Involuntary Unemployment versus "Involuntary Employment"

J.M. Keynes and Beyond

Yasuhiro Sakai
Shiga University / Professor Emeritus

I Introduction

One day when I myself felt tired of writing some essays, I happened to find a rather old book in the corner of the bookcase of my study. The book, entitled *Keynes' General Theory: Reports of Three Decades*, was published in 1964. More than four decades have passed since then. As the saying goes, time and tide wait for no man! [1)]

In the light of the history of economic thought, back in the 1930s, John Maynard Keynes (1936) wrote a monumental work of economics, entitled *The General Theory of Employment, Interest and Money*. How and to what degree this book influenced the academic circle at the time of publication, by and large, seemed to be dependent on the age of economists. According to Samuelson (1946), contained in Lekachman (1964), there existed two dividing lines of ages; the age of thirty-five and the one of fifty:

> "The *General Theory* caught most economists under the age of thirty-five with the unexpected virulence of a disease first attacking and decimating an isolated tribe of south sea islanders. Economists beyond fifty turned out to be quite immune to the ailment. With time, most economists in-between began to run the fever, often without knowing or admitting their condition." (Samuelson, p. 315)
>
> In 1936, Keynes himself was 53 years old because he was born in 1883.

Remarkably, both Joseph Schumpeter and Yasuma Takata were born in the same year as Keynes. If we followed the Samuelson doctrine

1) For details, see Lekachman (1964).

aforementioned, both of them should have been quite immune to the "Keynesian ailment." It was well-known that Schumpeter had thought Keynes as one of his greatest rivals from his youthful days. Although Takata distinguished himself as a great social scientist in Japan and the East, it was quite unfortunate that he was kept rather unknown in the West until Michio Morishima, once Takata's disciple, helped to publish some English translations of Takata's great books on sociology and economics. In his important yet non-translated book, Takata (1950) once remarked:

> "[T]his book aimed to state my own theory of power economics for which, as a critic of the Keynes doctrine, I [Takata] have continuously put all my energy for those thirty years. ..... Although Keynes and I were born in the same year and have done research in the same field, namely social sciences, the opinions of the two persons should not be the same. How and to what extent my theory is different from his must be a very interesting question to ask. Which will be the correct theory of economics, Keynes or Takata? Let the future history decide it! This is my true motive of writing this book. (Takata (1950), Preface, p. 1)

Another related topic would be the relationship between Keynes and Knight. Frank H. Knight was born just two years later than Keynes, and made an outstanding contribution to the same field as Keynes, that is the economics of risk and uncertainty. When the *General Theory* was published in 1936, Knight was 51 years old, thus a bit over fifty. It is worthy to note that Knight (1937) carefully read the *General Theory* just after its publication, leaving the following criticism of Keynes: "I [Knight] must confess that the labor I have spent on *The General Theory of Employment, Interest, and Money* leaves me with a feeling of keen disappointment." (Knight(1937); Emmett (ed.) (1999), p.366)

Knight's word "keen disappointment" was a very strong expression to demonstrate his spiteful criticism after reading the book. The degree to which Knight was disappointed was also well-described by P. A. Samuelson, who went to Chicago at sixteen in 1931 and received his B.A. before going to Harvard for his Ph.D. In *the New Yorker*, Columnist John Cassidy (2009) wrote a very instructive interview article with Samuelson, which was later reproduced by Tyler Durden (2012) in *Zero Hedge* with a more attractive title. According to the article, "Knight really thought Keynes was the devil," Samuelson recalled. "Knight didn't believe in God, but he knew a devil when he saw one. He insisted that the old economic system — the neoclassical one — worked pretty well, except in the Great Depression." It seems that Keynes and Knight are like oil and water: Keynes likes macro, but Knight likes micro. On the surface, they are both fond of risk and uncertainty, At the bottom of their thoughts, however, they look fundamentally incompatible.

The contents of this paper is as follows. In section 2, we will carefully reexamine the concept of involuntary unemployment that was first employed by Keynes in the 1930s and later have given rise to a heated controversy. We will especially pick up the two great economists, Takata and Knight, and aim to discuss how and to what extent they differ from Keynes in

modern perspective. In section 3, the concept of "non-voluntary employment" rather than the one of voluntary unemployment will be introduced in line with the original work of Nobuaki Takahashi, a rising Japanese economist. Concluding remarks will be made in the final section.

