Uncertainty, class, and power

Engelbert Stockhammer
engelbert.stockhammer@wu-wien.ac.at
Wirtschaftsuniversität Wien, Vienna, Austria

The author is indebted to Louis-Philippe Rochon, Elisabeth Springler, Nik Hammer, and Paul Ramskogler for insightful discussions on various issues of this paper. The usual disclaimers apply.

abstract
This paper explores the links between uncertainty and power. It is argued that Keynes assumed that uncertainty exists in different degrees. Moreover, various agents in the economy face different qualities of uncertainty. For the investor uncertainty is the uncertainty over the outcome of an investment project, for the worker uncertainty most importantly comes in the form of job insecurity, and the capitalist has to deal with the uncertainty arising from potentially conflicting interests of workers. Like liquidity for the investor, power in the firm can provide an insurance against an uncertain future for the capitalist. Social and economic institutions hence can influence the distribution of uncertainty, may become the focus of social conflicts.

keywords: fundamental uncertainty, institutions, class, power, distribution, Post Keynesian Economics

JEL code: B50, D80, D89, M50
Fundamental uncertainty has become a cornerstone of Post Keynesian economics. In part this was in reaction to the Rational Expectations revolution in the late 1970s and early 1980s, in which proponents of the theory of Rational Expectations (Lucas 1972, Lucas and Sargent 1981) argued that Keynesian economics was fundamentally flawed in that it relied on the assumption of adaptive or exogenous expectations. As a counterpoint, Post Keynesians (Davidson 1982) highlighted the concept of fundamental uncertainty. This had already figured prominently in the *General Theory* and in the following QJE article (Keynes 1937) and in the work of Shackle. But it gained its full force only as an alternative to the Rational Expectations hypothesis. Somewhat later, the concept of uncertainty also gained prominence in a more methodologically oriented discussion in the course of which Keynes *Treatise on Probability* was rediscovered (Lawson 1985).

Fundamental uncertainty claims that significant parts of economic decisions are made under conditions where the outcome of these decisions is not subject to a probabilistic calculus (in any meaningful sense of the word), but rather cannot be determined by scientific means. Thus decisions in such circumstances are based on emotions or conventions. Typically such conditions apply to decisions that involve a long time horizon and involve irreversible costs, what Shackle called ‘crucial experiments’.

Fundamental uncertainty is a result of the fact that economic processes in the real world do not follow ergodic pattern. Under such circumstances no probability distribution for outcomes can be given. This inability to give probability does not merely reflect the limited knowledge or information processing abilities of humans but is a reflection of the openness of the historical process in which human societies and economies evolve. “Uncertainty in general refers to
situations where probability cannot be measured. This immeasurability arises from the nature of the real world” (Dow 1995, 118). The interpretation of the economic processes as non-ergodic ties back to Joan Robinson’s emphasis that economic processes take place in historical rather than logical time (Robinson 1974). Lawson used the term ‘open system’ to describe societies to highlight the openness of historical developments that involve novelty and innovation. It is this historical openness that gives rise to the uncertainty that individuals are confronting in their decision making.

Indeed Fundamental Uncertainty is often cited as core concept in defining Post Keynesian economics. In particular in a frequent distinction between Kaleckian, Sraffian and Fundamentalist Post Keynesian approaches, the latter is often associated with its emphasis on uncertainty and, in consequence, its distinct role of money (Gerrard 2003).

This paper sets out to argue that the Post Keynesian discussion of uncertainty at the same time overrates and underrates the concept of uncertainty. The paper will argue that since uncertainty is crucially shaped by social institutions and structures, not the least power and class structures, it is not fit as a foundational concept. In this sense, the paper argues uncertainty is overrated. The concept of uncertainty, however, is also underrated, as it has implications beyond the investment decisions that are usually the focus of discussion. Building on Dunn’s (2000) discussion of uncertainty and the theory of the firm, it is argued that the concepts of uncertainty and of power in class relations are intimately linked, unfortunately though, this link has thus far been neglected. In this sense, uncertainty is underrated.
The paper is organized as follows. Section one reviews the discussion or lack thereof on power in Post Keynesian Economics and in the labor process debate. Section two introduces the concept of uncertainty and the Post Keynesian debate. In section three the hypothesis that the degree of uncertainty can vary with the institutional setting is pursued. In section four it is established that different actors face different qualities of uncertainty and consequently there may be distributional conflicts around uncertainty. The Post Keynesian theory of the firm as an institution to deal with uncertainty and how this is related to power relations is discussed in section five. Section six highlights some implications of fundamental uncertainty for the objective of the firm and section seven concludes.

