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On Employment.

An analysis of the compatibility between Veblen and the Employer of Last Resort.

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This inquiry seeks to establish the compatibility of an Employer of Last Resort with a radical interpretation of Veblen. After identifying the origins and causes of unemployment in Veblen's analysis, Misnky's framework and associated work on employment is summarized. The final section begins by considering the compatibility of Minsky's proposal with a conservative interpretation of Veblen. Then, Minsky's work on the ELR is extended, drawing on Dugger's framework of power and culture to identify the institutional implications; ultimately, the analysis concludes by establishing the compatibility of an ELR with a radical interpretation of Veblen.

This inquiry seeks to establish the compatibility between the Employer of Last Resort (ELR) and a radical interpretation of Thorstein Veblen's work which calls for a displacement of the price system. The analysis begins by exploring the origins and causes of unemployment in a Veblenian framework, drawing from an extensive reading of Veblen's early and later works. After identifying two key institutions: ownership and the price system, and two essential causes of unemployment: sabotage and interstitial adjustments, the analysis turns to the work of Hyman Minsky. The second section considers Minsky's proposal of the ELR. Initially summarizing the capitalist economic system as described in Minsky's [1986] (2008) tome S*tabilizing an Unstable Economy,* before outlining the key features of Minsky's understanding of the ELR. This section concludes by considering the institutional references of the employment program put forth by Minsky. The final section seeks to determine the compatibility between the ELR and two interpretations of Veblen. First, the analysis considers the compatibility of Minsky's proposal with a conservative interpretation of Veblen. Then, the analysis draws on William Dugger's (1989) book *Corporate Hegemony* to extend Minsky's understanding, facilitating a more consistent understanding of the institutional implications of an ELR with a radical interpretation of Veblen.

On Unemployment: a Veblenian Analysis.

The institution of ownership occupies a significant role in a Veblenian analysis seeking to explain the unemployment which plagues our economic system. Ownership forms the foundation for the ethical consent conferred upon the principal causes of unemployment. It was during the rise of the machine era, according to Veblen (1904, p. 66), that the institution of ownership experienced a great change. This change contributed to ownership, chiefly its putative earning capacity, emerging as the ultimate goal of business. The resulting institutional transformation further permitted owners to influence the habits of thought of society, driving it towards a more harmonious concomitance with the ultimate objective of business– pecuniary gain. Ultimately, the change of circumstance stemming from the rise of the machine permitted the institution of ownership to be extended to what was previously the public stock of knowledge, most importantly, technology embodied in capital goods.

Given that this public stock of knowledge springs forth from idle curiosity, private ownership of technology embodied in capital goods contradicts Locke's analysis of ownership, which remains the basis for our current understanding. Nonetheless, the natural right of ownership extends to capital, including the technology embodied within it. Veblen (1904, p.77; 1923, pp. 66-67) states that this extension of natural right vests the owner unqualified power of discretionary idleness: the right to restrict output, what Veblen terms sabotage. The associated "conscientious withdrawal of efficiency," according to Veblen (1921, pp. 1-7), remains a principal mechanism by which business ensures it receives a satisfactory income in money terms for the employment of its property in the capitalist production process.

Within the capitalist production process: profit serves as a driving force, ownership of capital functions as a principal source of pecuniary gain, and business represents the dominant institution. According to Werner (Veblen & Werner, 1948, p. 26), Veblen's "price system" characterizes business as an institution. Werner continues, stating that the price system represents the process by which businessmen exercise power over industry without making any socially productive contribution. Furthermore, the price system furnishes the "cash nexus," becoming the ultimate symbol and value of a pecuniary social system. And, at a cost to the community, it encourages profit over production– the former a business proposition and the latter an industrial proposition.

It remains clear in Veblen's (1904 & 1921) analysis that there exists a lucid demarcation in the function of business and industry. Dowd (1966, p. 33) describes Veblen's concept of business as a means of acquiring money, while industry serves to produce socially useful goods. Veblen (1904, p. 63) illustrates the discrepancy between business and industry, stating that employment which is useless or even detrimental to the community may in fact be gainful to the businessman as well as to the worker so employed as it contributes considerably to aggregate livelihood. It becomes evident, then, that profound dichotomies plague capitalism under the regime of the machine.