II Involuntary Unemployment a la Keynes

2-1. A Very Terribly Written Book of Macroeconomics

According to J. M. Keynes, the fundamental facts of the capitalist economy lies in massive unemployment and the inequality of income and wealth. In fact, Keynes (1936) lamented with a strong expression: "The outstanding faults of the economic society in which we live are its failure toprovide for full employment and its arbitrary and inequitable distribution of wealth and incomes." (Keynes (1936), p. 372)

When Keynes was writing the *General Theory*, he was constantly annoyed by his long struggle of escape habitual modes of thought and expressions. The difficulties lay in finding the best way to get rid of the old ideas which ramified into every corner of our minds. Surely, as the saying goes, old customs die hard. The cost of replacing the old ideas by the new ones would sometimes make the burden too heavy for Keynes. As a result, his final work, namely the *General Theory*, became one of the most difficult books in the history of economic thought. In this connection, it is quite interesting to record what Richard Kahn once told Hirofumi Uzawa after reading it: "Mr. Uzawa, this may sound strange to you. I honestly tell you, however, that only in the last year (namely, 1978), I finally read the *General Theory* to the very last page. Then I found it a very terribly written book. I could not understand at all what it really intended to inform the reader about." (Uzawa (1984), p.15)

Keynes's main interest was centered around the question of how the level of output and employment was determined. In order to conquer an academically high mountain named *The General Theory*, we have to make every possible effort to find a very effective route leading us to the peak. As the saying goes, where there is a will, there is a way.

2-2. The Original Framework: The Aggregate Supply and the Aggregate Demand

After critically discussing the postulates of the neoclassical economics in Chapter 2, Keynes boldly attempted to introduce his own ideas and concepts in Chapter 3, in which he gave a brief summary of his unique theory of employment and unemployment. The following sentence is of the utmost importance for us to comprehend the essence of Keynes's theory.

> "[T]he volume of employment in equilibrium depends on (i) the aggregate supply function, φ, (ii) the propensity to consume, χ, and (iii) the volume of investment, D2, This is the essence of the General Theory of Employment." (Keynes (1936), p. 29)

Then the following question would come to our mind right away. What is the aggregate function all about? Very strange enough, the properties of the aggregate supply function had not been thoroughly investigated until Nubuo

Okishio (1956) wrote a technical yet excellent paper in an obscure Japanese journal, but then unfortunately, doomed to leave out of memory again by an explosion of works on the more fashionable topic of IS and LM functions.[2)]

Following the original work of Keynes (1936), let Z be the aggregate supply price of the output from employing N men. We may call the relationship between Z and N, namely $Z = \varphi(N)$, the aggregate supply function. Let D be the proceeds that entrepreneurs expect to receive from the employment of N men. We can call the relationship between D and N, i.e. $D = f(N)$, the aggregate demand function. Then the volume of employment is provided by the point of intersection between the aggregate supply function and the aggregate demand function. The value of D at the point of $f(N)$, where it is intersected by $\varphi(N)$, is named by Keynes the effective demand. Keynes claims that this is the substance of the General Theory of Employment.

According to Keynes, the effective demand, namely D, is the sum of the two quantities, D_1 and D_2. Here, D_1 represents the amount which the community is expected to spend on consumption, and D_2, the amount which it is expected to devote new investment. Keynes assumes that D_1 is a function of N, which we may write $\chi(N)$, depending on the propensity to consume. In contrast to D_1, D_2 is supposed to be an independent variable since it may increase or decrease rather independently of N. Summing up, we may have the following relations:

$$Z = \varphi(N) \qquad (1)$$
$$D = f(N) = \chi(N) + D_2 \qquad (2)$$

By carefully looking at equations (1) and (2), we may reach the following conclusion. The equilibrium volume of N at which Z and D are equal depends on the three factors: namely, φ, χ and D_2. Needless to say, this is the very essence of Keynes's theory of employment.

Graphically speaking, the aggregate supply function $Z(N)$ and the aggregate demand function $D(N)$ are depicted in Fig. 1. As has been lucidly pointed out by Okishio, (1957), the function $Z(N)$ must be an increasing and *convex* function whereas the function $D(N)$ must be an increasing and *concave* function. Note that the distinction between convex and concave curves is of the most importance. The point of intersection Q^* stands for the equilibrium of the Keynes system, and N^* and Y^* respectively show the equilibrium volume of employment and the one of the aggregate output so that $Y^* = Z^* = D^*$.

Let as suppose that the point of full employment is denoted by N^f. Then we will easily see in Fig.1 that the two points N^* and N^f should not be identical. Expectedly, N^* is less than N^f, meaning that we are in an underemployment equilibrium. By the same token, on the vertical axis, Y^* is less that Y^f, so that the aggregate production is operating at less than full capacity. In the history of economic thought, only a limited number of economists have been brave enough to point out the non-equivalence of N^* and N^f. Karl Marx (1867), a famous or infamous socialist who has written *Das Kapital*, is one exception. It is J.M. Keynes that represents another outstanding exception among non-socialists.