**Power**

Relations of power and class are barely theorized in Post Keynesian economics. Significantly, the Elgar Companion to Post Keynesian Economics (King 2003) does not have an entry for power. Class relations, at least in the sense of class as defined by wage and profit income, underlie Kaleckian as well as Sraffian economics, however, class relations are posited rather than analyzed and power plays little if any role in the analysis itself. Worse still, in the Fundamentalist version of Post Keynesian economics power plays next to no role. All this is surprising given that in the founding issue of JPKE Joan Robinson (1978) as well as John K. Galbraith (1978) highlighted power relations as an important field of research for Post Keynesians.

Galbraith presented a vision of modern economies as highly organized, with organizations and institutions playing a crucial role. These institutions are motivated by people seeking to “gain greater control over their own lives” (Galbraith 1978, 9) and incomes. They would do so by
founding organizations, asserting some unique capacity or through the state. Modern economies (and prices therein) are thus characterized by institutions striving for power rather than by competitive markets. Galbraith had elaborated his theory of power in his previous work (Kesting 2005). For Joan Robinson Post Keynesian economics should aim at creating a synthesis of Keynes’ short run analysis and Sraffa’s long run analysis. It is in the determination of the growth of real wages “where bargaining power and the class war come into the argument” (Robinson 1978, 17). Thus the issue power figured prominently in the founding of Post Keynesian economics, though it has received only limited attention since. A search for the keyword power in either title or abstract shows that some 25 article in the JPKE deal with power (excluding articles referring to purchasing power and similar concepts), eight of these are based on Kalecki’s concept of monopoly power (mostly empirical), seven in two symposia on Galbraith. Among the remaining nine four deal with issues of international trade or finance and only the remaining five (in 26 years) elaborate on other aspects of power. Only one highlighted potential relations between uncertainty and power (Dixon 1986).

In a short note on Shackle Dixon argues while neglected by Shackle himself “the analysis of power and of control (…) is a logical corollary of Shackle’s analysis of imagination, uncertainty and expectation.” (Dixon 1986, 585). “A lack of certainty may be countered by two imaginative or creative processes (i) conjecture (…) and (ii) control (neglected by Shackle), whereby decision makers attempt to control the consequences of their own decisions in order to prevent their desires to be thwarted by others” (Dixon 1986, 588). In other words, establishing power over others is one strategy of dealing with uncertainty. The argument to be presented in this paper is similar in spirit. We will highlight that uncertainty is shaped by social structures and institutions, and that uncertainty can be ‘distributed’. Furthermore, building on Dunn’s (2000) analysis of the
firm, it will be shown how uncertainty is countered by power relations based on class positions in
the production process.

Following Lukes (1974) discussions of power usually distinguish between power over and power
to. Power over refers to a social relation, where one agent has the ability to impose his will onto
others; power to refers to the capacity of humans to achieve or acquire something, thus usually
not a social relation but a relation between humans and innate objects. The power-to relations are
further differentiated into overt, covert and latent relations. Overt power occurs in situations of
open conflicts. Covert power refers to situations of suppressed conflicts and latent power refers to
constellations where the suppressed side is not (yet) aware of its own interests and suppression.
In this scheme this papers deals with overt and covert power relations.

The paper will discuss the relation of uncertainty and power, first on a general level and later
with regard to the theory of the firm. There power relations between entrepreneurs and workers
will be highlighted, in part in line with Marxian analysis, but from a different angle, namely that
of uncertainty. In Marxian analysis power is mostly, but not exclusively, based on class relations.
The exploitation of workers, be they wage laborers, feudal serves or slaves is based historically
specific power relations embodied in the state, but also in ideology. Only in the 1970s, after
Braverman (1974), were power relations and power struggles in production (rather than in and
around the state) theorized by Marxists in what came to be called the labor process debate.

