Gardiner Means' Contributions to Post-Keynesian Theory[*]

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Abstract

Because of his battle against the marginalist theory of prices, his emphasis on non-profit maximizing behavior of firms as well as his strong influence on heterodox policies of the New Deal era, certain post-Keynesian (PK) authors consider Means as one of the founding figures of PK theory and a notable contributor to heterodox economic thought. Paradoxically, many surveys of PK economics do not mention his name even once or cite him only in passing. It is the purpose of the current study to scrutinize possible reasons behind the contradictory evaluations of Means' contributions among PK authors. Based on a critical evaluation of his ideas about oligopoly theory, Keynesian economics, and Marxian economics as well as of his hypotheses regarding agricultural and industrial price determination, I argue that Means' ideas and PK thought remain in harmony on the surface but conflict on a more fundamental level.

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> And at the time I received my M.A. degree in 1927, orthodox macrotheory contained nothing of substance which distinguished labor and oranges. I did not quarrel with this paradigm as it applied to a pre-industrial economy such as my part of Turkey. In fact, I found it quite beautiful. (Means 1975a, 151)

> Even the oriental bazaars have been turning to price administration. A Turkish shop selling at administered prices is likely to post a sign "Prices à la Franca." (Means 1975b, 8)

Although Gardiner Coit Means never defined himself as a post-Keynesian (PK) economist, due to his battle against the marginalist theory of prices, his emphasis on non-profit maximizing behavior of firms as well as his strong influence on interventionist policies of the New Deal era, certain scholars consider him one of the founding figures of PK theory and a notable contributor to heterodox economic thought (Eichner 1980; 1985; Lee 1990b; Lee and Samuels 1992, xxx; Wells 1995; Lee 1998; Gu 2012). Warren J. Samuels and Steven G. Medema (1989, 186) even describe him as "the first and/or the quintessential post-Keynesian economist". Likewise, Alfred S. Eichner (1980), Frederic S. Lee and Samuels (1992, *xxix*), and Caroline F. Ware (1992) claim that mainstream economists either attack or ignore Means' contributions to economic theory, mainly because of their heterodox nature.

Paradoxically, many surveys on PK economics by prominent authors do not mention Means' name even once (Arestis 1996; Palley 1996; Rousseas 1998; Deprez and Harvey 1999; Nina Shapiro and Sawyer 2003; Holt and Pressman 2006; Harcourt 2006; Forstater, Mongiovi, and Pressman 2007; Jespersen 2009; Lichtenstein 2017), or cite him only in passing (Lavoie 2006[1]; Davidson 2011). In Lee and Paul Downward's terms, "[…] institutionalists and Post Keynesians have either uncritically accepted Means' claims or simply ignored them" (Lee and Downward 1999, 862). It is the purpose of the current study to scrutinize possible reasons behind the contradictory evaluations of Means' contributions to PK theory.

In doing so, I demonstrate how Means positions himself vis-à-vis other heterodox in relation to industrial concentration and changing pricing behavior in 20th century American capitalism. Instead of providing a detailed summary of his views, which has already been done in previous works such as Samuels and Medema (1989) or Lee and Samuels (1992), I briefly sketch out his axioms and elaborate his political and philosophical stance in comparison with alternative heterodox perspectives. I further provide a critical assessment of his conceptualization of labor in pre-industrial and industrial contexts. My primary sources are Means' exchange with PK economists, other heterodox economists, and his critics.

The contribution of this paper is twofold: Based on a critical evaluation of his ideas about oligopoly theory, Keynesian economics, and Marxian economics as well as of his hypotheses regarding industrial price determination, I claim that Means' ideas and PK heterodoxy are congruent on the surface but in conflict at a more fundamental level. Furthermore, contrary to what certain PK economists suggest, I propose that far from being heterodox or progressive, Means' analysis of labor in pre-industrial economies falls even short of the Marshallian theory.

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[1] In a more recent contribution, Marc Lavoie places additional emphasis on Means' writings. He suggests a consistency between Means' administered prices and the views of American Marxian authors Paul Baran and Paul Sweezy (Lavoie 2015, 123). In the remaining sections of the current paper I argue the opposite.