More than 50 years ago, Okishio (1957) took great pains to mathematically derive the aggregate supply function from the micro economic

2) Nobuo Okishio was one of my respected teachers at Kobe University. It was quite unfortunate that almost all of his works were written in Japanese.

basis, and to rigorously discuss its interesting properties. Unfortunately, his outstanding works have been relatively unknown until Michio Morishima, his close friend, energetically introduced Okishio's accomplishments to foreign countries in a small yet influential book, *Marx's Economics*.

Since Okishio's mathematical derivation of the aggregate supply function was so nice to follow, we are content here to attempt more elementary derivation by help of a simple figure.[3)]

To this end, let us denote the aggregate production function by $F(N)$. It is usually assumed to be increasing and concave; so that $F'(N) > 0$ and $F''(N) < 0$. The vertical axis measures the aggregate supply price of the output from employing N, whence $Z = p\,F(N)$. Corresponding to three possible supply prices, p^1, p^2 and p^3, we have three possible concave curves, $p^1 F(N)$, $p^2 F(N)$, and $p^3 F(N)$. Since the aggregate profit can be written as $\Pi = p\,F(N) - w\,N - C^o$ where C^o denotes the fixed cost, its maximization with respect to w results in the following equation:

$$p\,F'(N) = w\,, \qquad (3)$$

which would teach us that even at the aggregate level, the price of the marginal product of labor is supposed to be equal to wages. Presumably, we could interpret Eq. (3) as the "aggregate version" of the marginal productivity doctrine. This is just one possible interpretation, being subject to critical investigation. . In

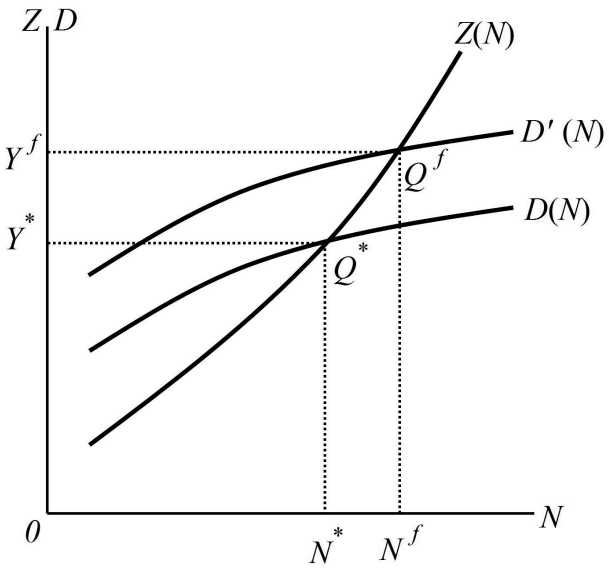

Fig. 1 The aggregate supply and aggregate demand functions

3) For a detailed derivation, see Okishio (1956) and Niino-Okishio (1957),..

the light of economic thought, there has been serious controversies regarding the existence of the aggregate production function per se. Whether and to what degree Keynes himself would agree with such an interpretation would remain a hard nut to crack.

Eq. (3) above enables us to obtain the three equilibrium points Q^1, Q^2, and Q^3 as shown in Fig. 2. By combining these three points and possibly many more equilibrium points, we are able to find an increasing and convex curve $Z(N)$, which is indicated by a bold dotted curve in the figure. This $Z(N)$ is what we have strongly wanted to derive, the aggregate supply function. People might call it Keynes's favorite "macro tool", or possibly his unwanted "macro enigma", depending on the degree and direction of his taste for Keynes's theory.

By boldly introducing the new concepts of the aggregate supply and aggregate demand functions into his new book *the General Theory*, Keynes intended to escape from the old modes of thought and expression. New wine had to be put into new bottles! One of such old modes was well-represented by the neoclassical doctrine, which could be expressed in the following Say's law: "Supply creates its own demand." If we restate such a law within the new framework a la Keynes, we can say that "the aggregate demand price of output as a whole is equal to its aggregate supply price for all volumes of output." (Keynes (1936), p. 26) In short, $f(N)$ and $\varphi(N)$ are equal for all values of N, namely for *all* levels of output and employment, namely that these two functions are identical, or $f(N) \equiv \varphi(N)$. Consequently, in