The dissociation between the interests of those driven by pecuniary gain and the community generates a dichotomy that establishes itself as a principal cause of unemployment in Veblen's critique of business enterprise. The dichotomy becomes increasingly important with the rise of the machine process; indeed, Veblen (1904, pp. 14-15) asserts that the emergence of the machine process has led to a "super-induced mechanical regularity of life," facilitating disturbances, which arise in the industrial process, to spread throughout the community at large. Furthermore, Veblen (1904, pp. 1-3) notes that, through exclusive control of the production process, the business man, acting as "the only large self-directing economic factor…controls the exigencies of life under which the community lives." The primary implication of this hegemony remains that the well-being of the community depends upon the whims of businessmen. Although the divergence of interests transpires on numerous levels and in multiple forms throughout society, on all levels and in all forms it remains driven by the motive of pecuniary gain.

A principal manifestation of the dichotomy emerges from the contradiction of serviceability as opposed to vendibility. This divergence arises from the desire for pecuniary gain, such that the conversion of output into money takes precedence over any potential benefit to the community. Further reinforcing this incongruity remains that the realization of gains, the conversion of output into money, serves as the final juncture of the businessman's endeavor. And, Veblen (1904, p. 50-51) acknowledges that because of this ultimate goal, business maintains accounts and computes output in terms of price. The primary implication remains that the pecuniary motive propels a divergence of interests between those in pursuit of financial gain and the community.

Veblen (1904, p. 213) states that business commands industry in its quest for profit, thus the slowing of industry remains a business decision. An additional principal cause of unemployment derives from the expectations of business. If business does not envisage that the continuation of industry in accordance with the volume which coincides with full employment or that a smooth uninterrupted flow of output will provide a suitable degree of profitability then it will purposefully slow production. Business, in Veblen's analysis, primarily depends upon two related methods for slowing production: sabotage via a deliberate restriction of output and interstitial adjustments via a disruption of the concatenation of sub processes which dominate modern industry.

The organization of society on the price system requires the maintenance of prices at a level which ensures profitability for business or risk a business depression. Veblen (1921, pp. 4-9) states that realizing the maintenance of reasonable prices has come to rely on a habitual recourse to the restriction or delaying of output. Given that industry is owned and managed by businessmen, it follows that business principles dictate the rate and volume of output, always with the foremost goal of profit maximization. According to Veblen (1921, p. 17), "price is of the essence of the case, whereas livelihood is not." Thus, Veblen continues, the volume and rate of output adjusts according to the needs of the market, that is to what "the traffic will bear" not to the full employment capacity of available resources.

In regard to the well-being of the community, there remains no doubt that the most devastating resource to be left idle is that of man power. Not only do these business principles result in less output, but it also occasions unemployment, which according to Veblen (1921, p. 9) appears as an "indispensable condition without which tolerable conditions of life cannot be maintained." With the emergence of the corporation as the principal form of business organization and the ever increasing dominance of finance, the problem grows in magnitude. The centralization of control brought about by this reorganization, Veblen (1921, pp. 4-5 & pp. 37-38) notes, serves well the business exigency of restricting output in the concatenated system under the machine. Furthermore, this reorganization propels business toward a more complete union of forces under which sabotage can be achieved to serve as a means of securing some special advantage or preferential right with respect to income or privilege: a vested interest.

Under the regime of the machine, Veblen (1904, pp. 24-25) notes that the dichotomy has been amplified by a vast increase not only in the magnitude of the concatenation of sub-processes, but in the role occupied by these sub-processes in facilitating pecuniary gain for the business man. As the machine process proliferated, there emerged an increasingly important role for business relations and associated transactions to maintain the functioning of the interrelated subsystems that constitute the industrial process. However, this new agency for the owners of the sub-processes allows one to induce a differential advantage, achieved with an alteration of values, through manipulation of the relations and transactions. Indeed, this process of manipulation, without regard to the consequences transmitted throughout the social system, represents one of Veblen's primary criticisms, the interstitial adjustment process.

