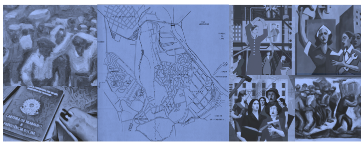

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Commons e Keynes: notas de aproximação entre o Institucionalismo e o Pós-Keynesianismo

Commons and Keynes: some notes on approximations of institutionalism and post- keynesianism

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RESUMO: Commons e Keynes são importantes economistas do século vinte cujas ideias, apesar das diferenças em suas trajetórias intelectuais e de formação, compartilham muitas ideias. Tem sido feito muitas aproximações entre estes autores em especial sobre incerteza, dinheiro e instituições financeiras. Nosso propósito é mostrar que o trabalho seminal de Commons sobre "transações" e direitos de propriedade podem ser de grande valia para as análises e interpretações pós-keynesianas a respeito da formação de ativos e da acumulação de riqueza.

Palavras-chave: Commons. Keynes. Economia Institucional.

ABSTRACT: Commons and Keynes are very important economic thinkers that share many ideas despite their very different formation and background. There have been many approximations of them, especially on uncertainty and monetary and financial institutional analysis. Our attempt here is to show that the ground work of Commons on transaction and property rights can be of great use for post-keynesian also for the interpretation of an asset economy and accumulation of wealth.

Keywords: Commons. Keynes. Institutional Economics.

Introduction.

It's being acknowledged the importance of Commons political economy and methodology to Keynes ideas and development of his "The general Theory of Employment, Interest and Money" in recent times (Atkinson and Oleson;1998). But it was already in 1927 when Keynes wrote to Commons: "there seems to be to me no other economist whose general way of thinking I feel my self in such general accord" (Minsk; 1996; 357). Keynes important biographer Robert Skidelsky wrote that Commons was an important influence not much acknowledged on Keynes ideas. This is important because it was not the Great Crash that persuaded these two so much different economists in so much different ways to understand the economic process in such a similar vain. Keller points out in an early appreciation of Allan Gruchy on institutionalism and Keynesian compatibility:

"First, Keynes and institutionalists view economics as a broad-based social and cultural science rather than as a body of "mathematico-logical" analysis. Second, they both recognized the necessity of using deductive and inductive reasoning and they reject arbitrary boundaries between pure theory and empirical analysis. Third, they reject a laissez-faire role for government and argue that government plays an integral part in the institutional response to real world problems. Finally, Keynes and institutionalists have a theory of capitalist structure and institutional change."(Keller;1983;1088).

The institutional approach described was not directed to Commons but to the Original Institutionalism as a whole and this, of course, pointed out many differences too. Especially considering that there are many differences between the institutionalists themselves.

Because of all those differences, our concern here is to focus on Commons institutionalism, special attention to his “Legal Foundations of Capitalism” and the modern “nature” of legal property which binds together the whole concepts and ideas of economic process. By doing this, we expect to throw some light on the so-called “microbehaviour” of agents or micro-theory which would be lacking in post-Keynesian formulations. The idea is to search for this compatibility, not to settle down the issues (Keller;1983). For doing so, it will be made an attempt to relate the emergence of modern private property and modern money and the effort people make to maintain and enhance their wealth and well being[1]. The crucial role of money as an institution is well established in post Keynesian ideas, but property entitlements and its role for accumulation of wealth and the progressive evolution of capitalism from tangible to intangible property is not very much discussed. We will try to develop those connections. First, the economy as a “transaction” economy and not an “exchange” economy makes the whole difference for the definition of money and property and Commons is the champion on this. We argue that the same institutional setting that places money as a “prerequisite” for successful capitalism (Wray and Papandimitriou; 1997) also sets the place for modern property (Kregel; 1980). Second, the idea of modern capitalism which directs its wealth accumulation on the accumulation of “assets” is a common feature to Keynes and Commons. In conclusion, the ground work

[1] We follow here the hints traced by Keller: “On the other hand, neoinstitutionalists have developed and articulated a social value theory that defines a role for the positive state. The development of a rationale for a positive state by institutionalists may be complementary with post Keynesian thought; nevertheless post Keynesians have not explicitly set forth their own social value theory, and they have an under- developed theory of the state. (1983; 1091)” From a methodological point of view: “First, real world problems reflect the difference between what is and what ought to be and institutional adjustment is needed to cope with these problems. Second, the social value criterion "does not specify direction; it does not point toward some utopian state or ideological recipe of institutional structure" [Tool 1977, p. 838]. Third, the social value criterion embodies the concept of the continuity of human life and includes the reproduction of conditions that positively foster human life. Fourth, the social value criterion is developmental in that it implies, for example, that the means and the ends of the positive state should release the potentialities of individual.(1983; 1092)”

of “social value theory”, which paramount Commons conceptions, could be of great use to post-Keynesians (Keller; 1983).