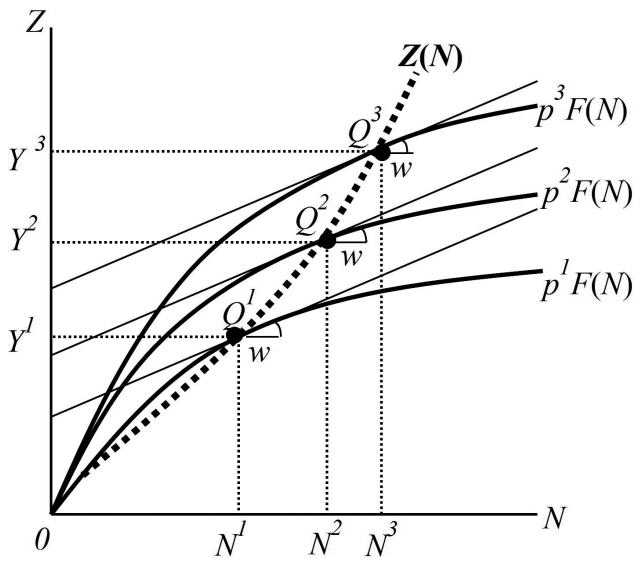

Fig. 2 A graphical derivation of the aggregate supply function

the neoclassical world, there should be no obstacle to full employment. By completely denying Say's law, Keynes thus succeeded in getting out of the old world toward the new one.

2-3. Involuntary Unemployment: A New Concept in the Labor Market

There is fundamentally a methodological issue between Keynes and Knight. Keynes analysis started with the presence of unemployment and then discussed how to adopt new policy measures to eliminate unwanted obstacles to the return to full employment. In contrast, Knight remained to live in the old neoclassical world: he thought that the other way around should be the correct one: i.e. full employment was regarded as the most usual state of affairs. Unlike Keynes, we should not assume unemployment first, but instead start our discussion with full employment, and then explain how unfortunate situations with no jobs could occur. The two giants, Keynes and Knight, adopted just the opposite ways of thinking.

Let us carefully discuss how Keynes introduced his new concept of "involuntary unemployment" in the labor market. In plain English, involuntary unemployment occurs when a person is willing to work but cannot find his job: he is unwillingly out of the job market. Note that involuntary unemployment must be different from "voluntary unemployment," where workers intentionally choose not to work. The former is also distinguished from frictional unemployment, where certain degrees of mismatches between job offers and seekers take place because of geographical, seasonal, informational reasons or whatever.

The neoclassical view of the labor market is simple and straightforward. The labor market is depicted in Fig. 3, where the horizontal axis measures the amount of employment, N, and the vertical axis the real wage rate, $R\ (= w/p)$. According to Keynes, the neoclassical doctrine is based on the two fundamental postulates:

(i) The real wage rate is equal to the marginal product of labor; namely, $R = w/p = F'(N)$.

(ii) The utility of the real wage when a given amount of labor is employed is equal to the marginal disutility or pain of that amount of employment.

In the light of postulate (i), it would be an easy job to find that an increasing R results in a decreasing N, so that the labor demand curve DD must be decreasing. Similarly, by virtue of postulate (ii), we could show that an increasing N corresponds to an increasing R, whence the labor supply curve SS must be increasing. The intersection point Q of the two curves, DD and SS, shows the equilibrium of the labor market in which the labor demand and supply are just equal. The equilibrium amount of employment and the equilibrium rate of real wage are respectively indicated by N^* and R^*. In such a perfect world, there should emerge no unemployment at all.

The question of critical importance is whether or not the equilibrium point Q^* guarantees the ideal state of full employment in the labor market. Let us denote the equilibrium amount of full employment and its corresponding rate of real wage by N^f and R^f, respectively. Such a situation would occur in Fig. 3 when the labor demand curve from shift upward from DD to $D'D'$ and the new equilibrium point shift upward from Q^* to Q'. If this is the case then we would find N^f less that N^*, and Y^f less than

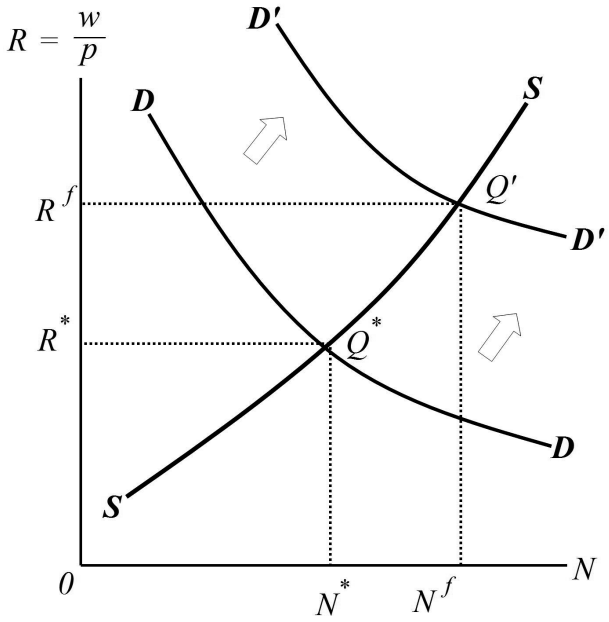

Fig. 3 Is involuntary unemployment a real phenomenon ?

Y^*, meaning that a undesirable situation with jobless persons would occur. Not all the persons who are willing to work cannot find their jobs. More exactly, the line segment $N^* N^f$ on the horizontal axis measures the amount of involuntary unemployment.