Of particular interest for our approach is the work of Burawoy (1985), an industrial sociologist
who distinguishes between different factory regimes, that is relations in production, which shape
the experiences and interests of workers. Burawoy argues that the interest of workers cannot, as
in Orthodox Marxism, be taken as given (and assumed to be antagonistic to those of capitalists), but it is various ideological apparatuses of the state and in the factory that shape the interests of workers. The capitalist mode of production itself has a basis for conflict (in particular the case of increasing exploitation) as well as for hegemonic cooperation due to the fact that workers in capitalism, contrary to feudalism, depend on the production and reinvestment of surplus value. The interests of workers thus ultimately are determined in the political sphere.

**Uncertainty in Post Keynesian Economics**

To clarify the concept of uncertainty, let us quote a well known passage from Keynes:

"The sense in which I am using the term is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest twenty years hence, or the obsolescence of a new invention, or the position of private wealth-owners in the social system in 1970. About these matters there is no scientific basis on which to form any calculable probability whatever. We simply do not know. Nevertheless, the necessity for action and for decision compels us as practical men to do our best to overlook this awkward fact and to behave exactly as we should if we had behind us a good Benthamite calculation of a series of prospective advantages and disadvantages, each multiplied by its appropriate probability, waiting to be summed." Keynes 1937, 214

Keynes did not claim that all relevant processes were subject to fundamental uncertainty. Rather he cites a game of roulette as an example. Moreover “the expectation of life is only slightly uncertain. Even the weather is only moderately uncertain.” (Keynes 1937, 214). It seems that Keynes viewed the world as consisting of different degrees of uncertainty rather than in a dichotomy of uncertainty and probabilistic certainty. Below we shall return to this point.

Uncertainty has proved a key concept in Post Keynesian Economics. Several important implications have been derived. Firstly, uncertainty is the basis for liquidity preference. Investors
keep liquid assets despite the low return associated with them to maintain flexibility (Davidson 1994, Chap 6). Secondly, some Post Keynesians have derived a privilege of short run analysis from uncertainty (Vickers 1993). Thirdly, the possibility of structural breaks and sudden shifts in behavior have been highlighted (Lawson 1985, Keynes 1973, 315f). Fourthly, the rejection of ergodicity necessities open system analysis in historical time, which has far reaching methodological implications (Lawson 1985). Finally, Keynes did not only conclude from the existence of fundamental uncertainty that people would be caught in paralysis or random voluntarism, but suggested that they would adopt and submit to conventions of behavior, rules of thumb and the like, not the least because they could not bear admitting that they "simply don't know" what the consequences of their actions will be.

Uncertainty – how much of it?

It follows from this last argument that institutions can temporarily stabilize the economic system by providing a frame of reference against which people would evaluate their expectations and behavior. However, this view is not shared by all Post Keynesians, and one may distinguish between proponents of fundamental uncertainty and those conditional uncertainty (Ramskogler 2006, Chap. 1). Crotty argues that the in times of stability behavior based on ergodic expectations may stabilize temporarily. “In tranquil periods confidence develops in the conventional view that there will be a great deal of continuity between the future and the relevant past. Under this convention, forecasts may, for a time, take on the character of self-fulfilling prophesies that reinforce confidence in the conventions that sustain extrapolative expectations” (Crotty 1994, 124). However, “conventional decision making can never sustain more than conditional stability. Periods of coherence will occasionally be disrupted by bouts of disorder” (Crotty 1994, 127).
Similar arguments had been made by Lawson (1985), who speaks of ‘contingent laws’ arising from conditional behavior. In the debate on the relation between asymmetric information and fundamental uncertainty Dymski (1992, 1993) distinguished between tranquil and turbulent times. In tranquil times actual stability of the economy leads people to behave as if the world were ergodic, which may work well for a while. Uncertainty is thus, according to Dymski, suspended. In turbulent times on the other hand, fundamental uncertainty rules and people realize the unpredictability of the economy.