Means' Quest for a New Paradigm

When a 22-year old Means left Olcott, TX on January 16, 1919, his destination was the Near East Relief orphanage in the Ottoman city of Harput, established to serve Armenian children. He describes his main duty at the orphanage as delivering technical training to relatively grown-up orphans in shoemaking, hand weaving, tin production, and carpentry. He was also in charge of the orphanage's cotton and wool garments production workshops (Means 1975a, 149). Historical sources further praise his skills in entertaining children.[2]

Means benefited from his weaving experience when he established his own textile company after returning to the USA and graduating from Lowell textile school. Pure wool blankets that he manufactured became so popular across the country that he was able to fix their price like a monopolist (United States Senate 1957, 115–17; Means 1975a, 150). Unlike many who drop out for private-sector jobs, Means later closed down his blanket business and enrolled at Harvard University for graduate education in 1927. It was at Harvard that he was approached by Adolf Berle, a Columbia Law School professor, with whom he co-authored The Modern Corporation and Private Property in 1932. The book investigates the institutional change that American corporations underwent on the eve of the 20th century and remains among the most cited works in social sciences and law since its publication.

The immense impact of The Modern Corporation stems from its identification and examination of two seemingly conflicting developments in the history of capitalism, namely, the increasing degree of concentration among American corporations and the distribution of equities of these giant firms among thousands of shareholders, which implies spread of power in the American society. According to Berle and Means, these developments mark a period, for the first time in history, that authority in industrial conglomerates switched from owners to controllers, who do not necessarily aim to maximize profits distributed to shareholders. The novelty and the impact of the economic ideas proposed in that book placed Means among the most influential institutional economists to date.

According to Means, an important implication of the separation of ownership and control arises in the pricing behavior of firms. Contrary to the claims of the marginalist theory, he suggests that many U.S. industrial firms remain irresponsive to the changes in demand conditions and costs by fixing their product prices for extended periods. This observation, known as the administered prices "phenomenon" (Blair 1959), or "notion" (Jo 2019, 602), or "thesis" (Means 1972; Gu 2012), or "argument" (Samuels and Medema 1989), or "hypothesis" (Lee and Samuels 1992, xxix), or "doctrine" (Lee 1998), or "theory" (Freedman 1998, 628*n*; Gu 2012, 10), is highlighted and reassessed in many articles and books that Means authored following the 1930s. Means' first publication containing his ideas on administered prices was Industrial Prices and Their Relative Inflexibility (1935), a report that he penned after joining, together with Adolf Berle, the Brain Trust of Franklin Roosevelt. Additionally, The Structure of American Economy (Means 1939), another concise presidential report that Means both edited and contributed to, remains one of the principal texts that influenced New Deal policies. That report also extends Means' views regarding the change in the ownership structure of American corporations as well as the pricing strategy of firms in large extent.

[2] See http://neareastmuseum.com/memorials and http://www.groong.com/orig/ak-20140106.html, date of access: September 17, 2019.

From his first publication in American Economic Review in 1930 to the last in Journal of Law and Economics in 1983, Means authored several books and dozens of published and unpublished materials.[3] Three interrelated themes dominate the majority of these writings. These are (I) concentration in American industries, (II) separation of ownership and control, and (III) the administered prices. He developed the first two in his very early writings. The first book of the Modern Corporation (1932 [1967]), chiefly authored by Means (Lee and Samuels, 1992: XXX*n*), provide detailed data and analyses regarding the change in the organizational structure of American industrial and public utility companies in the 20th century. As Adolf Berle mentions in his preface to the book, Chapter III and Chapter V consist of updated versions of Means' previous articles that appeared in American Economic Review and Quarterly Journal of Economics (Means 1931a; 1931b), respectively; and Chapter IV mostly draws from another QJE article (Means 1930). Following their publications, he also submitted these articles as the empirical part of his dissertation at Harvard University.

In the following sections, I explain how Means interacted with the founding figures of PK economics in developing these three themes. Next, I discuss his views about the labor market, which are rather scattered in his texts, from a PK standpoint.

Concentration and the Separation

Throughout his career, Means argued for the dominance of big business as well as the validity of separation of ownership and control, both of which constitute the necessary institutional background for price administration.

