

# Was Keynes a Liberal and an Individualist ? Or Keynes reader of Mandeville

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## Abstract

Whether and to what extent Keynes should be considered both a liberal and an individualist is a rather complex question, and one which this paper proposes to disentangle by analyzing Keynes' understanding of Mandeville, whose positions on these two issues were rather ambiguous, as well. Through a comparison of Keynes' reading of the Fable of the Bees with those of N. Rosenberg, F. Hayek and L. Dumont, it is shown that Mandeville' s and Keynes' positions are much more alike than is generally admitted. Furthermore, this similarity invites us to redefine such categories as « individualism », « holism », « liberalism » and « interventionism », which clearly are difficult to apply to either of these two authors.

## Résumé

Dans le but d'éclairer la question de savoir jusqu'à quel point Keynes devrait être considéré tant comme un libéral que comme un individualiste, le texte examine la façon dont Keynes a compris Mandeville qui, adoptait lui-même, à ce double égard, des positions plutôt ambiguës. La lecture que fait Keynes de la Fable des Abeilles est comparée à celles de N. Rosenberg, de F. Hayek et de L. Dumont. De cette comparaison, se dégage la conclusion que les positions respectives de Keynes et de Mandeville sont beaucoup plus apparentées qu'on le suppose généralement. De plus, ce rapprochement nous invite à redéfinir des concepts comme "individualisme", "holisme", "libéralisme" et "interventionnisme" qui manifestement ne peuvent s'appliquer aisément ni à l'un ni à l'autre de ces auteurs.

# WAS KEYNES A LIBERAL AND AN INDIVIDUALIST ? OR KEYNES READER OF MANDEVILLE

Maurice LAGUEUX

## Résumé : Keynes était-il libéral et individualiste ? Ou Keynes lecteur de Mandeville

Dans le but d'éclairer la question de savoir jusqu'à quel point Keynes devrait être considéré tant comme un libéral que comme un individualiste, le texte examine la façon dont Keynes a compris Mandeville qui, adoptait lui-même, à ce double égard, des positions plutôt ambiguës. La lecture que fait Keynes de la *Fable des Abeilles* est comparée à celles de N. Rosenberg, de F. Hayek et de L. Dumont. De cette comparaison, se dégage la conclusion que les positions respectives de Keynes et de Mandeville sont beaucoup plus apparentées qu'on le suppose généralement. De plus, ce rapprochement nous invite à redéfinir des concepts comme "individualisme", "holisme", "libéralisme" et "interventionnisme" qui manifestement ne peuvent s'appliquer aisément ni à l'un ni à l'autre de ces auteurs.

**Abstract :** Whether and to what extent Keynes should be considered both a liberal and an individualist is a rather complex question, and one which this paper proposes to disentangle by analyzing Keynes' understanding of Mandeville, whose positions on these two issues were rather ambiguous, as well. Through a comparison of Keynes' reading of the *Fable of the Bees* with those of N. Rosenberg, F. Hayek and L. Dumont, it is shown that Mandeville's and Keynes' positions are much more alike than is generally admitted. Furthermore, this similarity invites us to redefine such categories

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It seems fair to say that John Maynard Keynes' intellectual and moral personality was anything but straightforward<sup>1</sup>. Any attempts to locate him in the spectrum which goes from socialism to liberalism or to characterize him either as a holist or as an individualist are doomed to failure. It is true that Keynes devoted a short article to the characterization of his relation to liberalism. But « Am I a Liberal ? » concerns essentially his adherence to the Liberal party rather than any commitment to the tenets of economic liberalism. A more significant piece of evidence, however, would be « The End of the *Laissez-faire* », another essay of the same period, where he clearly establishes that he is not a liberal in the sense in which this word is usually used by economists. After all, the unequivocal denial of the alleged virtue of *laissez-faire* which constitutes the core of this essay is in keeping with the main theses that Keynes was to develop later in *The General Theory*. On the other hand, Keynes' commitment to free trade and capitalism and the key-role he gave, even as an economist, to the principles of political liberalism make the matter a little more ambiguous. For Keynes, liberalism is clearly not reducible to *laissez-faire* and *The General Theory* itself is, in his mind, a way to save liberalism much more than a way to destroy it. Not only does he present his book, in his famous letter to Bernard Shaw, as a tool to « knock away » the « Ricardian foundations of Marxism », but he says more explicitly that « the result of filling in the gaps in the classical theory is not to dispose of the “Manchester system”, but to indicate the nature of the environment which the free play of economic forces requires if it is to realise the full potentialities of production » (Keynes 1936, p. 379). It seems that the point for him was to redesign the framework that Adam Smith had carefully but incompletely defined for the proper working of the free market. At any rate, if Keynes was an interventionist, it was surely not because he had high confidence in the wisdom of the political leaders. On the contrary, he condemns the rigidity with which the Gold Standard had been imposed by them in such a way that it had literally choked the market which, according to him, needed much more room to operate properly. Rather than forcing the consumers and entrepreneurs in a State controlled jacket, the Government should play a