These arguments, however, are subject to controversy among Post Keynesian. However, this should not overshadow the fundamental agreement on the basic policy implication: The core of the policy conclusions of Post Keynesians is that institutional arrangements, usually through the state, are needed to stabilize the economy. “Post Keynesians are institution builders as it is institutions that can provide stability in the face of uncertainty, and if designed correctly, stability near full employment.” (Dunn 2000b, 358). The relevant institutional arrangements include arrangements to stabilize exchange rates (Davidson (2003, 262), monetary policies that aim at stabilizing output (“functional finance”) as well as automatic stabilizers of fiscal policy. Hyman Minsky in particular has argued that a strong state sector (“big government”) is needed to counter the periodic phases of instability that emanate from the financial sector.

Implied in these arguments it would seem that the amount of uncertainty is influenced by the institutional setting. Indeed, Keynes repeatedly spoke of ‘the degree of uncertainty’.

1 However, it is rarely stated explicitly, that uncertainty is reduced by institutions. Rather, as in the quotation

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1 Next to the citation that “the weather is only moderately uncertain” (Keynes 1937, 214), quoted earlier, Keynes notes that “our desire to hold Money as a store of wealth is a barometer of the degree of our distrust of our own calculations and conventions concerning the future.” (Keynes 1937, 216). Emphasis added.
above, institutions are thought to create *stability*. Does increased stability also lead to (at least temporarily) reduced uncertainty? I have not found an explicit discussion of the relation between uncertainty and stability, but presumably they are inversely related.

While it is clear that there are decisions that are being made under conditions of fundamental uncertainty, it is less clear what these are, or to be more precise, how to identify them. The most frequently cited example is that of investment expenditures with a long time horizon and sunk costs. Indeed, if investments were reversible, uncertainty would not matter. However, it has frequently been noted that uncertainty has potentially a much broader range of application. Due to ubiquitous transaction costs many decisions are not fully reversible. Davidson (1996) in particular list production and demand for durable consumption goods. In section five uncertainty in production will be discussed further.

If accepts that uncertainty can vary in degree, two conceptual questions arise: first, how can institutions reduce uncertainty? And second, is the degree of uncertainty uniformly distributed throughout society or can uncertainty be 'redistributed'? Both questions have received little attention in the Post Keynesian debate so far.

How can institutions reduce uncertainty? The simplest channel is, as hinted to above, is that institutions, in the sense of rules of thumb may stabilize expectations by creating behavioral regularities. Simply put, if everyone or even a critical mass of individuals follows the same conventions, the behavior of other will be predictable.2 This type of uncertainty reduction need

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2 However, note that such rules of thumb may also give rise to instability rather than stability. The foremost example of this would be Minsky’s endogenous expectations on financial markets: a period of stable growth may give rise to less risk averse behavior, which eventually destabilizes the system.
not involve the state but may emerge spontaneously. Crotty (1994) and Lawson (1985) argue that these behavior regularities will be historically contingent and may eventually, and abruptly, be overthrown. However, we are interested here in the implicit assumptions of purposefully designed reductions of uncertainty as argued by Post Keynesians, which usually involves the state.³

First, the range of phenomena that are subject to uncertainty as opposed to plausible or reasonably reliable probability distributions may be affected. The establishment of automatic stabilizers will prevent excessive business fluctuations; the Bretton Woods arrangements stabilized exchange rates and prevent the exchange rate crises from occurring. Thus the plausible range of values that key variables can take will be limited. Second, the outcomes in worst case scenarios may be affected. While the expected value of an investment project may still be uncertain, the results for the investor in case of a failure may be affected.⁴ The establishment of a social security system or credit guarantees (often to compensate exchange rate risks) would be examples for this. Once it is established that institutional arrangements can reduce or increase uncertainty, the related question arises, whose uncertainty can be reduced? Is uncertainty reduced (or increased) uniformly or asymmetrically for some groups?⁵

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³ An implicit assumption of many Post Keynesian arguments is that the State can make ‘certain’ commitments. While this is certainly plausible in the short run, it is not clear why this should be the case beyond the short run. Are only economic processes/decisions subject to uncertainty? Should political processes and arrangements not be subject to uncertainty? It would seem that the assertion, implicit or explicit, that the state can provide stability at least in part is based on lack of analysis of the state and the political and social coalitions that state arrangements are based on.

⁴ Thus the attention is shifted from the uncertainty regarding the outcome of a decision to the uncertainty regarding the consequences of a decision.