Regarding concentration, Means calculates that among all 300 thousand non-financial corporations in the late 1920s, the top 200 controlled approximately half of the wealth, and more than 40 percent of net income (Means 1931a; Berle and Means 1967). In Means (1983, 480), with reference to Leonard Weiss, he further claims that concentration in the US economy has intensified over time, with the wealth of the 200 largest manufacturing firms reaching almost 60 percent of all corporate wealth. Concentration remains high not only in those sectors that provide intermediate goods to other industries such as petroleum business, or iron and steel companies but also among food producers, retailers, utility companies, and railroads that serve millions of American end-users. According to Means, the high degree of concentration in the U.S. industries constitutes an important reason why the classical assumption of atomistic firms holds no longer valid for 20th-century capitalism.

The next theme in Means' analysis concerns the governance of these giant corporations. He suggests that the "representative firm" that was depicted in classical texts, which assumes an owner controlling every aspect of the firm, has changed fundamentally in time because of the diffusion of ownership. As of 1928, the estimated number of stockholders in the US reached 18 million, pointing to approximately a three-fold increase compared to the beginning of the 20th century (Berle and Means 1967, 56). Of the 200 largest firms, 71 had more than 20,000 stockholders. Among the largest railroad, public utility, and steel companies, the largest stock holdings remained below 1 percent of the total stocks (Berle and Means 1967, 47–49). In conclusion, Means claims that employees and customers were becoming the owners of big American firms to a great extent, as opposed to the widespread view of the concentration of power in few hands.

[3] Lee and Samuels (1992: 349-355) provide a full list of Gardiner Means' works.

According to Means, the diffusion of ownership contains strong implications with regard to "control" of corporations, which refers to "[…] actual power to select the board of directors, (or its majority), either by mobilizing the legal right to choose them – 'controlling' a majority of the votes directly or through some legal device – or by exerting pressure which influences their choice". A "legal device" refers to the case of chain control of multiple companies through holding the relative majority stock of a single key company that also owns a relative majority stake in the others (Berle and Means 1967, 69). Other forms of separation of ownership and control include control of a corporation by a minority group, and in the most extreme case, by the management itself. Means claims that "only in 11 percent of the companies and 6 percent of their wealth" the owners of the majority of the stocks have the power to elect the board of directors (Berle and Means 1967, 110). In the remaining majority of the 200 largest corporations, the ownership is so diffused that either a minority group, or a legal device, or the management has the power to determine the board of directors.

As a precursor to what is known as the principal-agent problem, Berle and Means claim that once ownership and control are separated, the interests of these groups do not necessarily overlap. Instead of aiming to maximize the distributed profits, the latter may pursue to maximize its own earnings at the expense of the former. For instance, the controlling group might prevent the corporation from engaging in a certain profitable business if its members have previous investments in that sector. In an alternative case, the controllers might seek "prestige, power, or the gratification of professional zeal" (Berle and Means 1967, 114) that do not necessarily comply with the goal of maximization of total profits.[4]

Means updates his argument about profit (non-)maximization behavior of the firm in his Conglomerates and Concentration article where he makes a distinction between short-run and long-run profits. He suggests that in the case of concentrated industry, firms "focus on" – but not necessarily maximize – long-run profits, only. Two reasons prevent them from aiming for the maximum. The first is to discourage new firms from entering the industry, and the second is to avoid "public reaction to excessive profits" (Means 1970, 23). In any case, the implication is that there is no reason to assume that the decision-making units of the large corporations aim to maximize the profits that accrue to the shareholders. This conclusion stands highly counter-intuitive to orthodox economic thinking. Moreover, together with his observations on the degree of concentration, it marks Means' departure from the marginalist theory of the firm where the representative agent is a profit-maximizing atomistic unit. In his various writings, with special reference to Adam Smith's Wealth of Nations, he underscores the inappropriateness of taking the small firm as a representative unit for economic analysis of modern American industries (Means 1931b, 97; 1962, 168; Berle and Means 1967, 303–8; Means 1983).