1. The author would like to thank Bradley Bateman, Gilles Dostaler and Bruce Toombs for their useful comments and the SSHRC (Ottawa) and the Fonds FCAR (Quebec) for financial assistance.

compensating role in the market, spending when consumers and entrepreneurs are too frightened to spend enough and saving when they tend to overspend. In such a context the money motive might continue to be the main force which governs the economy. I do not say that Keynes is a liberal, but I do say that his position is rather ambiguous.

As for his position between individualism and holism, the situation is very similar. His rejection of *laissez-faire* was closely associated with the fact that he had poor confidence in the capacities of individuals. More often, said Keynes, « individuals acting separately to promote their own ends, are too ignorant or too weak to attain even these. » (Keynes 1931, p. 312) The very way he was later to defend an anti-reductionist stand against traditional microeconomics based on an analysis of individual choice also suggests that he cannot be considered an individualist. In *The General Theory*, his rebuttal of any attempt to explain a macroeconomic phenomenon by aggregating the result of individual actions seems to be a direct rebuttal of methodological individualism. Insisting on the fact that workers cannot have the least control over their real wages, which would rather be determined by general inflationary forces, seems indeed to contradict many decades of efforts by economists to show that such social forces are nothing but a complex result of human decisions. But, to say nothing about the colorful dimensions of his strongly individualistic personality, it is far from clear that Keynes was rejecting individualism. After all, the concluding chapter of *The General Theory* includes a frank profession in favor of individualism whose advantages, according to him, « will still hold good » in the new framework. Far from encroaching individualism by his proposition to enlarge the functions of government, Keynes considers that he defends a « condition of the successful functioning of individual initiative » (Keynes 1936, p. 380). Even on the front of methodological individualism, it would be very misleading to consider Keynes as a holist. To come back to the question of the control over real wages, Keynes merely wants to point out that if, during a period of high unemployment, some unemployed workers agree to work at money wages which are lower than the prevailing wages on the market, and if eventually such a move progressively, through competition, leads the other workers to do the same, there will result a *general* reduction in money-wages. Keynes concludes from this that, to the extent that they are dictated by costs, prices will also be significantly affected and that consequently no reduction in real wages will take place. For Keynes, this is sufficient for invalidating the microeconomic theory according to which an increased demand for labor can result from a reduction of wages. But such a theory is perfectly compatible with methodological individualism which, according

to Hayek, typically leaves ample room for the development of unintended consequences of individual decisions. Here again, I do not want to present Keynes as a paragon of individualism but rather as an ambiguous figure in the debate about individualism.

However, my point is that this ambiguousness, far from being a purely idiosyncratic character of his personality, is largely due to ambiguities in the very notions of liberalism and of individualism. To illustrate this point, it might be illuminative to compare Keynes with another highly ambiguous intellectual figure whose renewed notoriety in XXth century Keynes incidentally is partly responsible for, namely Bernard de Mandeville. I will not claim that Keynes' interpretation of Mandeville is necessarily valid. I would rather say that Keynes acknowledged a kind of kinship between himself and this author. Mandeville's thought indeed was ambiguous enough to be admired by Keynes for its plea in favor of interventionism and of anti-reductionism while being later presented by Friedrich Hayek as a forerunner of a true liberalism and by Louis Dumont as one of the decisive turning points in the development of Western individualism.

But let us see why Keynes was so enthusiastic about Mandeville. The answer to this question is made easier by the fact that Keynes quotes two passages<sup>2</sup> that he presents as the « theoretical basis » (Keynes 1936, p. 361) of Mandeville's views on economy. In one of them, Mandeville defends the idea that Government should promote a great variety of manufactures, arts and handicrafts and encourage agriculture and fishery rather than regulating lavishness and frugality. Even if this is not as unequivocally pro-Keynesian as Keynes would like, it is true, as documented by Jacob Viner and by Nathan Rosenberg, that Mandeville was sympathetic to some Government intervention, especially in foreign trade, but also in domestic affairs, as it seems to be clearly illustrated in the final sentence of *A Search into the Nature of Society* where Mandeville refers to « the dextrous management of a skilful Politician » to help turning private vices in public benefits<sup>3</sup>. Thus, it seems fair to say that Keynes found in Mandeville a fellow advocate of some government intervention.