⁵ The notion of uncertainty being distributed may sound strange to many Post Keynesians at first. However, already Keynes not only noted “Many of the greatest economic evils of our time are the fruits of risk, uncertainty and ignorance. It is because particular individuals, fortunate in situations or abilities, are able to take advantage of uncertainty and ignorance”, but also “it may even be to the interest of individuals to aggravate the disease.” (Keynes 1972, 291f). Thus some individuals do want higher uncertainty, presumably, because the potential gains and costs are distributed unevenly. In other words, uncertainty is also a distributional issue. I am grateful to Paul Ramskogler for bringing this quotation to my attention.
**Distribution of uncertainty**

The types of uncertain outcomes faced by economic agents differ *in quality* with their respective backgrounds. Workers and capitalists, men and women, native workers and migrant workers, skilled and unskilled workers confront different sets of choices and, consequently, different qualities of uncertainty. In the following, the discussion will focus on workers versus capitalists. This focus is due to the fact that Post Keynesian analysis usually focuses on the decisions and uncertainty of the investor (capitalist), the analytical complement of which is the worker.\(^6\)

However, our analysis should be extended to other fault lines of society, to give a more complete picture.

For the capitalist uncertainty in conventional Post Keynesian analysis refers to the pay off of an investment project (according to circumstances, the investment project can be a financial investment or involve physical investment). Note that there are several dimensions to the uncertainty faced by our investor. The following is not a complete list of factors, but merely serves to illustrate these different dimensions of uncertainty. First, the issue of a certain type investment project (say one involving a novel technology). This may involve whether the new technology holds in practice what it promised in blueprint, but it may also depend on consumers’ tastes. This may also depend on macroeconomic circumstances (The limited demand for flat screen TVs in Ethiopia probably has more to do with the country’s per capita GDP than with its inhabitants’ preferences). Second, if a certain type of investment project is successful, the question becomes whether the specific investment project, that is *her* investment project, will...
succeed. This may depend crucially on the forms of competition in a sector, on first mover advantages and the like. However, this is not the end of the story. A third issue is, what happens if the investment project fails. This will depend on the bankruptcy and other laws, on the tax and subsidy system in place, on the wealth of the investor and, in case her wealth is small, on the country’s social security system.

Thus various social structures will influence the amount of uncertainty. The amount of uncertainty faced by society will typically differ from the amount faced by an individual capitalist. Moreover, the uncertainty relevant in investment decision may depend on not only on the expected outcome of the project and the uncertainty associated with it, but also on the uncertainty of the outcome in case the project fails.\(^7\)

How does uncertainty look from the perspective of the worker? Here uncertainty mostly is the uncertainty of having a job or not. The workers’ uncertainty will thus first of all depend on macroeconomic conditions, namely the unemployment rate, but then also on job protection legislation and, in case he gets unemployed, on the rate of job turnover in the economy and its unemployment insurance system. Thus while the worker has fewer decisions to make than the capitalist, he is nonetheless affected by uncertainty. Somewhat simplified we could say that the typical form of uncertainty faced by the capitalist is that of uncertainty with respect to the outcome of an investment project, whereas the typical form faced by a worker is that of job insecurity.

\(^6\) Moreover class distinctions are neglected in economic theory except for Marxian theory despite the increasing polarization in functional income distribution.

\(^7\) It may sound strange, at first, to have social security influence investment decisions, since in modern societies we tend to think of investors as choosing between different types investment projects, rather than them potentially ending up in the lines of the unemployed (though some do end up in jail). But this reflects the fact that most
Since capitalists and workers face uncertainty over different issues, which is affected by different types of state intervention, it follows that uncertainty can be redistributed. Different types of state policies will have affects on who faces uncertainty and to which degrees. One consequence of this is that one would expect conflicts over the distribution of uncertainty. Indeed, in a famous book the sociologist Ulrich Beck (1992) had argued that social conflicts in modern societies are not conflicts over the distribution of income but over the distribution of risk. The sense in which Beck is using risk is often close to the Keynesian notion of uncertainty.

