JOHN MAYNARD KEYNES BETWEEN OLD AND NEW INSTITUTIONALISM

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Abstract
This article considers the conceptions about convention and institutions in the thought of John Maynard Keynes, Thorstein Veblen and Douglass North. To accomplish its goals, we seek for a definition of institution in two institutionalist authors, namely, Veblen from the so called Old Institutional Economics and North from the New Institutional Economics. It is argued that while Veblen suggests an instinct-institutions approach North sustains a rationality-institutions approach, which implies distinct conceptions about institutions and the social world. Then we present Keynes's general philosophical stance, highlighting his ontological commitments and epistemological implications of this ontology. Finally, we bring into light the significance of institutions in Keynes's thought through his notion of convention and the decision-making process. Thus, we will be able to undertake a comparison between Keynes's conception of convention and the concept of institutions as habits of thought in Veblen and the idea of institutions as rules of the game in North.

Keywords: convention, institutions, rationality, Keynesianism, Institutionalism

JOHN MAYNARD KEYNES ENTRE O VELHO E O NOVO INSTITUCIONALISMO

Resumo
Este artigo trata das concepções sobre convenções e instituições no pensamento de John Maynard Keynes, Thorstein Veblen e Douglass North. Para alcançar esse objetivo, buscamos uma definição de instituição em dois autores institucionalistas, são eles: Veblen, da denominada Velha Economia Institucional, e North, da Nova Economia Institucional. Argumenta-se que enquanto Veblen trabalha com uma abordagem de instintos-instituições, North sustenta uma abordagem de racionalidade-instituições, o que implica distintas concepções sobre as instituições e o mundo social. Em seguida, apresentamos a posição filosófica de Keynes, destacando seus compromissos ontológicos e as implicações epistemológicas dessa ontologia. Finalmente, trazemos para o debate o significado das instituições no pensamento de Keynes através da noção de convenção e do processo de tomada de decisão. Deste modo, estaremos aptos a realizar uma análise comparada da concepção de convenção em Keynes e das ideias de instituições enquanto hábitos mentais em Veblen e de instituições enquanto regras do jogo em North.

Palavras-chave: convenção, instituições, racionalidade, Keynesianismo, Institucionalismo

JEL: B15, B22, B25

Introduction

This article aims to present an analysis of Keynes's overall worldview and theories so as to check the extent to which they can be made compatible with the work of Veblen and North and with the institutionalist tradition more generally. Although there have been studies regarding the relation of complementarity or compatibility between Keynes and the institutional tradition (Mouhammed 1999; Peterson 1977; Wray 2007; Thabet 2008; Rutherford and DesRoches 2008), no investigation has specifically focussed on the ontological and epistemological compatibility between Keynes and institutionalists. We believe this investigation is relevant because it can shed some light both on the entities these traditions are committed to and on the extent to which we can have justified beliefs about such entities. The investigation of an ontological and epistemological compatibility of the economics of Keynes and the institutional tradition can be of use for forging a theory of keynesian institutionalism, something that has been hinted at by Keller (1983) and sketched by Whalen after the 2008 crisis (2012). Their contributions, however, do not make a clear distinction between old and new institutionalism and do not investigate the possibility of building a well-founded research program with compatible ontologies and epistemologies. Our paper seeks to contribute in the direction of finding a common ground for the economics of Keynes and that of the different strands of institutionalists.

First of all, we should stress that the old institutionalist life span covers a period from the late nineteenth century roughly to the first half of the twentieth century. During this period, the world experienced two great wars, the great depression of the 1930s, the emergence of American hegemonic power, a succession of monetary standards and the emergence of liberalism and globalization. We should observe as well that Thorstein Veblen (1847-1929) and Douglass North (1920-2015) are not only part of distinct institutionalist traditions, but they also lived and wrote in different moments of the Economic Science. Veblen was immersed in a society in great transformation and, at that time, American academy was just a replicator of economic ideas developed in Europe. Thus, Veblen was not only a critique of marginalist thought in its early elaborations, he also developed an original American economic thought. In some sense, J. M. Keynes (1883-1946) lived, across the ocean, social and economic transformations even greater than those observed by Veblen. Unlike Veblen, Keynes didn't reject completely and radically marginalism, for he studied with Alfred Marshall, but he was critical of the state of the art of Economic Science of his time. North`s work first appeared in the middle of the twentieth century and reflects an Economic Science that had already defined its method and scope in the 1930's and 1940's. In this sense, North was critical of some reductionist assumptions of the established neoclassical theory of his time.

Although it is not our objective to make an analysis of the historical and intellectual roots of Veblen, Keynes and North, we can notice, along the article, how these economists were influenced by the state of the art of Economic Science and the social environment in which they lived. Veblen was concerned with the construction of an evolutionary science, and his theory reflects his objectives in the instinct-institutions approach, defining institutions as habits of thought. North`s theoretical problems involved the understanding of the influence of institutions in economic performance. His rationality-institutions approach converts institutions in rules of the game that defines the boundaries of rational action. Keynes's attention was directed to social and economic crisis and the answers that previous economists had given to the malfunction of markets. The concept of convention shows the authors' disposition to understand the process of decision-making beyond rationality. In not rejecting rationality completely and not committing to a theory of instincts, Keynes`s approach ends up embracing some aspects of the theories of Veblen and North in which concerns about the nature of human action and its relation to the economic environment become salient.

Our argument will be presented in three sections. In the first section the debate within Institutional Economics will be briefly outlined. Special attention will be given to Veblen and North theoretical proposals. It is argued that while Veblen suggests an instinct-institutions approach North sustains a rationality-institutions approach. The second section will delineate Keynes's general philosophical stance and his ontological commitments regarding the social world, with a focus on the economy, and epistemological implications of his ontology. We will then be ready to go to section III of the article, which will furnish a framework highlighting the importance of institutions in Keynes's thought through his notion of convention and the decision-making process that is compatible with the contributions of Veblen and North. Thus, in the following lines we define and compare the theoretical proposals of Veblen, North and Keynes about conventions, institutions and the individual-institutions connection.

1. Institutional Economics

Institutional Economics is usually divided into two major branches, the Old Institutional Economics (OIE) and the New Institutional Economics (NIE). Institutional Economics is a school of thought – also designated as OIE or American Institutionalism – originally associated to the ideas of Thorstein Veblen, a late nineteenth century American economist. The term "institutional economics" was coined by Walton Hamilton in the article *An Institutional Approach to Economic Theory*, published in 1919 in the *American Economic Review*. Hamilton (1919) asserts that the appropriate subject of Economics are institutions. Some years before, in 1895, Emile Durkheim, in his *The Rules of Sociological Method*, sustained that Sociology was the science of institutions. Veblen`s seminal work, *Why is Economics not an Evolutionary Science?*, published in 1898, is a straightforward critique to some ideas rooted in Smithian and Marxian tradition, but mainly in the way of doing science put forward by the marginalist revolution. In the marginalist set of theoretical problems and instruments, issues like institutions, history as causal events evolving over time, and socially woven agents, were excluded from the analysis. These themes will be taken up by the NIE a few decades later without giving up the marginalist toolbox. In this sense, the OIE was closer to a sociological approach than to marginalism.