The important question to ask at this point is why we have entered the miserable world of involuntary unemployment. According to Keynes, the answer should be unmistakably clear : it is because of the lack of aggregate demand which in turn is caused by the insufficient amount of consumption or investment as a whole. Otherwise, the labor demand curve could be pushed up from DD to $D'D'$, and correspondingly the equilibrium point from Q^* to Q^f.

In the academic world, there are a group of liberal economists who have the strong desire to understand the meaning of involuntary unemployment and its policy implications. For example, Shapiro and Stiglitz (1985) remarked: "To us, involuntary unemployment is a real and important phenomenon with grave consequences that needs to be explained and understood." (Shapiro and Stiglitz (1985), p. 1217)

In contrast, there exist another group of conservative economists who do not believe that involuntary unemployment in its true sense really exists, thus having serious doubts about its relevance to the core of economic theory. In this regard, Robert Lucas (1978), a famous market fundamentalist, once remarked: "[T]

here is an involuntary element in all unemployment in the sense that no one chooses bad luck over good; there is also a voluntary element in all unemployment, in the sense that, however miserable one's current work options, one can always choose to accept them. ..... the unemployed worker at any time can always find some job at once. " (Lucas (1978), p. 354) Lucas has the strong belief that unemployment must be voluntary rather than involuntary. It is true that a certain jobless worker could desperately accept any job if he neglects human right and dignity. We must remember, however, that a person should not be a "working machine" ; if he wants to work at a shop or factory, then he must find a good reason for staying there as a human being.

We could also think that the labor market operates like a social institution in which both employers and employees as flesh-and-blood persons meet together and make some form of labor contracts between them. Remarkably, Yasuma Takata, a very famous Japanese social scientist, applied his unique power theory to the labor market, thus shedding new light on involuntary unemployment. This and related topics will carefully be discussed in the following sub-section.

2-4 Takata on Keynes: Another Look at Involuntary Unemployment

Yasuma Takata (1883-1972) , a contemporary of J.M. Keynes (1883-1946) and J. A. Schumpeter (1883-1950), was a person with plenty of striking characters; namely, cool head, warm heart and strong will. He was not only a world famous sociologist and a first-class economist, but also a highly talented poet. He distinguished himself as a great educator who succeeded in establishing the world -famous Socioeconomic Institute at Osaka University, which collected a group of young and ambitious scholars including the young Morishima and the young Nikaido. [4)]

According to Takata, a person engaged in trading does not only seek for more utility, but also he or she possesses a strong desire for more power. Such desire for seeking power is most clearly present in the labor market. Because the labor market is of human and social character, the concepts of justice and moral must also be involved. The real wage rate for different works are not so freely determined by supply-demand interactions as are traditionally supposed by neoclassical economists, but the absolute money wage per se should demonstrate the worker's true desire for maintaining or raising pride or prestige.

It is in this sense that Takata believed that Keynes's new approach to the working of the labor market became somehow close to Takata's one. We will show their analytic similarity by help of a new figure, namely, Fig. 4. Note that the real wage rate is the ratio of money wage rate to the price level; i.e., $R = w/p$. This figure distinguishes itself from the last figure in the sense that the vertical axis does not measure R any more, but rather w. As both Takata and Keynes strongly believed, the difference between R and w is of critical importance with relation to the origin and persistence of involuntary unemployment. To take an example, a person may demonstrate strong resistance against a 5 % cut in his or her money wage, even though his or her degree of resistance might be rather weak when the price level increases by 5 %. Mathematically speaking, these

4) See Takata (1950, 1995) and Morishima (1994, 1998).

two effects should be the same in terms of real wage rate. In reality, however, the person in question is most likely to prefer the price rise to the money wage fall. This is certainly because the level of money wage per se may indicate the degree of his status in the society; indeed, a cut in w , not a rise in p, would represent a downfall in his pride or prestige. In this connection, Keynes (1936) once remarked: "In fact, a movement by employers to revise money-wage bargains downward will be much more strongly resisted than a gradual and automatic lowering of real wages as a result of rising price." (Keynes (1936), p. 264)

Keynes already recognized strong resistance by workers against a money wage cut in a modern democratic society. It is in this sense that Keynes became very close to Takata, who as a strong promoter of sociological power theory was brave enough to go even beyond Keynes.