Uncertainty hence is not an ontological constant, but subject to struggles over distribution. In particular some groups may wish to increase the uncertainty faced by others in order to increase their own power. Owners of capital goods may oppose an unemployment insurance system because it will make workers more demand in terms of wages. A labor relations system without restrictions on firing may allow investors to shift substantial parts of the burden of uncertainty onto workers. These examples do not imply that uncertainty is zero sum game, quite on the contrary, well designed state intervention may reduce uncertainty for society overall. Rather the examples highlight that uncertainty can be subject to distributional struggles and it may be in the strategic interest of some groups to increase the uncertainty for others.

**Uncertainty, power and the firm**

Dunn (2000) proposes a Post Keynesian theory of the firm. The starting point for his argument is the standard question why firms, defined in the spirit of Coase (1937) with reference to control
and command structures, exist rather than production being fully organized via markets. Of course already Marx (1974, 279f) had noted the contrast between the perceived contractual freedom of the market place where labor power is hired and the reclusiveness of the sphere of production. In contrast to New Institutional Economics, Dunn argues that the rationale for the existence of the firm is not that it is efficient in the sense that it reduces transaction costs. Rather the institutional form of the firm is chosen to deal with uncertainty. If the world is uncertain, it is not too costly to specify all possible situations, it is plainly impossible to specify all possible situations.

Uncertainty here refers to the (unexpected) contingencies of the production process and to the fact that ubiquitous transaction costs make it costly to undo various arrangements in production. Control/power in the sphere of production plays a role similar to that of liquidity in the financial market: it is a strategy that allows to maintain a degree of flexibility in a situation where irreversibilities reduce flexibility. The firm understood as a hierarchical organization can thus be interpreted as a reaction to uncertainty. Such an approach has far-reaching implications for the wage-labor relation, which Dunn does not elaborate on.

There is another factor of uncertainty in production that Dunn fails to appreciate. This is the simple, but fundamental fact that labor is a factor of production very much unlike the other factors (such as machinery, energy or raw materials). While machines work or break down according to the laws of physics that may be hard to understand in detail, but are in principle deterministic, workers as humans can work with varying intensities depending on whether they are distracted, motivated, depressed, upset and they may even go on strike. In other words, at
least to some extent their behavior is uncertain. In Marxist terminology, this is the issue of the
eextraction of labor out of labor power. Burawoy (1985, 27) highlights that this creates an
“uncertainty in the realization of labour power in the form of labour. This new problem
inaugurated capitalist management.”

In reaction to uncertainty power relations are created.\(^8\) However the analysis implies even more
than that. Exercising the potential of control at every occurrence of such unforeseen disturbances
would be extremely costly. Due to the unpredictable nature of the contingencies of the production
process, the capitalist has to rely to some extent on the cooperation of the worker. This of course
introduces a delicate balance into the labor relation, where the capitalist on the one hand wishes
to maintain full control and on the other hand has to rely on the loyalty and initiative of the
workers. Burawoy reaches a similar conclusion, but in his view the delicate balance is due to the
potentially conflictive relation between workers and capitalists. After all “the dilemma of
capitalist control is to secure surplus value while at the same time keeping it hidden” (Burawoy
1985, 32). Thus the capitalist strategy to deal with uncertainty will typically rely on control as
well as (hegemonic) cooperation.

The other implication of the control strategy against uncertainty leads into standard Marxian
terrain. The establishment of power relations will only be a viable option for a potential capitalist
if there is a group of people that is willing to enter a such. In Marx terminology this condition is
the existence of the laborer who is double free: free from the means of production and free to sell
his labor power (Marx 1976, 272). Both refer to historical process by which the immediate

\(^8\) Our analysis of course does not imply that the existence of uncertainty itself has led to the establishment power
relations. Rather power strategies have proven dominant historically. This has implied an asymmetric sharing of the
(agricultural) producers were divorced from their means of production and the legal system was rearranged such that people became free to sell their labor power.

Moreover, the power relation (described by Marxists as a relation of exploitation) will only be maintained, if the worker has something to loose by quitting his job, i.e. unemployment is a necessary feature of a system with firms built on control and hierarchy. „Under a regime of permanent full employment the ‘sack’ would cease to play its role as disciplinary measure“ (Kalecki 1943, 351). Again, this is an argument long established: the disciplinary function of the reserve army of the unemployed and rediscovered in the version of efficiency wage theory in the early 1980s.