Veblen (1904, pp. 27-44) reinforces the divergence of interests evidenced by interstitial adjustments, stating that the economic interest of the community benefits most by an uninterrupted flow throughout the processes that make up the industrial system, while the interest of business men, driven by pecuniary motives and with whom the ultimate discretion lies, does not necessarily coincide with that of the community. Although the process of interstitial adjustment may appear aberrant with respect to serviceability to the community, it is in accordance with the ethics and principles of business.

Minsky's Understanding of the ELR

Hyman Minsky's understanding of the ELR begins with a powerful statement made by Keynes [1936] (1964, p. 372) − the persistent failure of the current economic structure remains the inability to provide full employment and an equitable distribution of wealth and income. According to Wray (2007, p. 2), Minsky's greatest contribution emerges in the recognition that the economic structure affects economic performance; indeed, this recognition serves to greatly enhance an understanding of a Minskian analysis. Thus, it follows that this inquiry begin with a summary of the capitalist economic system as described in Minsky's (2008) text *Stabilizing an Unstable Economy.*

According to Minsky (2008), the capitalist economy moves through historical time as a dynamic system driven by the pursuit of profits. The current structure of production necessitates the utilization of long-lived expensive capital, thus requiring the employment of finance. This process materializes as a reinforcing feedback loop: finance influences the level of investment which in turn determines the level of profit. Furthermore, future profits serve to validate past investments through the fulfillment of the resulting financial commitments. And, future investments determine future profits; *ergo*, investment takes place today because it is expected that investment will take place in the future. Michal Kalecki's (1971, p. 82) profit equation illustrates the importance of investment in determining profit.

$$\prod = I + NX + (G - T) - S_w$$

This equation states that gross profits equals investment plus net exports and net government spending minus the savings of wage earners. Since, according to Kalecki, the choice variable of the above equation is investment (i.e. capitalists determine the level of investment) it remains investment which determines profit, not vice versa. This recognition of the importance of investment was not restricted to academia; indeed, Minsky (2008, p. 343) affirms that a reliance on investment, as a part of a larger scheme of subsidizing demand, resides at the core of the current institutional approach to generating employment.

In a 1973 article Minsky examines two employment strategies: private investment and public employment, as well as the subsequent macro implications of each approach. The former strategy relies on inducing investment as a means of promoting employment. However, Minsky (1973, pp. 97-99) notes that this approach amplifies instability; once again taking the form of a positive feedback loop. Inducing investment requires increasing the size and certainty of capital income which causes asset values to increase. As asset values increase, so does the rate at which income is capitalized. The increasing income capitalization facilitates higher returns on capital, leading to a "speculative, debt-financed investment boom." Minsky (2008, p. 245) states that the institutional structure serves to animate a tendency toward the use of debt to finance investment as well as a tendency towards speculative finance. Furthermore, Minsky suggests that alternative institutional structures can diminish the susceptibility of the economy to instability.

The alternative approach outlined by Minsky (1965; 1973, pp. 99-100; 2008 pp. 343-349) emphasizes public employment. The creation of an ELR serves as the key feature; in the most basic sense, the ELR is a government sponsored job creation program that employs anyone who is willing and able to work: it takes workers where they are, as they are. The key features of Minsky's (1965) proposal are:

1. Exogenously determined wage
2. No means test for employment
3. Permanent status with voluntary participation
4. Federally funded and locally implemented

As mentioned above, the dynamic capitalist system remains enslaved to the pursuit of profit, constraining its actions. This constraint on the private sector prohibits the realization of sustained full employment, reminiscent of a Veblenian dichotomy. Minsky (2008, p. 343) states that only the government can divorce the profit constraint from employment, creating an infinitely elastic demand for labor at an exogenously determined wage.

Minsky (1973, pp. 99-100) continues the analysis, outlining how the ELR would increase economic stability. Constraining private speculative finance serves as the primary force: the implementation of the ELR would allow policy makers to abandon the necessity for the special treatment of capital income, thus curbing a source of the boom process. Furthermore, the public employment option serves to impart a strong foundation to demand. This strong underpinning facilitates further stability, ensuring a basis for a steady pace of investment. The ELR would not only serve to increase economic stability, but also contribute to a failing “War on Poverty.”