Let us look back at Fig. 4. Then we see that the vertical axis measures the *money* wages, w, not the *real* wages, $R = w/p$. In our opinion, such an assumption looks very congruent with the Keynesian spirits. The upward-sloped curve SS associates employment, N , with money wage, w. This is not the aggregate supply curve we want to discuss here, however. We are instead eager to pay special attention to the *kinked curve* $S'T^*T'S$ which consists of the two parts; the horizontal part $S'T^*T'$ and the increasing and concave part $T'S$. The first horizontal (bold-faced) part represents the absolute level of money wage to be desired by the workers; indeed, as was wisely asserted by Keynes himself, any movement by the employ-

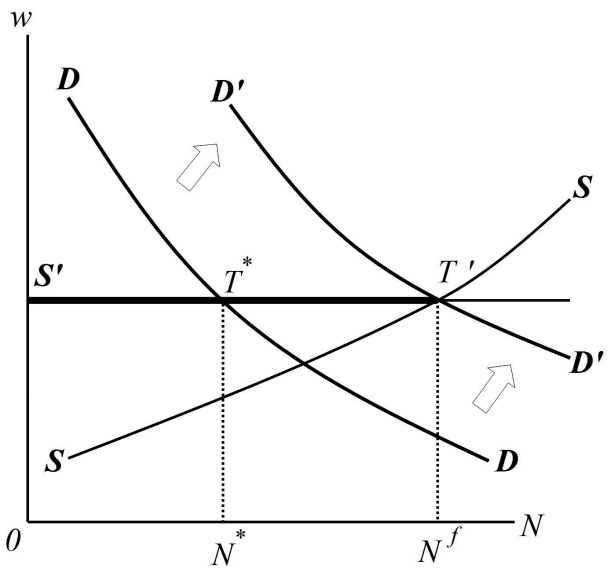

Fig. 4 Strong Resistance to Cut in Money Wages:
Takata's Interpretation of Involuntary Unemployment

ers to revise the level downward would strongly be resisted by the workers.

Let the aggregate demand curve be denoted by DD. Then surely, its intersection T^* with the kinked curve $S'T^*T'S$ would stand for the equilibrium under question. Note that N^* indicates the amount of underemployment. Note that N^* must be less than N^f, the amount of full employment, which is attainable only if the aggregate demand moves upward from DD to $D'D'$.

In the above we have shown that when the aggregate demand is deficient there is underemployment of labor: there are workers unemployed who would be willing to work at the existing level of money wage. As the aggregate demand rises, however, aggregate employment increases correspondingly. The above is by and large the essence of Keynes-Takata theory of employment and unemployment. Power really matters!

It is remarkable to see that in their later years, both J.R. Hicks (1989) and Robert M. Solow (1990) came close to Takata. As Morishima (1994) remarked, Takata's power theory is still alive today. We can learn new lessons from old teachings!

III "Involuntary Employment": A New Concept Beyond Keynes

3-1. Depression Economics: Old and New

Most people in the world, especially in the United States, remember the 1930s as the most terrified and most tragic years in the 20th century. In 1935, just one year before the publication of *The General Theory*, J.M. Keynes (1936) recognized the serious failure of the capitalist system as a whole. This is now what we could call "*Old* Depression Economics".

Around 20 percent of the American labor force was unemployed, and real Gross National Product still remained under the level of 1929. As Galbraith (1987) correctly recalled, to none of those horrible events could the neoclassical economics correctly respond. In spite of the fact that so many people in the street could not find jobs, they were by and large regarded as being voluntary unemployed. The depression economics of Keynes seemed to offer us the only one solution which could solve the serious problem of mass unemployment in the capitalist society.

And so many years have past since then. And so many events have happened between the 1930s and the 1990s — the Second World War, the Cold War, the Fall of the Berlin Wall, the Collapse of the Soviet Union, the Iraq War, and the like.. It seemed that the capitalist economy was the final and indisputable winner of the Cold War.

As the saying goes, however, history repeats itself. The "Economic Tower of Babel" is destined to collapse. Already in the late 1990s, a respectable group of Asian economies including Japan, India and China experienced an economic slump which bore a striking resemblance to the Great Depression. In his new edition, Paul Krugman (2008) , a winner of the Nobel prize in economics and one of the most influential economists today, published a very interesting book entitled *The Return of Depression Economics and the Crisis of 2008*. This is what we may call "*New* Depression Economics". As Krugman and other prominent economists have noticed, "Depression Economics" has nev-

er been dead, and now is safely and triumphantly returned to the academic profession. In his new book, Robert Skidelsky (2009), Keynes's well-known biographer, has declared that after so many years, Keynes is still alive and fundamentally all right. It seems that we live in the *Second* Age of Keynes, which is similar to, yet must be different from, the *First* Age of Keynes.