Starting from his very first publications (Means 1930; 1931b), Means employs the term "revolution" to identify the concentration, and separation of ownership and control in American industries. The revolutionary nature of this process arises both from its pace and its conflict with the conventional economic wisdom:

> To the economist, this new revolution presents a challenge. As the work of Adam Smith, "the first great theorist of that stage of capitalistic enterprise which we call the domestic system," had to be reconstructed during the nineteenth century to fit an economy dominated by the factory system, so must the modern economist redescribe economic relations in terms of an economy dominated by a relatively few huge enterprises in which both laborer and owner are separated

[4] See also (Means 1957, 291) for a similar discussion on the objective function of corporate managers.

> from control. The individualism of Adam Smith's private enterprise has in large measure given way to the collective activity of the modern corporation, and economic theory must shift its emphasis from analysis in terms of competition to analysis in terms of control (Means 1931b, 97).

In the preface of the first edition of The Modern Corporation, Berle and Means (1932) coin a slightly altered term, "corporate revolution", to identify the early 20th century changes in firm structures. Nevertheless, their emphasis on the term remains very limited, with only two or three occurrences throughout the book. It is with the cold-war era edition of The Modern Corporation (1967) that Means adds a new prologue about "the corporate revolution" to the book, where the implications of the "revolution" substantially differ from the first edition. Whereas an anti-Smithian connotation is observable in the first edition, the second one focuses on the changes in the economic structure that, according to him, makes Marxian interpretations of capitalism irrelevant. The prologue celebrates the end of exploitation of labor by capital following the "revolution", which refers to the diffusion of corporate profits in wider society instead of being expropriated by a small class of capitalists. He substantiates his thesis by claiming that even "some […] individual economists" he met in Yugoslavia back in 1955 admitted that Marx turned out to be wrong about the importance of capital in value creation (p. xxxvi). The prologue concludes with praise of American capitalism as a basis of freedom and democracy. In another cold war era publication (Means 1957), he uses the term "collective capitalism" to describe the disappearance of class struggle within the world's biggest capitalist economy. Likewise, in Pricing Power, he reinstates his views on how the changes in the ownership structure of corporations made Marx' theory of class struggle inadequate to explain contemporary capitalism:

> The industrial revolution brought the factory system and the separation of *worker* from control over the instruments of production as the market for products had separated the consumer from control over the enterprise. […]
>
> It was this separation of workers from control which provided Marx with the basis for his theory of the class struggle. […]
>
> The modern corporation has provided us with still another institutional form of production, one which separates not only consumers and worker, but also the *owners* from control over the instruments of production (Means 1962, 169–70).

Means' arguments about class struggle and profit maximization faced criticisms from Marxian scholars on several grounds. After documenting how business analysts and economists of the 1950s and 60s welcomed the separation hypothesis, Zeitlin (1974) claims that Berle and Means' ideas were not as original as they seemed, since the ideas of diffusion of ownership and the concentration of power in the hands of few corporate managers were already asserted by social democratic theorists of the late 18th century Germany.[5] Moreover, Zeitlin provides evidence that the way Berle and Means (1967) calculates and interprets the data about separation of ownership and control is flawed. He notes that whenever there is no reliable information about any of the 200 biggest companies they investigate, they fill in the

[5] In the US, Veblen (1921) was among the first authors who wrote about diffusion of ownership, and separation of ownership and management.

missing data by using “believed to be” or “presumably” true information. Accordingly, Zeitlin asserts that the corrected ratios of management-controlled companies would be much lower.[6]

Earlier criticisms of Means regarding his diffusion of power hypothesis date back to 1939, when he served as the editor of The Structure of the American Economy report for the National Resource Committee. Appendix 13 of this report, written by then-29-year-old economist Paul Sweezy, begins with a praise of Berle and Means’ analysis on the separation of ownership and control. Right after Sweezy agrees with Means’ analysis, he follows with “however” and defines certain interest groups that determine the formation of the board of directors of the biggest US corporations. He claims that representatives of eight groups, namely, Morgan-First National, Rockefeller, Kuhn-Loeb, Mellon, Chicago, DuPont, Cleveland, and Boston serve at the boards of one or more of the largest 200 corporations. Therefore, his analysis underscores the concentration of power in the American economy, which obviously contradicts Means’ implications.