According to Backhouse (1985), the rejection of marginalism is a determinant characteristic of the OIE. Rutherford (1996) stresses a subdivision within the OIE: the Veblen and Ayres branch (that deals with the institutional and technological way of doing things), and Commons' branch (engaged in a legal institutionalism concerned with law, property rights and organizations). We might also recognize Mitchell`s contribution to OIE in the field of business cycles and economic statistics, being one of the founders of the National Bureau of Economic Research (NBER). Although old institutionalists may not follow the same line of research, Rutherford (1996) highlights some theoretical aspects that keeps them together like descriptivism, anti-formalism, holism, behaviorism, interventionism, and collectivism.

Within the NIE there are also other lines of research. Rutherford (1996) lists some subjects considered by the new institutionalists, like property rights, common law, public choice processes, organizations, agency theory, transaction costs and game theory. Despite the diverse lines of research, Rutherford (1996) points some defining aspects of the NIE: formalism, individualism, reductionism, anti-interventionism and the adoption of a rationality principle. Coase and Williamson were concerned with the theory of the firm and transaction costs, while North mixed many of these issues in an institutionalist theory of economic performance. The NIE also embraces a game theoretic approach, headed by Shubik and Schotter; and a so-called Austrian wing, comprising authors like Hayek, Nelson and Winter, and Langlois. The distinctive aspect that departs the OIE from the NIE is the adherence of the latter to marginalist approach (including the austrians) and/or neoclassical theory.

But what is an institution? This age-old question has no unique answer within Institutional Economics. The literature conveys a multiplicity of concepts of institutions, some examples are Neale (1987), Searle (2005), Hodgson (2006) and Lawson (2015). Neale (1987) analyzes how seminal authors analyze institutions. Searle (2005) suggests a philosophical approach, asking what an institutional fact is before building a definition of institution.It can be said that Searle`s framework is compatible with the nature of socioeconomic facts in Keynes. Hodgson (2006) looks into concepts like habits, rules and norms to enlighten some conceptual imprecision in the literature. Particularly, he establishes a dialogue with Douglass North in order to clarify concepts like institutions and organizations. Lawson (2015), for his turn, applies the critical realist social ontology to discuss the place of institutions in social structures, something that can be linked not only to Searle's view of institutions but also to Keynes's (at least in our interpretation). In common, Searle and Lawson understand institutions as some kind of social rule -- Searle specifically compacts this rule in the formula "X counts as Y in the context C". This means that a given object (or brute fact) X is given a status-function Y in the socioeconomic context C.[1] In the remainder of this section we focus on Veblen and North conceptions about institutions.

1.1 Veblen

Veblen was a fierce critic of teleology, taxonomy and hedonism, suggesting a theory that pictured the social world as inhabited by human beings driven by instincts that develop habits of thought, or institutions, through their social actions. Those habits of thought, or ways of thinking and doing things, evolve through time alongside with instincts in a complex interaction. In *The Theory of the Leisure Class*, originally published in 1899, Veblen analyses the evolution of cultural traits in North-American society through an instinct-institution approach. Veblen uses a descriptive method of analysis; he does not employ formalistic mathematical models to prove his theoretical conclusions. He defines institutions as habits of thought - ways of doing and thinking -, as follows:

> Any community may be viewed as an industrial or economic mechanism, the structure of which is made up of what is called its economic institutions. These institutions are habitual methods of carrying on the life process of the community in contact with the material environment in which it lives. (Veblen, 1899, p.89)

Moreover, Veblen sustains that the drive to human action are instincts and not rationality. Thus, human action will strive for survival, making efforts to understand the surrounding reality, building useful tools to handle the environment and protecting the group. Accoding to Barnett (2017a), Veblenian instincts are of two types: simple instincts (like hunger, anger, gregariousness, nutrition, sex etc.) and complex instincts (like the workmanship, parental bent, idle curiosity, play and beauty instincts). Whereas the former are

> (...) closer to tropismatic sensibilities or involuntary behavioral urges (...) complex instincts are much more extensive complications of organic stimuli that include various basic instincts, which have been grouped together to serve a common higher-order or emergent function. (Barnett, 2017)

In other words, instincts are drives to human action, but it is the coevolution of simple and complex instincts in time that will produce institutions. These institutions, for their turn, will open up specific possibilities by which individuals can feed themselves, protect the group, construct theories about reality and build instruments to cope with the environment. As we will compare Veblen and Keynes in the third section, the evolutionary character of institutions does not allow us to make predictions about the form these institutions will take in the future. In other words, it seems reasonable to suppose that the process of selection, mutation and replication of institutions is strongly uncertain -- just like Keynes's world is. Institutions are habits of thought; they are a processual and temporal way of being and doing things in society. Habits of thought involve potential behaviors and actions, conceptions about reality and behavior and action proper. Veblen does not dichotomize action and behavior – actual or potential – from human conceptions about reality, for they are intertwined in the concept of institution as habits of thought. As we will see in the next section, this is compatible with an interpretation of Keynes's view of social reality that equally intertwines social action and collective conceptions about this reality. In this sense, humans do not make rational calculations observing institutional constraints (like North thinks); their behavior is rather guided and deeply embedded in habits of thought.

> Habits of thought with respect to the expression of life in any given direction unavoidably affect the habitual view of what is good and right in life in other directions also. In the organic complex of habits of

[1] Searle usually exemplifies this with money: a colored little piece of paper X counts as money (Y) in a given country and time (the context C), for example.

thought which make up the substance of an individual's conscious life the economic interest does not lie isolated and distinct from all other interests. (Veblen, 1899, p.54)

In Veblen`s conception, there is no dichotomy between an economic life and a social and moral life, all human evaluations depend on what is socially considered as the adequate behavior – the prevalent habits of thought. Thus, individual evaluation of beauty does not rely on inner conceptions about what is intrinsically beautiful, but in what is the society sense of beauty. Social evaluations are intrinsically connected to human practices and are usually related to social suitability, acceptance and belonging. Sometimes it can be more powerful in guiding human behavior than instincts.