It would thus seem that while starting with the Post Keynesian concept of uncertainty in the realm of production has led us straight to Marxist analysis. However, there is more that the concept of uncertainty can contribute to our understanding of the labor relation. Uncertainty is crucial in understanding the firing threat. At the core of wage labor relations is that workers submit to control because they are afraid of being dismissed. The fact that most dismissals are related to problems of demand rather than problems of work discipline does not affect our analysis. The key point for our argument is that dismissal is most effective as a threat, not as actual punishment. To maintain work discipline it is crucial that any worker could be dismissed.

Indeed, if the work contracts were fully specified, i.e. if it exactly specified all conditions under which a worker would be dismissed, firing would cease to be threat in a psychological sense. It costs of uncertainty. The socialist utopia is a project where uncertainty problems are not solved by means of liquidity and power, but in a solidaristic fashion.
would become a known parameter on which one could base a decision. It is only uncertainty, the potentiality, that turns dismissal into a threat.\textsuperscript{9}

One natural implication of the above is that issues of unemployment insurance, job protection and even macroeconomic policies become a subject of struggle between workers and capitalists. This point had been made forcefully by Kalecki (1943).

**The firms’ objectives and strategies**

So far we have discussed the firm in terms of a binary class analysis, i.e. capitalists and workers. Such a stylized analysis of course does not do justice to the complexities of actual class structures. The justification for this simplification is that most Post Keynesian discussions of uncertainty operate at a similar level of abstraction by analyzing ‘the investor’ or ‘the entrepreneur’. A paper whose task it is to establish the link between uncertainty, class positions and power, will use the same convenient simplification. However, our argument about uncertainty and power in the firm has further important implications that lend themselves to a richer class analysis.

Another consequence of fundamental uncertainty with respect to the theory of the firm is that profit maximizing in any strict sense of the word is impossible. There is no objective yardstick by which to judge the effectiveness of a given management strategy, there only is an actual balance sheet that, by the end of the year, may determine survival or bankruptcy of the firm. It is therefore

\textsuperscript{9} Our argument presupposes that the worker prefers being employed to being unemployed. In an economy with permanent full employment again there would be no firing threat, because the worker would not be afraid of being fired.
unsurprising that we observe the successive waves of different management strategies, with respect to business organization (neatly summarized in Dobbin 2005, 30-32) as well as with respect to labor organization (next to Burawoy 1985, see also Gordon, Edwards and Reich 1982).

Different management strategies may also exist under conditions of perfect foresight, if we assume conflicting interests. But these will become more important, once even well defined goals do not necessarily correspond to well defined strategies. Indeed, there will not be an a priori objective of the firm. Rather the firm’s goal will be an outcome of the different power constellations between owners, management, workers and stakeholders. Stockhammer (2005) presents a simple model, where the firm’s objective function is the outcome of power struggle and uses it to analyze the effects of an increase in shareholder power.

Conclusion

This paper has highlighted the intimate link between uncertainty and power. Like liquidity for the investor, power in the firm will in many circumstances provide an insurance against an uncertain future for the capitalist. In a world, where most transactions are associated with sunk costs and humans are mortal, uncertainty will be a much more general phenomenon than the long time horizon investment decision typically given as an example. Production processes not only involve uncertainty due to all kinds of technical and organization contingencies, but human agency and overt or covert conflicts of interest between capitalists and workers will create additional sources of uncertainty. Thus uncertainty in the production process is closely linked to the emergence of power along class lines.
Uncertainty, so to speak, has a subject and an object. Someone is uncertain about the outcome of some decision or the stability of a given situation. Social structures of various sorts will determine who is concerned about what kinds of uncertainty, they may influence the degree of uncertainty that different groups of people are facing. These social and economic institutions, and hence the distribution of uncertainty, may become the focus of social conflicts. Finally, the acquisition of power over others may be a strategy to overcome uncertainty. Uncertainty is therefore an important and insightful concept, however it is not concept that serves well as a foundational concept. Uncertainty is not an ontological constant, it will typically be distributed asymmetrically according to the institutional setting and class structure of the society. To understand the functioning of the economy Post Keynesians have to look not only at the consequences of uncertainty, but also at its origins and its distribution.

References