In Monopoly Capital (1966), Paul Baran and Paul Sweezy state that they no longer adhere to the interest group analysis but do maintain the idea that power in giant corporations is concentrated in the hands of a managerial stratum; and managers aim to maximize profits. In their own words, “[…] managers are among the biggest owners; and because of the strategic positions they occupy, they function as the protectors and spokesman for all large scale property. Far from being a separate class, they constitute in reality the leading echelon of the property-owning class” (Baran and Sweezy 1966, 34–35). Therefore, they underscore that diffusion of ownership does not necessarily lead to dispersion of power contrary to what Berle and Means suggest.

Sweezy’s non-public criticisms of Means are much more straightforward. In a letter to Paul Baran he describes Means’ book as not worth reading:

> Gardiner Means' PRICING POWER AND THE PUBLIC INTEREST arrived. I have skipped thru it and I think that's all one needs to do. No real understanding of the monopoly capitalism system, steel price stuff mostly familiar from Kefauver Committee hearings and study, and endless liberal claptrap about how ‘we’ should devise a scheme that would make corp. managers behave like good boys. And in some ways he’s one of the better of the economists! (Sweezy 1962a)

In another letter, he calls Means’ Pricing Power book “Gardiner Means’ new rubbish” (Sweezy 1962b), which gives us another reason not to establish a kinship between the heterodoxies of Means and Sweezy.

Regarding profit maximization, Baran and Sweezy claim that “[t]he major goals of modern large-scale business are high managerial incomes, good profits, a strong competitive position, and growth.” They also maintain that managers prefer to finance the growth of a company through profits instead of mergers or outside sources because of the lower risk associated with internal financing (Baran and Sweezy 1966, 25). They do not provide supporting evidence for these statements. Nevertheless, many empirical studies testing the relationship between ownership types and profitability were already available before Means published his last work in 1983. Among them, Monsen, Chiu, and Cooley (1968), Stano (1976), and Bothwell (1980) provide supportive evidence in varying degrees for reduced profits in

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[6] “Thus, they had information which permitted them to classify as definitely under management control only 22% of the 200 largest corporations, and of the 106 industrials, only 3.8%!.” (Zeitlin 1974, 1081–82). See also (Holderness 2009) for similar criticisms to Berle and Means’ calculations.

management-controlled firms. On the contrary, Kamerschen (1968) and Larner (1971) find no effect of management control on profit rates. Salancik and Pfeffer (1980) and Lewellen and Huntsman (1970) assert a positive effect of corporate profits on tenure and remuneration of executives. It is beyond the scope of the current study to explore the possible causes of the conflict in the findings of these two bodies of empirical results, but it remains notable that Means never replied to any of the above-mentioned criticisms. He preferred to proceed to the next step in his analysis, the administered prices, which emphasizes industrial concentration and non-profit maximizing behavior of corporate managers as background assumptions.

Administered Prices

From a marginalist viewpoint, firms in a competitive industry maximize their profits by adjusting prices to meet every change in cost or demand. No price rigidity is expected. However, in several papers and proceedings that Means penned as the Economic Adviser on Finance to the Secretary of Agriculture, he claims the opposite for the 220th-century American economy (Means 1935a; 1935b; 1936). Using detailed price data from the Bureau of Labor Statistics, he investigates the price changes of more than 600 items between 1926 and 1933 and concludes that prices of more than half of these items changed less than three times a year on average. According to Means, these prices are "[…] set by administrative action and held constant for a period of time" (Means 1935a, 1).

Means states that price rigidities belong extensively to industrial products. Despite the fall in demand during the depression years, many industrial firms kept prices constant and let sales plummet. Why would they do that? According to Means, it is all related to concentration – but definitely not to monopolization –[7], and separation of ownership and control in the industrial sector: "The amount by which he can count of increasing his sales by lowering price is usually so small that the whole balance of his interest as a business man points toward a restriction of production" (Means 1935a, 11). He further elaborates this claim in Kefauver Hearings (United States Senate 1957, 74–125) where he defines a "zone of relative indifference" of 15 to 20 percent below or above the optimum price where profits remain approximately the same. Unless a large demand shift results in a big loss in profits, industrialists would keep the prices constant in this range. He provides an example to his case in a later article with an example he borrows from Samuelson's well-known textbook:

> "In his example, a price \$1 higher or lower than \$120 would lose the monopolist less than 8 cents out of \$230. A price departure of \$2 would reduce profits by a mere 30 cents. Indeed, a \$5 departure from the most profitable price or a \$10 range would still bring the monopolist more than 99 percent of the full monopoly profit.
>
> Even with perfect knowledge of demand and cost, there would be little inducement for a monopolist to be constantly changing its price because of moderate changes in demand" (Means 1983, 474).