The other passage quoted by Keynes denounces the « error » of concluding that, since saving is a wise method to increase a family estate,

2. Those extracts quoted without references by Keynes are actually drawn from the Remark Q, (pp 198 and 215-216 in original pagination; Mandeville 1714, I, pp. 182 and 197-198) that Mandeville added to his *Fable*.

3. Mandeville 1714, I, p. 369; see also II, p. 319; quoted by Rosenberg 1963, p. 188 and 192.

one should conclude that frugality is wise as well when « a whole nation » is considered. As we have seen, it is because he constantly denounced this type of error that one is tempted to characterize Keynes as a holist, or at least as an anti-reductionist, rather than as an individualist. What is true for individuals acting at the level of the family is no longer true at the macroeconomic level. It is interesting to note that Keynes contrasted Mandeville's position with a sentence in which Adam Smith suggests that what is good in the conduct of a private family *is* surely good as well in the conduct of a great kingdom, a sentence which, curiously enough, is almost word for word the principle from which Thomas Mun<sup>4</sup> had drawn his typically mercantilistic doctrine of the importance of maintaining a favorable balance of trade. Thus, against those like Mun and Smith who tended to treat whole nations like individual estates, Mandeville and Keynes were fully aware of the fact generally associated to holism, that what is true for individual components is not necessarily true for the whole.

But for Keynes, there was still more to be found in Mandeville. As is well known, the view of Mandeville which was, more than any other, highlighted by Keynes was his promotion of sumptuary, luxurious and « vicious » consumption as a way to stimulate economic activity for the greatest public benefit. In the context of the great Depression where saving was seen by many as the greatest virtue, Mandeville's paradoxical statements was for Keynes a colorful way to outer his own paradoxical views. Moreover, the complicity between Mandeville and Keynes goes further. The *Fable of the Bees* was the source of an intense debate all along the XVIIIth century because Mandeville's crude realism hurt the moral convictions of most of his contemporaries. The very idea that vices could have beneficial effects was difficult to integrate in a moral system whether this system be based on a religious or on a rationalist foundation. Underscoring that vice is the necessary means for a society to become rich and successful was hardly distinguishable from defending the primacy of wealth over virtue. Mandeville, however, did not accept the condemnation of those who treated him as an immoralist. He insistently claimed that he was subjectively committed to virtue while objectively noting that collective wealth is not possible without private vice. Thus, in the concluding lines of his 1714 Preface to the *Fable*, he exposes his point of view with the help of an interesting metaphor :

But if, without any regard to the Interest or Happiness of the City, the Question was put, What Place I thought most pleasant to walk in ? No body can doubt but, before the stinking Streets of London, I would

4. Mun, Thomas, "England's "Treasure by Forraign Trade" in Monroe 1924, p. 171.

esteem a fragrant Garden, or a shady Grove in the Country. In the same manner, if laying aside all worldly Greatness and Vain-Glory, I should be ask'd where I thought it was most probable that Men might enjoy true Happiness, I would prefer a small peaceable Society, in which Men, neither envy'd nor esteem'd by Neighbours, should be contented to live upon the Natural Product of the Spot they inhabit, to a vast Multitude abounding in Wealth and Power, that should always be conquering others by their Arms Abroad, and debauching themselves by Foreign Luxury at Home. (Mandeville, 1714, I, p. 12-13)

In fact, one may doubt of Mandeville's sincerity when he insists on the preferability of virtue. Moreover, his definitions of virtue and of vice were a bit too rigid, as noted by Dr. Samuel Johnson who disliked Mandeville's « monastick » way to associate without qualifications vice with pleasure<sup>5</sup>. In any case, his not very convincing defense of virtue illustrates the ambiguousness of his ethical position and explains why the *Fable of the Bees* was so passionately discussed and criticized all along the XVIIIth century.

Mandeville had been relatively forgotten during the XIXth century, but his work became anew an object of discussion in the XXth century. Kaye's monumental edition of the *Fable of the Bees* in 1923 and also the attention given to the *Fable* by Keynes in *The General Theory* were largely responsible for a new debate which concerned no longer Mandeville's morality but rather his alleged liberalism and individualism. In spite of Mandeville's commitment to the importance of some government intervention and to the irreducibility of the social to the individual -- a commitment which was to be strongly underscored by Keynes, as we have seen --, Kaye, in the introduction to his edition, took for granted both that « in the *Fable* Mandeville maintains, and maintains explicitly, the theory at present known as the *laissez-faire* theory" (Mandeville 1714, I, cxxxix) and that it is through Mandeville that « individualism becomes an economic philosophy » (Mandeville 1714, I, ciii). While somewhat nuanced by Jacob Viner and by Nathan Rosenberg, Kaye's interpretation was corroborated by two authors who payed particular attention to Mandeville. One of them is Friedrich Hayek who, in his 1966 lecture on Dr. Bernard Mandeville, after quoting a passage of the *Essay on Charity and Charity-schools* where Mandeville refers to a situation which is « never better kept than when no body meddles or interferes with it », concludes that its author was « quite as much (or as little) an advocate of *laissez-faire* as Adam Smith » (Hayek,