Transactions: the starting point of economic analysis.

In orthodox economic analysis, tradition puts its “emphasis” on a barter economy where equilibrium can be established by exchange of commodities in an organized market. It does not really matter if this market is put to work through an auctioneer or in a way in which “individual buyers and sellers engage in 'higgling and bargaining' throughout the day” (Kregel; 1995; 461) as long as exchange takes place. Market institutions are organized in a way that individuals can meet their needs and adjust their actions because relative prices are better informed when the market mechanism operates. The economic agents move because people need goods and services and because there are people willing to produce those goods and services in a daily basis so that they can buy other goods and services. In an economy like this there is no room for accumulation of wealth, there are no uncertainties about the future “in which markets based on barter arise naturally out of the utility maximizing behavior of individual, and in which money is merely created to facilitate exchange (Wray; 1990; 9).” Money and contracts have diminished importance because of attributed “neutrality of money” or the money as a “veil”(Patinkin and Steiger; 1989) when we should be aware about “the veil of barter”(Heinsohn and Steiger; 1989).

Why the “veil of barter”? Because it displaces the transaction as the centre of economic analysis. Commons is looking to the economic activity and is asking why people transact, how they transact and when they do. Economic activity is transaction in flux; people buy and sell things they own in accordance with its exchange-value. However, “the exchange-value of property has no existence if either the owner or expected purchasers are forbidden access to markets where they can sell and buy the property (Commons; 1974; 17)". In a barter economy use-value and exchange-value are considered the same thing[2] because the ownership related is direct; the problem of property rights and private property is considered a "solved problem".

For Commons, if transactions is to be taken seriously, it is necessary to understand the transition that happened from possession to ownership and them property. Transactions are embedded in social relations they cannot take place whenever people want, they are mediated by social relations, authorized and authoritative transactions[3]. The legal structure of society was the approach taken by Commons to understand these things. The Munn case was for Commons the *institutional change* that turned property into property proper for capitalism[4]:

"Property, in the popular ordinance usage, the usage of the old common law and the one adhered to the Slaughter House case and the Munn case, meant any tangible thing owned. Property, in the later decisions, means any of the expected activities implied with regard to the thing owned, comprehended in the activities implied with regard to the thing owned, Comprehended in the activities of acquiring, using and disposing the thing. One is Property, the other is Business. The one is property in the

2 The similarity with marxian considerations is not a coincidence. However, while Marx demonstrate the difference in use-value and exchange-value of labour and find the surplus value, Commons demonstrate, as we will see, the transformation of private property.

3 The interesting thing about this is the fact that mainstream economics in its effort to "design markets" came to face unauthorized transactions and now deals with it in much similar ways as Commons did, without referring to him, of course. The real course of action in economic reality some times imposes deviant ways to reach proposed objectives. See Roth (2007).

4 This is interesting because Commons, through out the book, places the legal history as the focus to understand the institutional change and the social value which it carries in the direction of an economy of property rights. From this point of view Capitalism is an evolving process where individuals struggle to prevail its rights. One important aspect of this approach is that property rights paradigm does not reckon Commons as one of theirs founding figures because of his social value theory. In the property rights paradigm the market mechanism can work properly *after the rights are set*, in Commons point o view market mechanism molds rights just as much rights mold the market mechanism. Human behavior are taken in its complexity and social values, what men is and what men want to be, directs the economic relations.

sense o Things owned, the other is property in the sense of Exchange-value of things. One is physical objects, the other is marketable assets. (Commons; 1974; 18)".

For Commons this transition was of great importance because while wealth was related to use-value what ever increased its use increased its exchange-value. The disconnection of those two facets of the same "thing" that is under transaction places the production of use-value through the lens of exchange-value and *vice versa*. In capitalism people engage in "production" of exchange-values. To understand this process is interesting to analyze Commons statements:

"In the course of time this exchange-value has come to be known as 'intangible property', that is, the kind of property whose value depends upon *right of access* (authors italics) to a commodity market, a labor market, money market, and so on. Consequently, in conformity with the *customs and usages* (authors italics) of business, there are only two kinds of property, both of them *invisible and behavioristic, since their value depends on expected activities on the commodity and money markets* (authors italics). One of these may technically be distinguished as 'intangible property', consisting of the exchange–value of anything whether corporeal property or incorporeal property or even intangible property. The short name for intangible property is *assets*. Assets is the expected value of anything, whether it be one's reputation, one's horse, house or land, one's ability to work , one's goodwill, patent right, good credit, stocks, bonds, or bank deposits, in short, intangible property is anything that enables one to obtain from others an income in the process of buying and selling, borrowing and lending, hiring and hiring out, renting and leasing, in any of the transactions of modern business, We shall identify these two classes of property as `encumbrances` and `opportunities`. Encumbrances are incorporeal property, that is, promises to pay, enforced by government; opportunities are intangible property, that is, accessibility to markets, also enforced by government. (Commons; 1974;19)".