Means (1935a) follows that while industrial firms saw little reason to adjust prices in response to demand or cost fluctuations, agricultural prices that were determined by atomistic agents fell freely in

[7] "Administered prices should not be confused with monopoly. The presence of administered prices does not indicate the presence of monopoly nor do market prices indicate the absence of monopoly. […] we would have administered prices in a competitive industry" (Means 1935a, 1). Here, Means uses the term "competitive" to refer to an industry that is highly concentrated yet contains few firms competing with each other.

the same period. Consequently, the decrease in agricultural production remained small in contrast to industrial production, which declined severely during the Great Depression.

In his few writings that cite Keynes, Means provides an account of how his and Keynes' views substantially differ about the role of price rigidities in the making of the Great Depression (Means 1957; 1976). He claims that while his explanation of the Depression mainly relies on price and wage inflexibilities[8], "[…] these were not relevant or necessary to his [Keynes'] theory" (Ware 1992, 340).[9] Means suggests that the only channel that money balances affect aggregate demand in Keynes' analysis is through interest rates. Keynes' explanation of persistent unemployment fails because "[…] it rests on the faulty postulate that money does not affect the level of aggregate demand directly" (Means 1976, 63). Following his disappointment with Keynes' analysis, Means decided to stick to his own version of aggregate demand theory, which was truly anti-Keynesian, as Lee (1994) establishes.

Apart from theoretical considerations, differences between the policy proposals of Keynes and Means are also well documented. Lee, who promotes Means as the most prominent PK author, paradoxically, provides one of the most compelling texts into how the National Resources Planning Board (NRPB) policies of the Great Depression-era contained a conflict between the ideas of Keynesian macro-level interventionism and industry-level planning *à la* Means (Lee 1990a). With his co-author Paul Downward, he also provides econometric evidence that Means' linking of administered prices to industrial concentration was flawed, which undermines the reasoning behind Means' proposals for antitrust policies (Lee and Downward 1999). Disagreements between American institutionalists and Keynesians were so deeply rooted that they eventually resulted in resignation from the NRPB (Lee 1990a; 1994; Rutherford and Desroches 2008).

In regards to the implications and theoretical explanations of price rigidities, Means distanced himself not only from Keynes but also PK and/or Marxian scholars such as Nicholas Kaldor, Michal Kalecki, Joan Robinson, or Paul Sweezy who published on similar subjects. In the very few cases where he cites Robinson, he does so to challenge her theory of imperfect competition or her interpretation of Keynes (Means 1976). He suggests that both Chamberlin's and Robinson's versions of imperfect competition suffer from a lack of price rigidities, which makes them incompatible with real-world observations (Means 1939, 139n; 1957, 290; 1970, 21). This stands partly understandable as Robinson's analysis relies on differentiable marginal cost and marginal revenue functions, whereas Means was in search of explanations for rigidities. What is more remarkable is his complete neglect of Sweezy's influential paper about the very subject of price inflexibilities (Sweezy 1939). The well-known kinked demand curve of Sweezy contains a non-differentiable point, which places it closer to Means' analysis rather than marginalist explanations. Despite the fact that shortly after its publication Sweezy's paper became a standard theoretical source of reference about price rigidities, Means never cited it, even to explain how it differs from his own version. Means' disregard of relevant literature is not limited to the theoretical sphere. In the 1930s, various studies provided tests for the existence of industrial price rigidities[10] with

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[8] See also "The Major Causes of the Depression" in Lee and Samuels (1992, 80–82).
[9] Although Keynes (2013, 267) in The General Theory explicitly states that wage flexibility does not guarantee full employment, therefore, his analysis does not necessarily rely on rigidity assumption, both Means and Wire oddly prefer to quote a private conversation with Keynes, instead of a printed source.
[10] See Lee and Downward 1999 for a summary.

both supporting and opposing evidence. However, a person reading through Means' pre-WW2 texts might have the impression that he never received any sort of criticism that was worth a response.