3-2. Unhappy Workers Dispatched by Outside Agencies

I have a habit of getting up rather early, exactly at 6:30, every morning and enjoying reading several daily newspapers from the top page through the last one. One cold winter morning, I had a serious shock by reading the following complaint against social injustice by Mr. Taro Tanaka, who is one of the now popular non-regular workers in contemporary Japan:

> "I am a non-regular employees who unwillingly have to work under only five year agency contracts. I would like to let you know that my yearly income is merely two million yen, around half of the pay of a regular worker. Because of such a low income, I remain unmarried, having no choice other than living with my old parents. I wonder whether and how I am able to get out of such a hopeless situation. I want to die without losing my human dignity." [5)]

We could call Mr. Tanaka one of the modern working poor, or even one of the modern "wage slaves." Keynes has paid special attention to those people who are willing to work at the existing pay but cannot find their jobs. Clearly, Mr. Tanaka is not such an involuntarily unemployed person. Judging by appearance, he has a job but is unwillingly working under unfair working conditions such as extremely low pay, no guarantee for promotion, and no permanent contract. In substance, he might be called an "involuntarily employed person" or a sort of "wage slave" in a modern society.

As discussed above, Keynes (1936) has shown that when the aggregate demand is deficient there emerges under-employment of labor in the sense that there are men unemployed who would be wiling to work at less than the existing real wage. As a result, as the aggregate demand increases by means of a rise in investment or consumption, employment as a whole is expected to increase. This is certainly the problem of involuntary employment which was energetically discussed by Keynes in the 1930s.

Eighty years have passed since then. We are now in the 2010s. Presumably, the depression economics a la Keynes has returned to a certain degree. We would like to say, however, that that was the past; things seem to be a bit different today. Looking at the Japanese data today, there are so many men including Mr. Tanaka aforementioned, whose jobs are neither regular nor wanted. There should be a clear-cut distinction between the regular and non-regular workers, which has been rather ignored even by Keynes himself. Non-regular workers are those who are dispatched by an outside agency in order to work less than full time for a limited duration (at most for five years). In contrast, regular workers are those who work full time under permanent contracts with their companies. Although regular workers enjoy benefits such as bonuses, housing, training and

5) Mr. Tanaka's complaint or similar accusations can be heard everywhere and every day in Japanese Newspapers today. Japan is no longer a class-free society!

lifetime employment, non-regular members might get as little as half of the pay for the same work, with no bonuses and no fringe benefits.[6)]

3-3. Takahashi's New Approach to "Involuntary Employment" : Looking Beyond Keynes

We now live in the 21st century that appears to be the Uncertain Age in which everything in the future is uncertain and unpredictable. Although, so many things have happened between the 1930s and the 2010, it seems that the depression economics a la Keynes has returned. As they say that the "007" in the movie is alive twice, Keynes is destined to alive more than twice.

It is under such circumstances that Nobuhiko Takahashi, one of rising liberal economists in contemporary Japan, boldly introduced the new concept "involuntary employment into economic theory. In his small yet ambitious book, Takahashi (2012) has wanted to show that the severe crisis of the Japanese economy today resides neither in deflation nor in accumulated financial deficit, but rather in involuntary employment. Here, the word "involuntary employment", which has newly been invented by him, is supposed to mean the severe state of employment in which, as typically exemplified by the working poor and the men who work overtime till late, the employees are forced to work against their wills: indeed, their working pains presumably far exceed their earned wages. In what follows, let us attempt to explain his ideas of involuntary employment by help of a figure.

In Fig. 5, it is noted that the vertical axis measures real wages, $R = w/p$, rather than money wages, w. The equilibrium in labor market is indicated by the intersection point Q^*, of the two curves; namely, the upward-sloped labor supply curve SS and the downward-sloped labor demand curve DD. Needless to say, the equilibrium amount of wages is indicated by R^*. This R^* is supposed to show the wages for fortunate regular workers, not the one for unfortunate non-regular workers.

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As mentioned above, we now live in a sort of "class society." Like airplane passengers, there are two distinct classes within the workers —— the "first-class workers" and the "second class workers", with no intermediate "business-class workers" being present. The second-class workers or non-regular workers are not hired by the firm they are actually working at, but merely dispatched to the job from an outside human-allocation agency. From the very nature of things, the power of humble non-regular employees are much weaker than the one of upper-seated employers. Consequently, as is seen in Fig. 5, there emerges a double wages structure, the upper level R^* and the lower level R^u . While the regular members earn their wages as much as R^* , the non-regular members are forced to accept the minimal wages R^u . There the difference between the

6) For rigorous empirical approaches to the 2014 employment structure and the 2016 wages structure in the Japanese society, see Japan Ministry of Welfare and Labor (2015, 2016).