So far as a person, in forming a judgment of taste, takes thought and reflects that the object of beauty under consideration is wasteful and reputable, and therefore may legitimately be accounted beautiful; so far the judgment is not a *bona fide* judgment of taste and does not come up for consideration in this connection. The connection which is here insisted on between the reputability and the apprehended beauty of objects lies through the effect which the fact of reputability has upon the valuer's habits of thought. (Veblen, 1899, p.69)

What Veblen is pointing out is that human conceptions about reality are molded by prevalent habits of thought. Those habits of thought are, most of the time, unconsciously embraced guides for human behavior. Thus, there is limited space for a purely rational, calculative, behavior in society. Reality and conceptions about reality are not separable in human beings. Reality is not something out there and/or a mental construct, it is at the same time actual human practices and human conceptions (past, present and future) about the social and the natural environment. We can summarize Veblen's approach to Economic Science as properly transdisciplinar -- that is, a holistic type of knowledge whose foundation cannot be reduced to that of any separate social science. It is "concerned with the unity of intellectual frameworks beyond the disciplinary perspectives", as Sembert (1990) explains. This Veblenian instinct-institutions approach will be replaced for a rationality-institutions approach in NIE, as we shall see in North`s conceptual framework.

1.2 Douglass North

North adds some theoretical issues left behind by neoclassical theory, namely time and institutions. The inclusion of time and institutions within a neoclassical approach was made possible by the modification of the rationality principle. According to North (1993), in a world of incomplete information and limited computational capacity – bounded rationality –, individuals develop norms and rules to structure exchange. Furthermore, as society becomes broader, with more impersonal and sporadic transactions, problems of trust and compliance emerges. In small groups with repeated transactions cooperation emerges as a rational response of the individual that intends to keep doing business in that market. In large groups, with non-repeated transactions, cooperation is related to coercive formal rules. In the first case, it is rational not to cheat in order to stay in the market. In the second case, it is rational to obey formal rules in order not to suffer punishments. In both cases, following rules is a matter of rational behavior, though it is a limited rationality.

North provides another explanation to rule following behavior in our inner moral conceptions about what is right and what is wrong, which he called ideology. The author exerts an interdisciplinary approach to enrich his institutional theory, moving in areas of knowledge such as Economic History, Sociology, Cognitive Science, Political Science, and others. However, this interdisciplinarity consists in applying the theory of choice to other fields of social thought -- and that is why his work is not transdisciplinar as that of Veblen. As Sembert (1990) puts it, interdisciplinarity presupposes an "integration of the contributions of several disciplines to a problem or issue [which] is required" -- but the theory of rational choice remains as his foundation.

Since his works of the 1970s, North recognizes the need to go beyond neoclassical boundaries, but keeping the principle of rational choice behind his theories. North (1990, p.5) states that defining “institutions as the constraints that human beings impose on themselves makes the definition complementary to the choice theoretic approach of neoclassical economic theory”. Some years later, the author reaffirms his position: "Economics is a theory of choice - so far so good. But the discipline neglects to explore the context within which choice occurs. We choose among alternatives that are themselves constructions of the human mind" (North, 2005, p.11).

If in his earlier works North was concerned with the place of institutions in economic performance. In his writings of the 2000s he is focused on understanding the human mind and social orders. North (1990, p.3) defined institutions as “the humanly devised constraints that shape human interaction” -- hence the author’s movement towards Cognitive Science. The understanding of the human mind is important to clarify the process of decision making that shapes institutions. In his earlier work, the author emphasized the role of institutions as an incentive structure of economies, highlighting that the persistence of inefficient institutions was associated with features of the human environment, and the way humans interpreted that environment. But North (2005, p.viii) affirms that what he “did not consider in earlier studies was the character of societal change and the way humans understand and act upon that understanding of societal change.”. In North (2005), the focus are beliefs and how they interact with social reality.

According to North (2005), the key to human evolutionary change is the intentionality of the players – individuals and organizations. But intentionality stems from individual perceptions, molded in beliefs and sometimes also in preferences. Beliefs are theories individuals have about the consequences of their actions, they “are both a positive model of the way the system works and a normative model of how it should work” (North, 2005, p.2). Those beliefs come from individual experience and past generations’ experience. According to North (2005), experiences from past generations comprises the cumulative learning of a society embodied in language, human memory and symbol storage system (beliefs, myths, ways of doing things), shaping the culture of a society.

Unlike Veblen, North suggests that there is a gap between beliefs and reality. From an ontological point of view, North seems to be committed to a cartesian view of reality, where beliefs inside individuals may or may not correspond to the reality outside. This non-coincidence between reality and beliefs is the origin of uncertainty. Therefore, North (2005) states that institutions are the structures humans impose on themselves to order their environment and reduce uncertainty. Individuals develop formal and informal rules and beliefs to complement their limited computational capacity. Where rational behavior is not able to work properly, rules and beliefs takes place to guide human action and choice. It means that choice is not always guided by a calculative rationality, once individuals may decide based on their own beliefs, on shared culture and traditions and/or on laws and constitutions – the scaffolds humans impose on themselves to order their environment.

In synthesis, in North’s conception, institutions are: (i) constraints to human action; (ii) structure of incentives to players (individuals and organizations); (iii) rules of the game (formal and informal rules). Organizations are groups of individuals gathered together with a common purpose. Organizations acts as players, but they are not intentional like individuals; the organizational process of decision making involves internal rules, procedures and hierarchies. Individuals are rationally limited players that also have beliefs, they develop ideologies and are capable of learning. Institutions are outside the human mind and are part of the social environment. Mental models (beliefs, ideologies, knowledge) are inside human mind, they are also part of the social environment. Nonetheless, there is a gap between reality itself and human beliefs, intentions and human-made rules (institutions). In this sense, a failure to implement governmental policies are due to this gap between what the world really is and the institutional framework humans develop. If an individual fails in his action, it is due to an incompatibility between his or her beliefs and reality. Thus, the gap between the outcomes and intentions explains why we fail in economic and social policies.

1.3 Summary

Let us briefly summarize what we found regarding the ontological and epistemological commitments of Veblen and North.

Veblen is not committed to a dualistic ontology - his “habits of thought” are not reducible to mental representations of reality, but are also closely interrelated to processual and habitual ways of doing things. These habits of thought also evolve in time in an evolutionary fashion, producing unpredictable results. As a result, his epistemology is transdisciplinar: he creates an altogether new theory out of contributions from pragmatist philosophy, darwinian biology and sociology.

North seems to be committed to an ontology that separates human subjective beliefs from their enactment in the objective world outside. Because of this separation (which creates uncertainty), institutions are created to constrain, structure and provide rules for rational, maximizing action. Because the building of institutions takes into account the environment in which rational actions take place, North’s endeavor must be interdisciplinary. In other words, he must coherently integrate findings of other social sciences into the economic theory of choice.

