the dialectic of subjectivity/objectivity. Moreover, cost-plus pricing was used for almost 80 years, and, as our paper shows, there was considerable discussion on the question of what was "reasonable."

6. Once again, where we were explicit in saying that experts introduce the subjective element, Chasse states "Commons therefore did not say, as CD&S imply, that commissions are good because experts are objective" (emphasis added). We wearily relegate this observation to an endnote.

References


Institutionalist Approaches to Full-Employment Policies

Wendell Gordon's recent [1997] note in this journal is a welcome commentary on institutionalist contributions to full employment policy. In particular, Gordon cites the support of institutionalists (including his own) for job assurance through a government as employer of last resort (ELR) policy based on the recognition of employment as a fundamental economic and human right.

Two additional—and greatly overlooked and underdiscussed—contributions by important figures in recent institutionalist thought supporting the ELR approach to full employment can be found in the work of Adolph Lowe and Hyman Minsky, both recipients of the Veblen-Commons Award. Interestingly, each came to the conclusion that many traditional approaches to promoting higher levels of employment were inadequate and even harmful, but they arrived there from very different starting points.

Lowe's work primarily focused on challenges to attaining and maintaining full employment in the face of ongoing structural and technological change, while Minsky's emphasis was on unemployment of the deficient aggregate demand variety, rooted more in monetary factors and financial crises. A brief review of the proposals of Lowe and Minsky may therefore both supplement Gordon's note and indicate some of the ways in which institutionalist analyses of the contemporary political economy might integrate monetary and financial factors with issues relating to structural and technological change.
Minsky's "Employment Strategy"

For Minsky, full employment approaches based on "subsidizing demand" are likely to result in inflation, financial crisis, and serious instability [1986, 308]. He thus sought an alternative to reliance on schemes based on stimulating private sector demand:

The main instrument of such a policy is the creation of an infinitely elastic demand for labor at a floor or minimum wage that does not depend on long- or short-run profit expectations of business. Since only government can divorce the offering of employment from the profitability of hiring workers, the infinitely elastic demand for labor must be created by government [1986, 308].

Minsky proposed dismantling "the massive transfer-payment apparatus" and removing barriers to labor force participation [1986, 309]. Both of these goals require creating sources of income through increasing the supply of jobs. Minsky believed the model for such a plan existed in the New Deal's Civilian Conservation Corps (CCC), National Youth Administration (NYA), and Works Projects Administration (WPA). Unlike the New Deal programs, however, Minsky viewed his employment programs as permanent [1986, 310].

Minsky also believed that such a plan needed a means of constraining money wages and labor costs:

For income from work to be available to all, the demand for labor must be infinitely elastic over a wide range of labor types and geographical regions. At the same time, this infinitely elastic demand must not unduly decrease the supply of labor to other occupations and employers, creating upward pressure on wages. Furthermore, the employer, while willing to hire all who offer to work, is not committed to hiring any particular number of workers. This can be achieved only by government-funded employment at wage rates that do not place an upward pressure on private wages [1986, 310].

With government acting as employer of last resort, "cyclical variations in employment will be replaced by variations in the proportion of workers on WPA" [Minsky 1986, 312-23]. WPA wages will be lower than in private employment, so "the supply of labor to private employers will be infinitely elastic as long as WPA employment is positive" [1986, 313]. When private sector demand for labor rises (falls), WPA employment will decrease (increase).

Thus, we have in Minsky's brief outline of his "employment strategy" the basic operation of the ELR approach to full employment. Government announces that it will hire anyone ready and willing to work at an appropriate money wage. The level of the ELR wage is a matter of social policy: health care or other benefits may be included, and implementation may be seen as an opportunity to increase the mini-
mum wage (as Minsky pointed out, the effective minimum wage in an economy with involuntary unemployment is zero, so the ELR wage will become the effective minimum, wherever it is set). Such decisions will be based on a consideration of a number of political and economic factors. Of course, these decisions are not fixed forever, and the wage and benefits package of the ELR work force may (and will) be adjusted over time.