Unemployment entails immense social and economic costs. David Brady (2003, p. 392) and Isabel Sawhill (1988, pp. 1110-1112) both find evidence that unemployment serves as a primary cause of poverty. Indeed, Minsky’s 1965 inquiry focuses on the impact that the ELR would generate towards reducing poverty. Minsky (1965, p.175) critiques the current supply-side approach, stating that the focus remains misdirected on changing the poor in an attempt to make the labor supply more homogenous. However this approach only redistributes unemployment and poverty; it fails to acknowledge the greatest structural challenge− a shortage of jobs.

Minsky (1965, pp. 192-200) concludes that the coupling of a reliance on private investment and trickle-down economics fails to effectively confront poverty. Rather, Minsky suggests utilizing targeted spending in the form of direct job creation, facilitating the greatest primary and secondary effect in combatting poverty. In accordance with Veblen (1898, pp. 392-393), the economic interest, especially employment, remains interrelated to whole of teleological activity, interposing into the process of cultural development: the institutional influence of an ELR transcends a purely economic impact, affecting the entire institutional structure.

On the Compatibility of the ELR and Veblen

Minsky and Veblen maintain two important commonalities in their analysis of the unemployment which plagues capitalism. Unemployment, for both scholars, remains an inherent flaw of capitalism. Furthermore, it persists as a chronic problem driven by the dominance assumed by pecuniary values. Specifically, it remains the virtue by which investment for profit comes to dictate the economic terms for the well-being of society. For Minsky, investment not only determines profit, but also assumes a dominant position in the current approach to job creation; in Veblen's analysis, investment leads to the appropriation of the public stock of knowledge and an ability to restrict the community's access to that public stock.

Clearly Minsky's understanding of the ELR extends beyond an exclusive Post Keynesian approach, often referencing institutional influences. However, Minsky's extension remains limited to the creation of institutions to sustain effective demand, constrain instability, and to address poverty. This restricted analysis of the institutional implications corresponds to what Werner (Veblen & Werner, 1948, p. 32) refers to as the "Veblenism of the right." This account of Veblen aspires to counter the power of business via governmental action in order to address inherent flaws while seeking to maintain the price system. However, there exists an alternative interpretation, the "Veblenism of the left," which seeks to displace the price system, stripping the "natural right" of the vested interests in procuring something for nothing.

Introducing Dugger's 1989 analysis of the emerging *Corporate Hegemony* will facilitate an awareness of how implementing an ELR program will initiate an institutional transformation beyond that of simply maintaining the price system; the following analysis seeks to establish that the ELR presents a formidable challenge to the hegemonic position occupied by the price system. According to Werner (Veblen & Werner, 1948, p. 32), in Veblen's analysis, business occupies a role of power, not of function, and the decisions undertaken are acts of coercion made possible by the hegemonic position that the corporations have assumed. Dugger (1989) expands upon the process which has enabled corporations to assume a position of hegemony. In so doing, Dugger introduces and relies upon the Veblenian processes of contamination, emulation, subordination, and mystification to perspicaciously sketch the emerging hegemony of the corporation and the concomitant hollowing of non-corporate institutions.

Beyond ending unemployment, the ELR would serve to restore non-corporate hollowing institutions: engaging individuals and community, providing substance, facilitating resistance to hegemony, and surpassing the mere pursuit of pecuniary gain. Contributing to the restoration of these hollowing institutions will serve to strengthen and protect their independent functioning. According to Dugger (1989, pp. 1-5), a pluralist culture consists of a multitude of independent institutions, serving to promote a synthesis of values and beliefs. The diversity involved in a pluralist culture creates individual will and strengthens character. Pluralism animates the process of freedom− the freedom from conformity and the freedom to stimulate individual maturity. A pluralist culture contrasts greatly with one of hegemony, defined as a total conformity of values and beliefs. Indubitably, since at least the time of Veblen's observations, American culture has been riding a trend towards hegemony, threatening community and family; yet, the ELR affords great potential in restoring these institutions, encouraging resistance to corporate hegemony.