2. Keynes`s ontological and epistemological commitments: from uncertainty to the world as an “organic unity”

2.1 Roots of Keynes’s thought and his modification of Marshall’s approach

We said in the Introduction that the theories of our authors were shaped by the time and place where they lived. This is especially true for Keynes, whose thinking is related to the unforeseen social and economic consequences generated by two World Wars and the Great Depression of 1929. So, it is no news that Keynes hoped, with his *General Theory* (1936), to elaborate a new way of investigating and tackling economic problems. This new way of doing economics was fundamentally embedded, as Skidelski (2005) recounts, on a philosophy indebted to G. E. Moore and the type of economics developed by Alfred Marshall. This means that Keynes’s view of economics was developed both within a non-utilitarian and realist ethical framework which aimed to reach for the Good -- here understood as states of affairs in the world that could cause in us good “states of consciousness”, such as the development of friendships and personal relations (“the pleasures of human intercourse”), the enjoyment of beautiful objects and the pursuit of knowledge. Economics, within this perspective, could be seen as the science which supplements ethics in that it helps understand how the necessary means for a better, more secure life are created and distributed.

Until the outbreak of the first world war, Keynes saw no theoretical or practical reason to depart very far from Marhsallian economics prevailing in Cambridge at that time. However, the war -- and the long crisis that culminated in the crash of 1929 and led to the second world war -- drew Keynes’s attention to the instability and uncertainty that pervaded the economic environment, making him aware that the search for the Good in modern european society was in peril. Of course, instability and uncertainty were nothing new, but, up to that point in time, they were seen as manageable within the theoretical framework which was initiated by the first marginalists and developed by Marshall’s Cambridge tradition of economics. In the english tradition of the old welfare economists -- Marshall, Edgeworth, Pigou and Sidgwick (Backhouse 1985), pure economic theory was complemented by a practical (or applied) economics that allowed economists to devise and justify social and economic policies to damper the hardest effects of crisis (like the Great Depression of the 1870 and 1880 that accompanied the changes of the second industrial revolution). In regards to international economics, the price-specie flow mechanism was seen as self-correcting and had survived all crisis from the 1870 onwards. That was not the case any longer in 1914.

So, for Keynes it could not be assumed anymore that the Good could be attained if economic policies based purely on the theoretical framework inherited from the marshallian tradition were adopted. It is true that the classic smithian functions for the State -- internal and external security, a system of justice, some public works and basic education -- had been complemented by the "new liberalism" of british social reformers of the end of the 19th century (Backhouse and Nishizawa 2009). Working within the liberal position raised by Mandeville and developed by the Scottish Enlightenment -- we cannot know all the consequences of our intended actions, so as a consequence the State is not powerful enough to completely guide an extended society in the direction of any given "common good" -- old welfare economists developed rationales for interventions in market economies that went beyond Smith (in the case of externalities, public education and policies of redistribution).

How far could these interventions go, though? The same problem raised by Adam Ferguson in the 18th century -- of not knowing the consequences of our actions (that is, the problem of ignorance) had been occupying Keynes's mind since he defended his thesis on the foundations of probability and decision theory in 1908. To what extent can we say that a given action leads to the Good, if we do not know all of its consequences? As is well known, the turmoil that had swept Europe from 1914 on cast doubts on the supposed self-regulating power of competitive markets in creating an efficient economic order. Could the non centralized decisions made by economic agents in a free market lead to a suboptimal result as a consequence? This is a question that belongs to a subset of issues raised by Keynes's studies on probability since the beginning of the 20th century. Keynes's point in his *Treatise on Probability* (TP 1921) was to "emphasize the existence of a *logical relation between two sets of propositions* in cases where it is not possible to argue demonstratively from one to the other" (1921, p. 8; Keynes's italics).

The impact of the war on Keynes was such that he came to consider Marshall's object of study of economics in the *Preliminary Survey* of his *Principles* (1890) -- "the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing" -- under a different perspective. There was no doubt that after 1914 the "ordinary business of life" could not be considered the same way as in Victorian times. The implication for the economic theory later developed by Keynes was to stress parts of "individual and social action" not directly linked to the "use of the material requisites of wellbeing" -- or rather, to focus not only on the *individual* but on the *social* part of action which was being modified by the circumstances. For Marshall, in his *Principles*, it was exactly the proximity to the "material requisites of wellbeing" that allowed us to think of economics as a legitimate and separate science. Because "it deals chiefly with that part of man's action which is most under the control of measurable motives; and which therefore lends itself better than any other to systematic reasoning and analysis", economic science studies human conduct with a relative precision not allowed for other branches of the study of men. Marshall's hope, of course, was that "with careful precautions money affords a fairly good measure of the moving force of a great part of the motives by which men's lives are fashioned".

This sentence makes sense as long as the moving force behind people's motives is reasonably constant. As Hirschman (1977) and shows, the power of *interest* (or "self-love" as it appears in Smith's *Wealth of Nations*) came to be the central moving force of the motives behind human conduct. A society governed by interest gives us two advantages over other sorts of social arrangements (like those based on faith or the search for honour): constancy and previsibility. The idea of interest plays with a new way of arranging human "moving forces", so as to turn the motivation associated with the old sin of avarice into something like an acceptable passion. According to Hirschman's reconstruction, if avarice could be controlled by a calculative reason (so as to make the activity of accumulation of wealth reasonably predictable and constant), it could counter destructive human passions such as the desire to exert power onto others and the desire to overindulge in passions of the body.

It is not in any kind of social environment that self-interest can be taken as a "moving force of a great part of the motives" behind people's "individual and social action". A situation of long war and deep economic crisis turns the scales to other sorts of moving forces which may not be so amenable to "the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities" as Keynes would describe it in the *General Theory*, commenting exactly on the influence of "animal spirits" on our decision-making. When the social environment is such that we are not sure either of the quantitative benefits or the quantitative probabilities of our actions, decision-making has to be based on other factors other than rational calculation. A situation of depression or of war may turn fear of violent death or fear of the future one of the main moving forces propelling people's individual action. In such a situation, a sort of a hobbesian state of nature may be prevalent -- leading to a social organization not based on the self-interest of agents but on the order brought about by an autocratic leader. Skidelski (2010) points that Keynes wrote to an american correspondent in 1940 that "[f]or the first time in more than two centuries Hobbes has more to tell us than Locke". Our ability to calculate our benefits and costs for the future is always constrained by discretionary actions of the Leviathan.

