藤野正三郎
『貨幣，雇用および利子』
――ケインズ経済学の再構築へ向けて――

Shozaburo Fujino, *Money, Employment, and Interest: Towards a Reconstruction of Keynesian Economics*, Tokyo : Kinokuniya, 1987, xii+220 pp.

This book carries on the job of reconstructing Keynesian economics, a job that remains unfinished more than fifty years after the appearance of Keynes's *General Theory*, and which is still being pursued despite the many waves of anti-Keynesian ideas that have swept the discipline since Keynes. Fujino presents an interesting and important vision of a money-using economy, and tries to formalize that vision in a microeconomic analysis of Keynesian doctrine. The formal analysis is disappointing, but the vision is worth pursuing further, and the difficulties of formalizing it are instructive.

The first two chapters present a familiar discussion of specialization, the gains from trade, and the problems of barter. The difficulty and uncertainty of finding suitable trading partners are proposed as the most important feature of a monetary economy. The book then follows Menger in identifying the essential feature of money as its "saleableness". Fujino's main insight here is that in order for money to retain its superior saleableness, which it must to remain in existence, the transactions costs faced by buyers of goods (sellers of money) must be mitigated. The institution of money itself reduces those costs, but only partially. Thus sellers of goods must provide transactions services, by maintaining inventories, order lists, and excess capacity to accommodate the unilateral decisions of demanders.

Two important asymmetries follow. First, there is an asymmetry between the costs of buying and selling. In order to mitigate the costs of buying, sellers must take those costs on themselves; buying costs are reduced, but selling costs are augmented. Thus Fujino argues that Clower's famous dictum, "goods can buy money and money can buy goods, but goods cannot buy goods," should be modified to recognize that it is a lot easier to buy goods than to buy money. Monetary theory should focus on costs of selling. Second, there is also an asymmetry between firms and households. Faced with sales difficulties, firms can change prices, cut production, build up inventories, or reduce their productive capacity. Households typically have none of these options.

Two further insights follow. First, firms cannot be price-takers, because to make sense of sales difficulties requires the assumption of imperfect competition.

Second, the saleableness of money means it can be used as a buffer stock that works like inventories of goods to absorb unanticipated changes in demand.

Chapters 3 and 7 derive aggregate demand and supply from these ingredients. The derivation treats the typical firm as monopolistic competitor in the output market, and as wage-setter. Demand-uncertainty is proxied by making firms set output prices based upon imperfect guesses about the state of demand. After observing demand at those prices, they revise their guesses and begin the next period with everything else unchanged. Inventories, selling costs, and other complications are omitted. Aggregate demand is modelled in the usual way.

Chapters 4 and 5 treat the firm's decisions concerning inventories and order-backlogs respectively. Marginal cost is constant, output price is given (despite the above argument to the contrary!), demand is uncertain. Proportional costs are attached to inventory carryover, order-refusal, and unscheduled production. Sufficient conditions are given for constant inventory-sales and backlog-sales ratios. The models are generalized to the case of risk-averse firms.

Chapter 6 on investment allows the firm to build irreversible capacity before demand is realized. Investment demand depends upon both the probability distribution of demand and the profit margin on used capacity. Investment demand is reduced by a decrease in the probability that demand will absorb capacity.

Finally, chapter 8 addresses the liquidity-preference versus loanable-funds controversy. It adopts Patinkin's position that the way to distinguish between the theories is to ask whether changes in the rate of interest respond to the excess demand for money or loans. After some formal derivations, regressions using quarterly Japanese data are adduced as support for the loanable-funds theory.

It is a rare pleasure to see a comprehensive treatment of macroeconomic theory built upon such a rich vision of the economic process. However,the formal analysis of chapters 3 through 8 that tries to crystallize that vision does not succeed in adding much to our stock of knowledge. The aggregate demand/supply analysis is not much different from that of various other writer, like Bruno. (Fujino acknowledges this.) The "explanation" of involuntary unemployment provided by the analysis is just the familiar one that results from having an equilibrium on the horizontal segment of a labour supply schedule. More workers would be willing to work at the going wage. But the fact that they are indifferent to remaining unemployed makes the explanation less than compelling.

The inventory theory adds little to the work of such authors as Blinder (1986), who do not restrict themselves to the case of price-taking firms. Blinder has also argued that the production-smoothing role of inventories stressed by Fujino is contradicted by the fact that, in U. S. data, production is more volatile than sales. Fujino's inventory chapter makes reference to no literature more recent than 1971.

Fujino's claim to have captured the effect of demand uncertainty on investment is not valid, because the conceptual experiment of decreasing the probability that demand will absorb capacity is not an increase in uncertainty. Indeed, the decrease could coincide with the elimination of uncertainty; with the belief that the random component of demand will vanish and that the perfectly foreseen level of demand will be less than capacity.

Finally, the empirical argument for loanable funds is not very convincing because we are given no standard of comparison. The regressions include a proxy for the excess demand for loans, but none for the excess demand for money.

Fujino might have made some progress if he had taken the important insights of the book more seriously. Those insights call for much more radical changes than the book contains. In this respect the self-imposed straightjacket of trying to produce a theory comparable to the formal skeleton of Keynes's *General Theory* has not helped. The fact that as original a thinker as Keynes was unable to provide a coherent analysis of involuntary unemployment, working from a vision similar to Fujino's, but trying to fit everything into a Marshallian demand-supply framework, suggests that a much different framework is required.

More specifically, the book should have included a formal analysis of selling costs. These costs are the very essence of Fujino's vision, but they are missing from his equations. They imply more than that the firm can control its price and will maintain various buffers. They also mean that the firm must spend resources in the activities of advertising, marketing, promoting, distributing, and selling the output. Furthermore, as Diamond (1982) has recently shown, they typically imply a non-price interaction between buyers and sellers, an interaction that may hold the key to understanding Keynesian economics.

That non-price interaction is what I have called a thin-market externality. When demand for output falls, the per-unit cost of selling rises because of the increased difficulty of finding and persuading buyers. As a result, even an economy with perfectly flexible wages and prices can possess multiple equilibria. If people expect there to be a low level of aggregate demand they will expect high selling costs, which will discourage production. The fall in production will reduce aggregate demand, thereby fulfilling the original expectation. But by the same token, the expectation of a high level of aggregate demand can also be self-fulfilling.

The low-level equilibria are typically Pareto-inferior, and have higher rates of unemployment. Thus they may contain the seeds of an explanation of prolonged periods of high unemployment like the Great Depression. Furthermore, the effect of demand acting on production, and then feeding back positively on

demand, is very much like the Keynesian multiplier process. Prices do not play a dominant equilibrating role as in classical theory, because quantity-expectations are also important, through the thin-market externality.

This theory of thin-market externalities is still very speculative, and much remains to be done. But by playing down the role of prices in the economy's coordination mechanism, it represents a radical departure from the demand-supply framework into which Keynes tried to fit his ideas, and within which most Keynesian exegesis, up to and including the present book, has been confined. Fujino's vision of the economic system stresses exactly those features of an economy that give rise to the externalities. I hope that he will take them seriously in his next book, and that he will aim not just at reconstructing the economics of Keynes but at going beyond Keynes. 〔**Peter Howitt**〕

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