In a 2010 article, Jon Wisman (p. 46) suggests that unemployment further hollows out the institution of community, leading to increased withdrawal from social activities. Further reinforcing this argument, Amartya Sen (1997, p. 161) adopts a broad view of poverty, facilitating an understanding of the nature of deprivation resulting from unemployment. Sen states that unemployment predisposes people to social exclusion, this marginalization encompasses economic activities as well as participation in community life and political processes. The restorative ability of the ELR to the community extends beyond the mere provision of employment.

Drawing from experiences of previous ELR like programs illustrates the potential impact to the community. The New Deal Programs influenced community life through the arts and provision of a host of public goods and necessities, engaging community and individuals outside the realm of the price system. While, according to Pavlina Tcherneva & L. Randall Wray (2007), the *Jefes* program in Argentina included projects specifically designed to address community needs, including construction of new or renovation of existing community centers, and provision of imperative services like food kitchens, family attention centers, and health promotion programs. Furthermore, reliance on a decentralized administration facilitated the *Jefes* program to address the most pressing needs of communities. Beyond providing needed services to communities, *Jefes* greatly enhanced civic participation, drawing people from a broad range of social strata into political processes. Although these programs were historically specific, it remains clear that there exists huge potential for an ELR program to contribute to the restoration of the community, enhancing community life and social cohesion.

The family serves as another important source of resistance to institutional hegemony. Dugger (1989, Ch. 4) notes that the family has been hollowed out through the singular pursuit of career. This hollowing has been furthered through the permanence of unemployment. Drawing on Wisman's (2010, pp. 46-47) survey of the literature, unemployment clearly entails negative impacts for the family, including increased divorce and domestic violence. Merely providing employment will positively impact the family, but this impact can be greatly enhanced through the provision of a living wage with a benefits package, providing a direct way to reduce employment related poverty and the associated familial and social ills.

Tcherneva & Wray (2007, pp. 24-25) note a very interesting result from the *Jefes* experience, the contribution towards redefining the meaning of work. The principal accomplishment was to challenge the bias that traditionally unpaid activities are unproductive, a bias that clearly stems from the subordination of society to the primacy of the price system as well as the contamination of pecuniary values. The provision of paid employment for "unproductive work" not only challenges historic tendencies and the primacy of the price system, but serves to strengthen family and community. According to John Budd (2011, Ch. 7-8), the prevailing conceptualization of work derives from social institutions and the associated power nexus. Thus, redefining work in and of itself serves as a challenge to dominant institutions, but considering that this work often entails community oriented goals as well historically familial responsibilities: caring for the young, old, or otherwise incapable (considering both physical and institutional barriers), it becomes cogent that extending the conceptualization of work into these spheres provides additional substance, meaning, and value–key sources of institutional resistance– to family and community.

More generally, Dugger (1989, pp. 53-54) states that the hegemonic culture encourages whatever means necessary to achieve a given end, emphasizing ends over means. Within the current institutional structure, a short-sighted, narrow view of profit maximization dominates. Not only does this approach serve to hollow out the non-corporate institutions (family, school, union, church, community, state, and mass media) but, according to Matthew Forstater (1999, pp. 7-8), requires maintaining flexibility− an ability to adapt to changing circumstances. The permanence of unemployed resources, including most notably labor power, enables maintenance of the desired flexibility. Forstater states that system flexibility facilitates expansion of capital accumulation by attenuating structural rigidities. Indubitably, this flexibility benefits the capitalists, including the primary institution− the corporation, at the expense of the community.

In accordance with Veblen (1904, pp. 286-287) and Dugger (1989, p. 8) who both observed that the state serves as an instrument of domination, Forstater (1999, p. 8) asserts that flexibility is maintained through politically forced unemployment, occasioning unnecessary and unacceptable economic and social costs to the community. The narrow criteria dictating economic decisions in the private sector does not harmonize with the broader well-being of the community. And, only the government, through its ability to divorce the employment decision from the profit constraint, possesses the unique capacity to place means above ends in the social-economic processes of a capitalist system. Clearly a monetarily sovereign government possesses the means; what the state lacks, however, remains the want.