2.2 Ontological and Epistemological Consequences of Keynes

There are two consequences of the changes caused by the events triggered by the first World War on Keynes's ontological commitments: First, when fundamental uncertainty is present, economic action -- or at least the socioeconomic world -- could not be studied having as a basis only the calculus of self-interest. Usually, post-keynesian economists (e.g, Davidson 1984) interpret keynesian uncertainty as defying the hypotheses of ergodicity, uniformity of nature (homogeneity) and stationarity of economic process adopted by traditional economics. Keynes, however, never conducted his own research using the terms mentioned above nor did he explicitly develop concepts similar to them. As a result, it is difficult to know whether Keynes would accept those concepts as accurately describing his view of the social *world*. What we do know is that Keyes followed the liberal tradition doctrines about us being ignorant of the long term results of our intended actions. This fact, however, tells us more about epistemological than ontological uncertainty.

It is nonetheless possible to point out that his debate with Jan Tinbergen in the late 1930's about the ambitions of econometrics regarding multiple correlation was specific to the *ontology* of the social world (that is, how the social world actually *is*): for example, Keynes remarks that, unless all causal factors of the phenomena investigated were taken into account, forecasting would be biased (either because some causal factors are not measurable or are interdependent). Besides that, relations between explanatory variables could be non-linear and, what is most relevant, we cannot guarantee that "the environment in all relevant respects (...) should be uniform and homogeneous over a period of time" (Keynes 1939). There seems to be no doubt that what Keynes had in mind here is uncertainty in the social world (the "environment") -- and we do not even have to postulate a non-ergodic process to reach this conclusion (O'Donnell 2016).

As a result, the ambitions of econometrics are severely limited because socioeconomic phenomena have a multitude of varying causes (some even unidentifiable and unmeasurable). The same point is again stressed in two letters to Roy Harrod. In the first letter, of july, 4th, 1938, Keynes stresses that "(...) unlike the typical natural science, *the material to which it (that is, economics) is applied is*, in too many respects, not homogeneous through time" (our emphasis). This has, in turn, an *epistemological* consequence, for "[w]e cannot be sure that such conditions will persist in the future, even if we find them in the past", and this obstructs our ability to predict socioeconomic facts far into the future. In a second letter, dated July, 10th 1938, Keynes defends, *contra* Tinbergen, that

> In chemistry and physics and other natural sciences the object of experiment is to fill in the actual values of the various quantities and factors appearing in an equation or a formula; and the work when done is

> once and for all. In economics that is not the case, and to convert a model into a quantitative formula is to destroy its usefulness as an instrument of thought. (Keynes, 1938)

Second, the fundamental uncertainty of the world is also related to a characteristic of human driving motives to action. An uncertain world means that the study of the economy could not prescind of an investigation (or at least of the acknowledgement) of human motivations other than those amenable to calculation. If the future is fundamentally uncertain, then a rational decision could not be based on only one distribution of probability function of the events in the world. This fact brings us back to Keynes's central problem in his TP: how do we relate different sets of propositions when there is no unique way to argue demonstratively from one set to the other? This difficulty can also be applied to economics, when it comes down to the problem of guaranteeing that 1. rational individuals acting on the basis of their self-interest in a competitive market (first proposition) lead to 2. an aggregate result that is Pareto-efficient (second proposition). It was one objective of Keynes's GT to show that there is no unique way to argue demonstratively from situations 1. to 2. above when fundamental uncertainty pervades the environment, making money non-neutral and creating a preference for liquidity.

The situation is such that rationality alone cannot give us the solution to the problem of decision: the state of affairs in the actual world cannot be described by dint of "systematic reasoning and analysis" alone, as Marshall would have it. It is as if our reasoning and analysis would have to be made on the basis of multiple descriptions of the state of affairs in the world (our first set of propositions) and its future tendencies (our second set of propositions). How can we be sure that the first set lead to the second set of propositions? Only by making economics a science "(...) of thinking in terms of models joined to the art of choosing models which are relevant (...)", to quote Keynes again in his letter to Roy Harrod in july of 1938. In such a situation, Keynes would have to modify the part of the Marshallian doctrine that allowed for "measurable motives" and "systematic analysis" in the separate science of economics. The idea (already present in Marshall's hegelian-inspired evolutionary social philosophy) that the world was a totality and that the economy was but a part of it would have to be modified to make economics more open to psychological, social and institutional factors. Perhaps Keynes's quip that Marshall's system provided a "rounded globe of knowledge" could only be made clear by Keynes's theory itself.

From an ontological point of view, we have seen that Keynes's uncertainty permeates both the world and the process of decision making of individuals, and this fact casts doubts on the status of economics as a separate science. It is true that 1. if the motive of self-interest leads our actions together with 2. a price mechanism, so that we could reasonably calculate costs and benefits of our decisions, then 3. we could deploy an economic theory based on rational and maximizing behavior as a good proxy to understanding the conditions of equilibrium in competitive markets. In terms of the "classical" doctrine, the maximizing decisions of a multitude of rational agents leads to an aggregate that is also efficient -- there is no opposition between the *individual* welfare associated with *individual* actions and the *aggregate* welfare of society. But as is well known, Keynes's objective with the GT is to demonstrate that the argument which links the two propositions above does not have enough weight, due to the fact that the economy is akin to what we nowadays call a complex system. As a result, there is strong uncertainty both in the world and in people's decisions. Borrowing from G.E. Moore, the "principle of organic unity" appears in Keynes's writings to show that the whole is different from the sum of its parts -- and thinking otherwise amounts to committing the "fallacy of composition" (Cardoso and Lima 2008).

There are controversies, however, as to what Keynes actually understood from the "principle of organic unity". At the end of the 1980's, John Davis and B. W. Bateman refused the usual interpretation that the "organic unity" Keynes espoused meant a refutation of atomistic methodological individualism in favor of a sort of organic interdependence. The "Davis-Bateman argument" (Rotheim 1990) limits the principle of organic unities to the state of the human mind. This argument is important for our article because the importance institutions will have in Keynes's theory will depend on the status of Keynes's supposed atomism: for an atomistic Keynes, institutions would have a secondary role to play, being akin to constraints to people's rational choices, as in North's theory. They could, for example, diminish the uncertainty in the environment so that individuals could rationally make calculations regarding the payoffs of their actions.

This is not what happens, though, if we take into consideration that Davis (1997) presents the idea of convention as central to the mature Keynes and that conventions depended not any longer on an atomistic process of decision-making but on an "structure of interdependent judgements". Besides that, Rotheim (1989) himself makes an interesting observation regarding the essay on Edgeworth by Keynes. In it, Keynes mentions "organic unity" as related to "psychics", that is, to the measurement of utility or ethical value, belief or probability etc. As Davis and Bateman interpret the essay on Edgeworth, Keynes and that mathematical methods should not be applied to this area because when we deal with the reality of the *human mind* -- of "psychics", as Edgeworth would say -- we stumble into problems "of organic unity, of discreteness, of discontinuity -- the whole is not the sum of its parts, comparisons of quantity fail us, small changes produce large effects, the assumption of a uniform and homogeneous continuum are not satisfied" (Keynes 1933). Rotheim, however, implies that Keynes is not talking *only* about the human mind, but also "to the application of quasi-mathematical methods to the social sciences". In other words, Keynes is talking about the application of mathematical methods to sciences that investigate *social reality* -- and this is another reason for us to believe that the structure of social reality is itself uncertain and cannot be subsumed under a fixed set of laws, as we saw in the previous section.