It should be stated that ELR must not be used to replace normal public sector employees [Forstater 1998]. Nor will individuals unable to work be "forced" into labor through being deprived of other government assistance. ELR is not draconian workfare, which is based on the idea that unemployment is due to "laziness" or other "deficiencies" on the part of the unemployed and that government must therefore enforce a "work ethic." Rather, ELR recognizes that unemployment is normal in capitalism, regardless of the traits of individual workers, and that it is therefore the responsibility of government to guarantee decent work at a living wage when the private sector is unable to provide such employment.

ELR can also provide important public goods and services of which there is currently a shortage, as well as preserve and even enhance the skills of ELR workers. As Minsky envisioned it:

These permanent programs will provide outputs—public services, environmental improvements, etc. that transfer-payment government does not yield, as well as the creation and improvement of human resources. In our urban centers, where there are concentrations of unemployed and welfare recipients, the improvement in public environment should be marked. WPA, CCC, and NYA will succeed precisely because they are job programs that perform useful tasks and yield visible benefits [1986, 312].

**Lowe’s "Planned Domestic Colonization"**

Lowe also put forward a proposal for full employment based on government as employer of last resort, under the somewhat unwieldy heading of "planned domestic colonization." Interestingly, while Minsky’s focus was on addressing unemployment due to insufficient aggregate demand, Lowe’s emphasis was on structural and technological challenges to full employment. Thus, Minsky and Lowe deal with the "effective demand" and "structural change" concerns, respectively.

Like Minsky, Lowe was very skeptical about the possibility of attaining or maintaining full employment through indirect means, such as stimulating private sector demand, while seeing a number of clear advantages to public employment programs:

Unlike private investors, public investors are not hampered by uncertainties about future demand, because they themselves determine the purpose that in-
vestment and its final output is to serve, for instance, the items that make up the infrastructure [1988, 107].

Lowe saw in public works a degree of variability and flexibility not possible in the private sector, where competitive pressures legislate methods of production, the composition of output, and the types of capital equipment and natural resources utilized, and where private decisions governed by narrow economic motives may not be consistent with what is best for society as a whole.

Lowe saw some of the major obstacles to full employment as being rooted in the technological conditions of production. Employing workers available as a result of labor-displacing technical change or increases in labor supply depends on the prior construction of real capital. But the public sector has the ability to vary the labor intensity of productive activity in ways that the private sector cannot. The public sector may choose to utilize a more labor-intensive method of production that would be "inefficient" for a private firm, but which is quite reasonable from the perspective of social well-being. The public sector may also vary ELR employment between different tasks for the purpose of altering overall capital-labor ratios or easing the utilization of certain types of capital equipment or increasing the utilization of yet other types. The spectrum of choices includes activities that approach the level of "pure services in the fields of health, education, and general welfare" as well as activities that do not use or make more limited use of precious natural resources and that do not pollute [1988, 107].

Conclusion

Minsky and Lowe, beginning from different starting points and taking different paths, both arrived at the conclusion that full employment in modern capitalist society requires that government act as an employer of last resort. In addition to highlighting the benefits of the ELR approach, they also argue that where there is the political will there is a financial way to pay for full employment. Recent work [Mitchell 1998; Mosler 1997-98; Wray 1998, forthcoming] goes further in developing this part of the argument. These authors depart from the "deficit-dove" position and put forward an analysis that combines careful attention to institutional and historical factors with themes from Post Keynesian monetary theory, e.g., endogenous money, exogenous interest rates, and the central bank as lender of last resort, forging an approach perhaps best described by Abba Lerner's [1943] term, "functional finance."

As Lowe's analysis demonstrates, however, involuntary unemployment is not simply an "aggregate" problem. The obstacles to full employment also include issues of sectoral proportionality and balance, and the bottlenecks that characterize the technological structure of production of a dynamic modern capitalist system run-
ning at high levels of capacity utilization. Taken together, then, the proposals of Minsky and Lowe address the appropriateness of the ELR approach for dealing with unemployment of the "Keynesian" and "technological-structural" varieties, respectively. Thus, an institutionalist framework may be possible that incorporates both technological and monetary factors and that brings concerns regarding both effective demand and structural change into the analysis, formulation, and implementation of full employment policies.

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References