Despite its criticisms and counter-arguments, Means' administered prices regained popularity during the post-War inflationary era in the US. In 1957, the Kefauver Committee launched an investigation into whether cartel deals in oligopolistic industries were at the root of inflation. The 1.5 thousand page long proceedings entitled "Administered Prices" contain an extensive presentation by Means that underscores managers' aspirations to raise profits in concentrated industries behind the surging inflation. Anti-inflationary proposals in this text include a mixture of central planning, government surveillance on prices, and anti-trust policies. By the 1970s, Means cited stagflation as new evidence supporting administered price thesis (Means 1972; United States Senate 1974, 344–60). He suggested that rising industrial prices despite the fall in demand provided another support to his thesis. He used new price data not only to support his case but also to thwart the data manipulation and cherry-picking claims by Chicago School economists Stigler and Kindahl (1973). This remains one of the few instances where Means responded to his critics.

In summary, Means presented administered prices as a notion, not to support Keynesian or PK theses, but to underscore the differences of his analysis and subsequent policy recommendations from them. He avoided any sort of communication with PK or Marxian economists in forming his theoretical stance. And finally, many economists, including those who would agree with the existence of price administration (such as Blair 1959) or those who deny it (such as Stigler 1962) underscored the weakness of theory in Means' analysis, which could be improved in collaboration with PK or Marxian economists who dealt with similar issues.

Administered Wages

Means does not confine his quarrel with the orthodox economic theory to the product market. In Means (1957), he suggests that the classical theory uses the same kind of analysis for both commodities and labor, which results in its inability to explain persistency in unemployment. For him, there is no such a thing as the market-clearing competitive wage rate, therefore the level of employment is totally demand determined:

> Labor is not a commodity, and wage rates are not flexible but a form of administered prices. […]
>
> Would each worker come into the market each day and offer a basket full of 'labor,' and would employers 'buy' a fresh lot of labor each day? This just does not make sense. A worker cannot sell his labor apart from himself; an enterprise cannot use labor apart from the persons who constitute it. And an essential part of the value of 'labor' to an enterprise is the familiarity of the persons constituting 'labor' with the equipment or affairs of the enterprise employing them. This means that a free market and flexible prices for labor are not feasible if big factory or corporate enterprise is to be efficient. (Means 1957, 289)

He follows that wages are administered either unilaterally by the employers or through agreement with unions:

> […] under the factory system and even more under the system of collective enterprise, wage rates tend to be administered. In the absence of labor organization, the wage rates are set by management are likely to be only very crudely related to the equating of the supply and the demand for labor. Labor organization makes the administration of wage rates bilateral; it does

> not convert classically competitive prices for labor into administered prices. (Means 1962, 270–71)

The ideas that analysis of the labor market should differ that of the goods market, and wage rate does not necessarily adjust to unemployment level to bring the labor market into equilibrium, place Means' analysis somewhat close to PK economics, although, as in the case for the firm or the price theories, he does not cite that literature. Like Means, in his treatise on post-Keynesianism Lavoie (2015, 275–76) underscores the differences between "the markets for peanuts and broccoli" and the "labor market"; and how these differences make social norms important in the determination of wages and labor contracts. He further explains how, in the case of excess supply, wage reductions may exacerbate unemployment, from alternative PK perspectives. In this sense, Means' ideas and Lavoie's treatment of PK labor market analysis seem perfectly consistent.