As in the case of uncertainty, the question of organic unity of the world can also be applied both to the individual mind and to the world. As regards the individual mind, recent papers by Vincent Barnett (2015, 2017b) point to the fact that the process of decision making in Keynes cannot be made purely on a rational basis, but must take into consideration intuition (as a form of an innate unconscious reasoning), instincts (as forms of innate or learnt tendencies or impulses that resulted from processes of natural selection) and also animal spirits (as part of the "emotional cognitive system" inherited evolutionarily by humans, which helps us choose different courses of action in an uncertain world). As a consequence, the human mind in Keynes's view has an organic unity with a "cognitive architecture" (composed of rationality, intuition, instincts and animal spirits) which has developed in historical time due to processes of darwinian evolution. One should remark that it is the *interaction* of the four components above which could explain human action, so that the mind should be seen as a unity. And, for the purpose of this paper, it is of utmost importance to know how these components will interact depending on the *degree of uncertainty* in the environment and in our ability to make choices based on cost-benefit analysis. As long as there is a process of social and cognitive "scaffolding" which diminishes uncertainty in the environment, we can choose courses of action which are more or less amenable to calculation. As we will show in the next section, this social and cognitive scaffolding and its formation in an evolutionary process can be linked to what Keynes terms "useful mental habits".

2.3 Summary

Let us again try to summarize what we found concerning Keynes's ontological and epistemological commitments. First of all, ontologically Keynes introduces the issue of fundamental uncertainty and the principle of organic unity in the world and in his theory. This means that the boundaries Marshall (and his father J. N. Keynes) had drawn for economic science as separate and based on self-interested behavior had to change.

Secondly, from an epistemological point of view, does that make Keynes's economics a transdisciplinary or interdisciplinary project for a science of economics? One can tentatively say that Keynes's endeavor stands midway between North and Veblen: it is perhaps ontologically closer do Veblen but epistemologically closer to North. Let us see how in the next section.

3. Keynes and the institutionalism of Veblen and North: What compatibility?

Based on the building blocks of Keynes's ontology (fundamental uncertainty and the principle of organic unity), is there a reasonable link one can make between Keynes and the institutionalism of Veblen and North? The natural point of entrance for our discussion are *conventions*, which Keynes associates with a method of making decisions in uncertain financial markets. For Dequech (2011), a keynesian convention is a kind of institution fundamental to understanding Keynes's analysis of decision not only in financial but in bonds, investment and goods markets (Ferreira 2014). As Keynes states in chapter 12 of the GT, "the essence of this convention (...) lies in assuming that the existing state of affairs will continue indefinitely, except in so far as we have specific reasons to expect a change". How are these conventions formed and what is their relation to uncertainty and the principle of organic unity of the world? How can they be interpreted in Keynes's writings?

Davis (1997) associates conventions with Keynes's mature ideas, suggesting they are a "structure of interdependent judgments" of people's decisions in different markets. Despite Keynes not having developed the concept, it is possible to link it to what philosophers like Searle call collective intentionality, "the power of minds to be jointly directed at objects, matters of fact, states of affairs, goals, or values" (Schweikard 2013). Collective intentionality is the basis of social reality, according to Searle: it is when we collectively attribute a status function to a natural object X (like a colored piece of paper) that it becomes money (Y) in a certain social setting (the context C). This makes social objects partially dependent on the power of human minds to be directed at certain objects of the world. They are also dependent on a power structure that compels humans act independent of their desires (as when we are obliged to accept currency as a means of exchange).

It is possible to interpret Keynes's notion of convention along these lines and his concept of weight of the argument in his TP as a measure of how strong the convention -- the "structure of interdependent judgments" -- about the expected price of an asset or the expected interest rate is (in the GT). It is also possible to interpret Keynes's reluctance in using econometrics or formal mathematical models is due to this nature of social reality: different from brute facts (whose existence is independent of our intentionality), social facts depend partially on our collective intentionality.

How close does this analysis of conventions in Keynes brings him closer ontologically or epistemollogically to Veblen and North? Let us resume what we defended in the previous section. We said in the previous section that Keynes had inherited from Marshall a view of the economy as a part of a social whole that had evolved along darwinian lines but also encompassed a progressive hegelian view of history. The problem of strong uncertainty has probably made Keynes reconsider the traditional borders that the marshallian method gave to economics and other branches of investigation of people and society (like history or psychology). The outbreak of the first world war, on the other hand, would take away whatever vestige of hegelianism remaining in Keynes's thought. This means that both other aspects of human nature (besides self-interest) and the traditional separations of markets and the state would have to be reconsidered.

3.1 Four points of comparison between Keynes, Veblen and North

Let us now compare how Keynes, Veblen and North see the relation between individual action and institutions, how they understand efficient action, their concerns about the uncertainty of the world in order to discuss the possibility of a latent institutionalism in Keynes.

1. It is important to understand how Veblen, Keynes and North see the relations between individual action (involving their commitments about human nature) and institutions (the set of social rules shared by people). This relation will portray the social world view held by each one of these authors. Veblen departs from the marginalist conception of rational individuals, suggesting a framework in which human instincts are the moving force that withdrawn individuals from inertia

and impel them to action. The social form this action will perform in the evolutionary outcome of the interplay between instincts and institutions. Since the moving force to human action are instincts, the process of decision making goes through a complex net of habits of thought, or institutions. North assets that individuals are rational, but while this rationality is not complete, institutions become fundamental categories of the social world. Institutions are the rules of the game, that provide an incentive structure and are uncertainty reducing mechanisms. Actual institutional framework is the result of the decisions individuals made in the past, which lead to path dependent economic trajectories.

In Keynes's conception about human nature, both the Veblenian instinct-institution framework and North's conception on rationality-institution are contemplated. Keynes considers that human action is informed by four moving mechanisms, which are: instincts, intuition, rationality and animal spirits. In this sense, conventions arise in situations of high uncertainty in which the economic calculus is extremely difficult or even impossible. In such a situation, the status functions attributed to social objects lose their consistency: the average opinion about the expected future price of an asset or the rate of interest is not shared by agents in the market. The weight of each argument is closer to zero, reflecting the ignorance they have about the status (or value) of the object in question[2]. As a result, the little weight attributed to the evidence at our disposal prompts us to resort to intuition, instincts and animal spirits in order to make a decision about the future. In such a situation, our calculations are of limited use for their weight is close to zero.