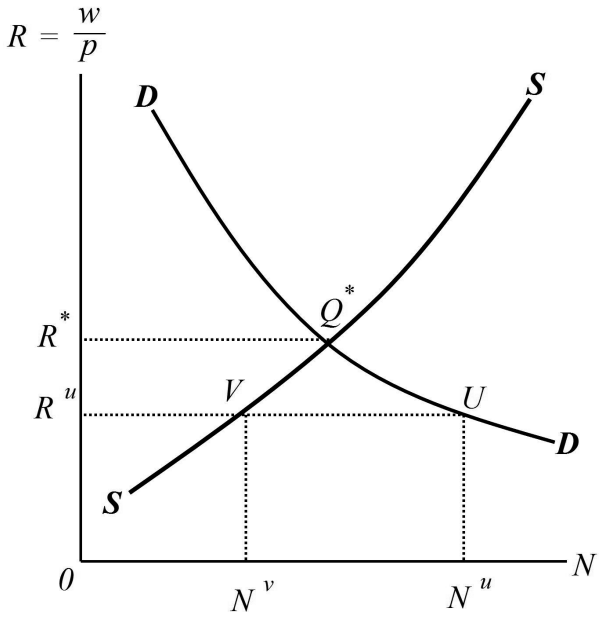

Fig. 5 Takahashi on "involuntary employment": Is there no resistance to pay cut ?

points U and V, or equivalently the one between N^u and N^v is supposed to measure the amount of "involuntary employment", or more plainly "unwanted employment."

If the labor market under question is depicted in Fig. 5, we have to face a sort of "labor discrimination." At this point, the question which might naturally arise in our head is why and how long such a discrimination can continue. This would really be a rather easy question but very hard to answer !

It would almost always be the case that non-regular members such as temporary or part-time instructors without tenures are simply underpaid; they earn much less pay than they really deserve.

It seems that Takata's power theory may work again here! The place of regular workers in a modern society has been historically high, and their powers are guaranteed by strong labor unions. In contrast, non-regular workers are not well-organized and less respected by other members of the society; consequently, they could little resistance against pay cut. Notwithstanding those power theoretic interpretations, we need to do much further inquiry.

Ⅳ Concluding Remarks

Quite recently, Thomas Piketty (2013), a rising French economist, published a very exciting book entitled *Le capital au XXIe siècle*. Its Eng-

lish translation *Capital in the Twenty-First Century* published a year later immediately became a best seller all over the world. This title per se seems to remind us of the return of Karl Marx (1968), who published a very sensational book entitled *Das Kapital* more than 140 years ago.

Piketty's new book is a timely and well written book. By and large, it has been so well received by the general public as well as the economics profession. Why has it been so popular all over the world? In our opinion, the key to answering this question resides in the old and new remark by Keynes (1936): the outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes.

According to Keynes, there are two critical problems we have to solve in the capitalist economy, i.e., unemployment and income inequality. We think that the first problem has been thoroughly investigated by Keynes himself. The key concept he has employed is the one of "involuntary unemployment" : there are so many persons in the street, who are willing to work at the existing wages but cannot find jobs because a shortage of the effective demand as a whole. It would be safe to say, however, that Keynes's attempt to solve the second problem has not been so successful. Only in the recent times, Piketty, acting as the modern Keynes, has bravely tackled the leftover problem of inequality of income and wealth with a smashing success.

Linbeck and Snower (1988) has developed the new insider-outsider theory of employment and unemployment. Whereas the "insiders" are the incumbent employees whose jobs are protected by labor turnover costs, the "outsiders" who are not employed and have no solid protection at all. Although the Lindbeck-Snower theory looks attractive, it cannot give an effective tool to analyze the miserable states of the non-regular workers. Both regular and non-regular workers may be regarded as insiders; they rather belong to distinct classes of insiders — "upper-class insiders" and "lower-class insiders." Besides, the barriers between those two classes are great and almost insurmountable.

In short, we need another Keynes, and also another Piketty.

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Involuntary Unemployment versus "Involuntary Employment"

J.M. Keynes and Beyond

Yasuhiro Sakai

This paper is concerned with the important question of how and to what extent great economists such as Keynes, Knight, Hicks, Samuelson, Takata, and Morishima have been intermingled with each other. Our discussion focuses on the two key concepts in the labor market—— involuntary unemployment and "involuntary employment." On the one hand, there are so many persons in the street who are willing to work at the existing wages but cannot find jobs because of a shortage of the effective demand as a whole. This is clearly the issue of involuntary unemployment, which has been energetically tackled by J. M. Keynes and his followers since the 1930s.

On the other hand, since the 1990s, there also have emerged so many people who must work unwillingly for their survivals at the minimal level of wages. This is a new issue of "involuntary employment" or "non-regular workers", which has recently been investigated by Nobuaki Takahashi, a rising Japanese economist. Although the Takahashi approach is an attractive one, it nevertheless seems to remain at the embryo stage, thus requiring further developments in many ways. The second Keynes would urgently be needed.

Keyword: Keynes, involuntary unemployment, Takata, sociological factors, non-regular workers, Takahashi, "involuntary employment"

JEL Classification B22, E12, E24