structure of Marshall's model is retained, and though Marshall's long-run normal values are preserved, they are not retained as 'natural' normal values but rather as socially-produced normal values. Contrary to Marshall, human beings play an important role in determining the relationship between the economy and nature and do not find that relationship naturally given to them in the form of a collection of pre-given 'fundamentals'. Second, in a Keynesian world with socially desired economic policy in command, individuals are again 'out' of time, and thus confident in making long-term commitments that ignore the risk of time, but they are so only when they produce consensus in opinion regarding employment and output goals—a matter strictly 'in' time in the sense of requiring social recognition of the need to manage time. That is, as post Keynesians argue, we only succeed in managing the consequences of time and uncertainty when we see the economy as inescapably in time, that is, as a monetary economy.

The Victorian world Marshall inhabited ended in 1914 when it could no longer be said that the values of thrift and hard work explained an economic process embedded in a world of conflict and power. The Victorians saw the world as benign and beneficent, as befit the privilege and illusions of Britain's upper classes which benefited from decades of ruthless colonial expansion that had made its victims invisible. The war that began in 1914 was in part a product of this nineteenth century history, which afterward wrought further damage on the national economies that fought it in the form of economic depression and a second world war.

Keynes was raised in this Victorian world, but by 1918 and Versailles he was immune to most of its illusions, including that thrift and hard work were the natural foundations of economic life. By the end of his life he was even more aware of the nature of the kind of world that had succeeded Marshall's. One aspect of this was his worry about the fragile state of human society, famously expressed in his cautions in "My early beliefs" (1933), and later given more tangible expression in his important contributions to the postwar deliberations at Bretton Woods in 1944. From an uncertainty perspective, more was involved here, I suggest, than his concern about the well-being of the international economic system. Implicitly, he was also concerned with whether individuals were likely to be able to live 'in' time in a world in which they so increasingly identified with the roles they occupied in economic



life. It is an important concern, but one that has gone largely unaddressed by economists since Keynes's time.

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**John B. Davis** is professor of economics at Marquette University (USA) and professor of the history and philosophy of economics at University of Amsterdam (Netherlands). His research interests include the philosophy, ethics, and methodology of economics, (recent) history of economics, and healthcare economics. His new book, *Individuals and identity in economics*, is forthcoming with Cambridge University Press. Contact e-mail: <john.davis@mu.edu>