2. What is understood by efficient action? In traditional neoclassical economics efficiency is usually defined in terms of Pareto-efficiency. The first theorem of welfare economics shows that a perfectly competitive market leads to an allocation of factors of production and distribution of outcomes which is Pareto-efficient. Our three authors criticize this view, but from different perspectives.

Veblen does not provide, within the analysed literature, a conception about economic efficiency, but we may find a conception about what the criteria to an efficient social action is. The emulative behavior is based on conceptions about the socially accepted ideas about what is good, beautiful and appropriate. This evaluation considers the habits of thought of the higher social classes. Thus, to be socially accepted and admired individuals must behave according to the habits of thought defined as the good and right ones. As one can see, this view is as far from the neoclassical view of efficiency as possible.

North moves from a Paretian conception about efficiency - allocative efficiency - to the idea of adaptive efficiency, that "entails a set of institutions that readily adapt to the shocks, disturbances, and ubiquitous uncertainty that characterizes every society over time" (North, 2005, p.78). Finally, North (2005) defines efficiency as the situation in which, given the technology and the information costs, the market has the lowest transaction and production costs available.

While Veblen was worried about efficiency of social action concerning social patterns of acceptance, North focuses on the idea of efficiency related to market results. Keynes's objective with the GT can be seen as closer to North in this point. When he inserts uncertainty into the socioeconomic world, he at the same time considers how humans handle this uncertainty, so that the possibility of efficiency in relation to the level of uncertainty verified in the economy is related to the extent to which real markets can grapple with the uncertainty of the world. What Keynes wants to show right at the beginning of the GT is that the model of the market economy developed by the "classics" is just a limiting case. In other words, Keynes seems to accept the results of classical economics *if* the environment were characterized by risk and not fundamental uncertainty. As a result, the optimizing behavior of individuals does not result in an optimal allocation of resources

[2] Keynes says that the weight of the argument in chapter 6 of the TP can be understood as w = V(x/h) = Kr/(Kr+Ir), that is the amount of relevant knowledge (Kr) in relation to the relevant knowledge (Kr) plus relevant ignorance (Ir) about the fact x, given the hypothesis h about that fact x. It is easy to see that w tends to zero when we are ignorant about a fact and tends to unity as we approach certainty. See Runde (1990).

for the whole economy -- to suppose so amounts to committing the fallacy of composition, as we said in the previous section. In other words, in an environment in which strong uncertainty is prevalent, Pareto efficient results are not common -- we usually end up with wasted resources and wasted possibilities of improvement of the life of the population in the direction of the Good.

3. Concerning the relation between uncertainty and ergodicity, Veblen, Keynes and North would agree that the social world is pervaded by uncertainty and might be classified as non-ergodic (even though neither Keynes nor Veblen used the term). Veblen and Keynes refuse predetermined laws of movement that could produce theoretical predictions about future economic outcomes, for we live in an uncertain world. As Mouhammed (1999) remarked, the concept of strong uncertainty in Keynes and in North can be associated with the Veblenian concept of the economy as a complex evolutionary process of selection, mutation and replication of institutions -- “mental habits”. This process does not have a definite end -- be it a Pareto-efficient allocation of resources, the keynesian Good or the creation of surplus value. It is, in Veblen’s parlance, non-teleological. In other words, its results in the future are also not amenable to a precise calculation because the complex evolutionary process only gives us rules for the selection, replication and mutation of institutions, not telling us what the finality of the process is in itself.

4. Finally, is it possible to find a latent institutionalism in Keynes? If so, what sort of institutionalism? We think the answer to the first question is yes, and the many papers (cited in passing in the Introduction) showing how these traditions complement each other attest to this affirmation. The second question is trickier, though, because there is a difference between the ontological and epistemological commitments of Keynes. Let us elaborate a bit further each of these questions in turn.

First, there is a lot of textual evidence that suggests that there is a latent institutionalism in Keynes. The core of the GT -- parts III (the propensity to consume) and IV (the inducement to invest) -- are full of references to “institutions”, “conventions” “organizations”, “(social) habits” and “social practice”, for example, when he explains the subjective and objective factors in the propensity to consume. It is interesting to notice that he rarely uses the word “preference” or “decisions” regarding consumption (“preference” is usually attached to liquidity in the GT). In other words, Keynes is not talking about a formal mathematical theory of consumption as choice (in the lines suggested by Lionel Robbins in 1932), but specifically of *propensities and habits* that make us consume in a given way in a certain time and place. He even mentions “ostentation” and “extravagance” as motives to consumption and that consumption depends on “habits formed by race, education, convention, religion and current morals” -- something that fits Veblen’s theory well. The fact that our marginal propensity to consume tends to decrease with the growth of income is also due to a “psychological law”, according to Keynes.

Keynes also talks about *inducement* to invest (and not simply a “decision” or “choice” along Robbins’s lines). In the case of markets pervaded by uncertainty -- like financial markets -- Keynes insists that agents are induced to invest (or to refrain from investing) by “whim”, “sentiment”, “urge”, “instinct”, “psychological propensities”, “mass psychology” and also “fear” and “hope”. In regards to the determination of the rate of interest, Keynes also says its determination is “highly conventional” and is not “rooted in secure knowledge”, so that the public opinion (and not simply individual decision!) can get used to changes in it fairly rapidly. Keynes also sees liquidity as “changing from time to time and depending on social practices and institutions”.

We do not have much space to develop our argument further, but the evidence above points to the fact that there is a latent institutionalism in Keynes. Our second question now is, what kind of institutionalism? Is it closer to the institutionalism of North or that of Veblen?

As we said in the second section, Keynes was influenced by Marshall’s view of the economy as a complex totality embedded in society and evolving through history. When Keynes introduces uncertainty the frontier between economics and the other social sciences becomes blurred. What are the ontological and epistemological consequences of this move?

From an ontological point of view, one cannot say that Keynes assumes that we are dealing only with maximizing individuals and that institutions are born out of transaction costs, asymmetric information or inconsistencies in individual choices that lead to market failures and coordination problems. As we said in our section on Keynes, his individuals are moved by instincts, intuitions and animal spirits -- besides rationality. The unity of these motivations -- their "cognitive architecture" -- changes in history, so that across many generations "individuals began to substitute moral and rational motive as their spring of action in place of blind instinct. They must begin to do so collectively" (Keynes apud Barnett 2017, p. 385).