In Veblen's analysis, the state acts chiefly to represent the interests of business and, according to Dowd (1966, p. 132-134), state power remains the expression of those dominant interests. Furthermore, Veblen (1904, pp. 286-287) notes that this subservience to business interests remains unchallenged as the community naïvely believes that their material welfare coincides with the pecuniary pursuits of business. This subreption of business values, according to Dowd (1966, p. 134), has gone so far as to become accepted unthinkingly. Yet, social wellbeing does not necessarily parallel business propositions. Dowd (1966, p. 105) explains this discord by drawing upon the propensity for emulation, stating that a virtual enshrinement of businessmen has substantiated the fashioning of politics in their image. The price system has emerged as a dominating influence in the socio-economic process. In the concluding pages of *Absentee Ownership,* Veblen (1923, pp. 442-445) reaffirms the primacy of the price system, asserting that the state remains a predatory fraternity with a reverence for applying business principles to socio-economic problems. And, in Veblen's (1904, p. 379) own words, "[t]he question, therefore, remains, on the whole, a question of what businessmen may be expected to do for cultural growth on the motive of profits."

Regardless of the dominance assumed by the price system, according to Werner (Veblen & Werner, 1948, p. 27), it remains the community, which Veblen's theory of power stresses, that exhibits the disposition for slaughter. It follows that there exists a recognized interdependence in the institutional adjustment brought about by implementing an ELR. This interdependence, according to J. Fagg Foster [1948] (1981, p. 933), implies that a deliberate choice must be made by those who are to break with previous behaviors. This break will first require a recognition on the part of the community that the inalienable rights of pecuniary obligation and ownership as defined during the eighteenth century no longer, as Veblen [1919] (2002, p. 112) observed, safeguard the "rule of Live and Let Live." And, secondly, the ensuing institutional adjustment, according to Marc R. Tool (2000, p. 202), must be readily adapted into the existing institutional structure, only displacing the non-instrumental functions of problematic structures. The ELR would not completely displace the price system, but in accordance with the Foster's principal of minimal dislocation, this is because as Minsky (1986, p. 101) noted the "market mechanism is a good enough device for making social decisions about unimportant matters such as the mix of colors in the production of frocks, the length of the skirts, or the flavors of ice cream, it cannot and it should not be relied upon for important big matters such as the distribution of income, the maintenance of economic stability, the capital development of the economy and the education and training of the young."

The ELR can thus be thought of as an initial step toward the realization of an economic system compatible with the Veblenism of the left. According to Veblen (2002, pp. 111-114), this realization requires displacing the vested interests legitimate right in "getting something for nothing." While the ELR does not dispose of this feature, it does present a formidable challenge to the interpretation of the two "inalienable rights" which motivate it: ownership and free contract. Ownership confers the right to the vested interests to "control the traffic," whereas the ELR bestows upon the community greater influence in the provision of the material means of life. Free contract derives from the rule of Live and Let Live, however with the current concentration of ownership, those who must turn to the market to survive are forced to submit their condition of life to those vested interest. The ELR, by employing anyone who is willing and able, provides an alternative for the "common man" to access the material means of life outside the price system.

Conclusion

This analysis has sought to establish the compatibility between the ELR and a radical interpretation of Veblen. In so doing, the analysis considered the origins and causes of unemployment in Veblen's work, asserting that the institutions of ownership and the price system serve as key institutions, while sabotage and interstitial adjustments function as principal causes of unemployment. After considering Veblen's contribution to our understanding of unemployment, the analysis turns to the work of Hyman Minsky. In this section the quintessential processes of the capitalist system are described before discussing Minsky's solution to the persistent failure of capitalism to provide full employment: the ELR. In the concluding section, Minsky's proposal is shown to be compatible with a conservative interpretation of Veblen. Then, Minsky's work on the ELR is extended into a Duggerian framework of power and culture to demonstrate the compatibility between an ELR and the radical interpretation of Veblen which calls for the displacement of the price system.

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