5. Mandeville 1714, II, 436, quoted by Robinson 1962, p. 20.



1978, p. 185 quoting Mandeville, 1714, I, pp. 299-300). The other author is Louis Dumont who in his 1977 *Homo Aequalis* characterized the *Fable* as a decisive turning point in the development of Western individualism since, by dissociating economic and moral points of views, it made possible for the Individual to be freed from social constraints of moral origin (Dumont, 1977, pp. 98-101). Incidentally, long before this point was systematically analyzed by Dumont, Mandeville's individualism was underscored not only by Kaye, but by Albert Schatz who, in a book entitled *L'individualisme économique et social* published in 1907, described the *Fable* as « l'ouvrage capital où se trouvent tous les germes essentiels de la philosophie économique et sociale de l'individualisme » (quoted by Hayek, 1978, p. 192, n. 22).

It would be a mistake, however, to conclude that Mandeville was involved in flagrant contradictions. To become rich, saving is a wise method for an individual but not for a whole nation, but if nations happen to become rich, it is because individuals, who do not care for the nation's wealth, follow egoistically their « vicious » passions which, for most of them, are not oriented towards saving. This accounts for Mandeville's individualism. His liberalism is no more incompatible with his request for government intervention. Indeed, the debate about this is largely semantical, as shown by Nathan Rosenberg: « the traditional categories of interventionism and laissez-faire are inadequate to convey the position of someone who wishes the government to intervene in the affairs of the domestic economy, but only in order that it may establish a social and legal framework within which the interaction of self-seeking egos will result in an orderly satisfaction of man's economic needs » (Rosenberg, 1963, p. 189 ; see also p. 191).

But the present paper is not so much about Mandeville as about Keynes. My contention is that Keynes' interventionist and anti-reductionist attitudes are not more incompatible with his adherence to the Manchester system and with his resolute individualism than Mandeville's similar postures. Thus, Keynes' situation might be much more akin to Mandeville's than usually acknowledged. For Keynes, anti-reductionism is exemplified by the claim that saving is for individuals but not for nations a wise method to become rich as well as by the claim that even if an individual worker can reduce his own real wage rate, the whole labor class cannot reduce the level of the real wage rate. However, the fact that a nation happens to reach such or such a level of wealth or that the labor class happens to get such or such real wages, nonetheless results among other things from the egoistic propensity to consume or the egoistic supply of

labor of a multiplicity of individuals who don't really care about the wealth of their nation or about the wage rate of their class. Similarly, Keynes is an interventionist of the same brand as Mandeville. To paraphrase Rosenberg, he wishes the government to intervene in the affairs of the domestic economy, but only in order that it may establish an economic framework compatible with full employment within which the interaction of self-seeking egos will result in an orderly satisfaction of man's economic needs.

Clearly, categories like « individualism », « holism », « liberalism » and « interventionism » are inadequate to convey the rather ambiguous position adopted by Keynes. Keynes shares with Mandeville a realistic and pessimistic view of human nature. He is far from being an optimistic interventionist fully confident in the rationality of a planning government. He is convinced that most people in the modern world are fundamentally guided by money motives<sup>6</sup> when it is not by more or less « vicious » passions, and he concludes that in such a situation the only way to warrant material prosperity and the full employment associated with it is to encourage and promote consumption, which necessarily includes luxurious consumption and consumption of any types of gadgets. But if he was asked, like Mandeville was asked by himself, where he « thought it was most probable that Men might enjoy true Happiness », he would surely have answered that it is in the delectation of art, ideas and other types of intellectual fragrant gardens rather than in money and purely material satisfactions. But, like Mandeville's, Keynes' sincerity was doomed to be questioned by socialist-oriented interventionists who shared his views about true happiness for Humanity while rejecting his somewhat Mandevillian cynicism about human nature. It is hardly surprising that Keynes' thought has been as passionately debated in XXth century as Mandeville's was at another level in the XVIIIth century. Both of them force us to redefine categories like « individualism », « holism », « liberalism » and « interventionism » and to raise on new bases the question of the relations between individuals and society. It is true that one should not exaggerate the similarities between Keynes and Mandeville, but underscoring their tacit complicity may help in grasping a few dimensions of the very complex personality of John Maynard Keynes.

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6. See Keynes 1963, p. 320.

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