On the other hand, the economic environment that is jointly created by collectively intentionality is also changeable since economics is a moral science and its categories partially depend on our sharing common representations of the world (if our interpretation of the compatibility of Keynes and Searle is convincing). This makes the social world an uncertain world, since the very categories of analysis (like liquidity, for example) partially depend on "social practices and conventions". As a result, Keynes's analyses of the economic world open up the space for us to jointly study the relation between the "cognitive architecture" of individuals' motives, the uncertainty associated with different market structures and the liquidity of the assets present in each market. Depending on how strong and stable our collective representations (or collective valuations of assets) are, the uncertainty will be bigger or smaller and the decision-making process of individuals will make more or less use of rational calculation (*vis-a-vis* instincts, intuition or animal spirits). The stability of these collective valuations (our "structure of interdependent judgements") gives us the strength of the convention behind our understanding of the world and our actions upon it.

This interpretation brings Keynes closer to Veblen than to North in ontological terms, both because individual action cannot be reduced to rationality (and hence institutions do not come from transaction costs or the like) and because the very nature of the socioeconomic world is not separated from the conceptions individuals have of it.

However, in epistemological terms one can say that Keynes comes closer to North. In other words, his approach is more interdisciplinary than transdisciplinary and he seems to adopt a dualism between the psychological characteristics of individuals and the social structures outside. Keynes still has in mind in the GT the model of the market when analysing the economy. It is true that he introduces uncertainty in his analysis and moves in the direction of different types of markets, depending on the liquidity of the assets they transact and the motives for their actions. But it is also true that Keynes says that when the economy has reached full-employment, it functions along the lines proposed by the "classical school". In other words, it is possible to say that Keynes uses insights from other disciplines of his time (like psychology and psychoanalysis) or the contributions of heretic authors (like Hobson, Gesell and Marx) but he still analyses the economy in terms of agents making decisions in markets, much like North does.

For example, right after he talks about how liquidity depends on social practices and institutions at the end of chapter 17 of the GT, he adds that "the order of preference in the minds of owners of wealth in which (...) they express their feelings about liquidity is, however, definite and is all we require for our analysis (...)". In chapter 24 of the GT Keynes stands behind individualism, "if it can be purged of its defects and its abuses", because it "is the best safeguard of personal liberty in the sense that, compared with any other system, it greatly widens the field for the exercise of personal choice". Finally, Brady (2004) points to the fact that Keynes's economics is not against the use of mathematics, but against its misuse. As he says, "a ranking of alternatives, ordinal measurement, was the appropriate tool to use. Such a ranking complemented Keynes's 'interval estimate' approach [in the TP]".

Table 1: Synthetic framework of the argument

<table>
<tr><th></th><th>Veblen</th><th>Keynes</th><th>North</th></tr>
<tr><td>1. Individual action in the social world</td><td>based on instinct-institutions</td><td>based on four moving mechanisms (instincts, intuition, animal spirits and rationality)</td><td>based on rationality-institutions</td></tr>
<tr><td>2. Efficient Action</td><td>principle of social conformity</td><td>actions within the market usually lead to a sub-optimal result in terms of Pareto</td><td>incentive structure that leads to a greater product by means of the market</td></tr>
<tr><td>3. Uncertainty and Ergodicity</td><td>uncertainty is not treated directly; social world can be understood as non-ergodic</td><td>uncertainty is directly treated in the analysis; world can be understood as complex and non-ergodic</td><td>uncertainty is directly included in the analysis, world is non-ergodic</td></tr>
<tr><td rowspan="2">4. Institutions</td><td>habits of thought, ways of doing and thinking in the social world</td><td colspan="2">(i) institutions are constraints to individual rational choice and mechanisms that may reduce uncertainty; (ii) action is not plainly rational in an uncertain world.</td></tr>
<tr><td colspan="2">(i) interactive (or evolutionary?) process of decision making; (ii) social reality does not obey any simple law of movement.</td><td>rules of the game, formal and informal rules</td></tr>
</table>

4. Conclusion

Throughout the article we highlighted some aspects of Veblen, Keynes and North's theoretical frameworks that enabled us to build the table of the previous section. In this table, we showed four elements that provided a key to understanding the relation between Keynes and Institutional Economics. The choice of Veblen and North allowed us to observe the adherence of Keynes's ideas to the two main branches of Institutional Economics, Veblen`s OIE and North`s NIE.

In a more transdisciplinary approach, Veblen pictured the social world as inhabited by individuals driven by instincts that in their actions, thoughts and interaction ended up creating habits of thought - ways of doing and thinking -, that is, institutions. Thus, the author held an instinct-institutions approach. Veblen was not worried about disciplinary boundaries, not clear at that time, which in some sense gave him freedom concerning the theoretical instruments he could use and develop. He was radically against marginalism, mainly in virtue of the idea of a calculative hedonistic man implied in this school of thought.

Unlike Veblen, North does not radically deny the rational choice approach, but he intends to contribute to the neoclassical research program. He does not reject the idea of a rational individual, but points out the need to relax the substantive rationality assumption. WIth the hypothesis of limited rational individuals, theoretical elements like institutions and time are made welcome into the neoclassical research program. Therefore, North was engaged in a rationality-institutions approach. North`s research agenda was developed inside a different academic environment, in which Economics was already a detached discipline of the social thought and defined its hard core and theoretical instruments inspired in marginalism. The implications for North`s theoretical proposal is that while he develops an interdisciplinary dialogue with other social sciences, the unrestrict adherence to a theory of rational choice end up limiting the extent of some ontological desires he may nourish beyond neoclassical hard core.

Keynes had deep marshallian roots, but he tried to develop a non-utilitarian and realist ethical framework. Unlike Veblen, Keynes did not radically reject Marshall's approach, but he neither, like North, embraced the rational choice apparatus (which was available to him in Robbins's approach). He lived in a social and academic turmoil reflected in the undefined lines of his core ideas. He seems to approach both Veblen and North in which concerns the drives do human action, recognizing the role of instincts and rationality in decision-making process, adding intuition and animal spirits. Concerning the concept of institution, Keynes is closer to Veblen when he states a conception of interactive-evolutionary process of decision-making and an idea of a social evolving reality that does not obey any simple law of movement. But he also aligns himself to North in the recognition of institutions as constraints to individual rational choice and uncertainty reducing mechanisms, besides the idea that action is not plainly rational in an uncertain world. The openness of the world (or open systems, in today's terms) seems to be an idea shared by the three authors, although it is more controversial in North.

Finally, we found elements that enable a fruitful dialogue between Keynes`s thought and the institutionalism of Veblen and North, despite the divergences found between OIE and NIE. The use of the term convention by Keynes shows that he was not blind to the role of institutions in the economy. We hope that this article, alongside many others dealing with keynesian and institutionalist ideas, contributes and enrichen the debate within Keynesian Institutionalism.

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