However, Means' labor market analysis also contains a profoundly false, if not colonialist, claim that PKs would – or should – avoid. In the lines that I quoted in the epigraph about the labor markets in the "oriental bazaars" he claims that the orthodox theory can only succeed in explaining highly competitive markets, such as agriculture, as implied by his "orange" metaphor[11]. In fact, agriculture remains the primary sector where we should be careful about when applying Marshallian economics because of the "perverse supply" behavior frequently observed in small-scale farming (Ozanne 1999). Even Alfred Marshall (1988, 439*n*) clearly states that peasants may increase their labor supply in response to income losses caused by falling prices: "Bad harvests, war prices, and convulsions of credit have at various times compelled some workers, men, women and children, to over work themselves. And cases of ever increasing exertion in return for a constantly sinking wage, though not as numerous now as is often alleged, have not been very rare in past times". Therefore, Means lags behind even the orthodox theory when he asserts that it is perfectly applicable to small-scale agriculture.

The reason Alfred Marshall thought his theory would not fit well into agriculture stems from his view that certain "ignorant and phlegmatic of races and of individuals, especially if they live in a southern clime" (Marshall 1988, 439) would prefer to work less if their numerations increase.[12] A similar colonialist argument can be followed in Julius Boeke, who maintained that laws of demand and supply applicable to western societies would not work in the east (Ozanne 1999, 253–54). PKs corrected this misconception by detaching the notion of negatively sloped labor supply curve from the earlier orientalist or colonialist dichotomies, such as western vs. eastern or developed vs. primitive (Appelbaum 1979; Eichner 1979). Their view that labor cannot be treated like any other good does not contain geographical or cultural contexts. Therefore, Means' idea that it is acceptable to treat labor as oranges in countries like early 20th century Turkey does not seem consistent with a PK perspective.

Conclusion

Means brought notable issues to the attention of economists and policymakers. The evidence he provided regarding the diffusion of ownership, as well as the separation of ownership and control across U.S. companies, prompted a fruitful discussion among social scientists. Industrial price rigidities,

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[11] Similar set of arguments can be found in his earlier works in greater detail such as Means (1935a) or Means (1942).

[12] Here, Marshall adds a racist tone to what is known as the "utility of poverty" argument. In doing so, he actually lags behind Adam Smith, who strongly dismissed that argument (Martin 2015).

confirmed partially by other researchers, have been a true challenge to established economic wisdom. The notion of price rigidities retains its importance as an empirical possibility in the current economics literature while underlining theoretical explanations may vary. At the policy level, he influenced the transformation from the *laissez-faire* approach to government interventionism in combatting the Great Depression. On both theoretical and political grounds, he certainly had a heterodox stance.

However, the evidence I provide in this paper shows that Means' heterodoxy substantially differs from that of post-Keynesianism. Despite the existence of alternative definitions, PK economists delineate their intellectual stance with reference to a certain economic tradition. In the heart of that tradition, without a doubt, lies the works of Keynes. In Lavoie's terms, "[…] this tradition extends and generalizes the seminal ideas that were developed by the radical followers of John Maynard Keynes (hence the term 'post-Keynesian')" (Lavoie 2015, 4). Means, in contrast, spent most of his career in an effort to construct an economic theory that contradicted Keynesianism. This was clarified not only by Lee (1994) who used the term "anti-Keynesian" to describe his theory of employment, or by economic historian and his wife Ware (1992) who stated that Keynes' and Means' ideas were at odds at the theoretical level, but also by himself in his various writings that I quoted throughout this work.

Means positioned himself as a rival not only to Keynes but also to Robinson, one of the most prominent PK economists. He dismissed Robinson's analyses of imperfect competition as an extension of Marshallian tradition. Nor did he show any interest in the contributions of other great figures of PK theory, including Nicholas Kaldor, Luigi Pasinetti, Paul Davidson, and many others. Likewise, in the cold-war era, Means spent much effort to prove Marx's conceptualization of labor exploitation was no longer valid, unlike many PK and other heterodox economists who integrate the Marxian notion of class struggle in their analyses. In other words, he either disliked or remained indifferent to any strand of economic thought associated with post-Keynesianism. Finally, his idea that Marshallian economics remains plausible only when applied to a pre-industrial country like Turkey, is untenable from any perspective, post-Keynesian or not.

As I state in the introduction, PK economists are divided in their interpretation of Means' contributions. While certain authors consider him as one of the greatest contributors to PK theory, the majority do not mention any of his works. The evidence that I present in this paper suggests that it would be against Means' will to include him in any school of thought associated with Keynes or the post-Keynesians.

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