Intangible property or incorporeal property, in the way described above, are kinds of assets that are related to the accumulation of wealth which would not be related to what we we would call current "output". However it is a form of wealth sanctioned by the State or government in many ways. Only "tangible" or "corporeal" property could be related to "real output", to the increase in well being. Commons explains:

"Generally, as we noted above, the encumbrances are coming to be known as 'incorporeal' property, or debts; the opportunities as 'intangible' property, or exchange-value. Each is invisible, for each exists only in the unseen future. One is the invisibility of future behaviour of creditors and debtors, the other invisibility of future buyers and sellers whether they be borrowers and lenders, merchants and customers, landlords and tenants, principals and agents, employers and employees. In the one case they are expected beneficial performance of duty; in the other they are expected beneficial exercise of liberty; in both cases they are expected beneficial actions or transactions. In both cases they are assets, since they are the exchange-value of things (Commons; 197424)".

In fact, Commons is thinking about an economy that is *producing assets* in a sort of *dematerialized* world: "It would be not incorrect to say that all capital is invisible value, in that it is the present value, not of physical things, but of the hopes of the future aroused through confidence in the now invisible but expected transactions of the future (Commons; 1974; 25)". In a world in which all value is expectancy: "Use-value is the expected behavior of things in man's activity of production and consumption. Exchange-value is the expected behavior of people in buying, selling, lending, hiring, borrowing and paying debts (Commons;1975; 25)". The economy is wrapped in "contractual" obligations where certain behavior of economic agents is expected: the going concerns of a business economy. Property and ownership entitles duties and obligations that are the assets people own: "All of these assets taken either separately or as a going business, have the common underlying fact that they are present rights to expected exchange-values on the expected commodities and money markets. And, since that exchange-value is their power to command a quantity of other objects in exchange, assets are, in substance, the present value of the expected purchasing power of things now owned or used. Consequently, the ownership of exchange-value is more than the ownership of a mere ratio-of-exchange – it is the ownership of expected purchasing power of which those expected ratios of exchange are each a measure of the degrees of power (Commons; 1974; 163)". As we can see, the connecting link is not in the mere separable items of assets added together, but in the expected gross income as a unit, to be derived from the combination of the several items into a going business[5].

The only reason to call the capitalist economy a monetary economy, and we envisage a monetary theory of production which is properly capable of explaining economic behavior, depends on a sort of "organic unit" in which "Keynes's approach is based, even in the most abstract form in an institutional (and therefore organic) concept; that is money (Carvalho; 1992; 41)". The capitalist monetary production economy is the "institutional" binding that creates the capacity to produce out-put at any future date whose decision must be done in the present. Money carries the dual character of being a *store of value* and *means of payment*[6] binding the present to the future. What is expected about the future, as described above, is a behavioristic attitude combined by this sort of contractual relations that diminishes uncertainty and gives organic unit to the economy. As Kregel points out:

"The system reacts to the absence of the information the market cannot provide by creating uncertainty-reducing institutions: wage contracts, debt contracts, supply agreements, and administered prices, trading agreements. Since all are meant to reduce uncertainty over time, it is natural that their value be denominated in the unit whose value is most stable over time – money – or, as seen above, in terms of the durable whose own rate of return declines least rapidly with an increase in demand. Institutions

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[5] There are many important economists that understand the economy as a link of organized contractual relations. To name but a few: Simon (1995)Richardson (1972)

[6] Sawyer defines as follows: "Money as a *store of wealth* could be regarded as any financial asset with a fixed nominal value that can be converted into money as a means of payment relatively quickly and at a small cost." And : "Money as a *means of payment* would , of course, be defined as the financial assets that are readily accepted for payment and are readily transferable between one individual and another.(authors italics) (Sawyer; 2003; 9)

and markets also develop to deal in these contracts; they are however markets producing signals which are in no sense related to the information required to lead the system to full employment level of investment. Yet, the proxies for this information and the signals generated by markets trading them are often mistaken for the real thing: interest rates are believed to produce signal that act as a proxy for future demand (Kregel; 1980; 46)".

The nature of money to Commons and Keynes follow very similar lines (Tymoigne; 2003) like money is related to debts and debts are used as means of payment determined by law by the power of the state to sanction the needs of the private sector. To both, money is means of exchange and store of value and people hold money for these purposes. So, to both, money is a carrier of value through time and a social institution to relate about the uncertain future. Their similar conceptions about money go further because money is analyzed as a flow, to Commons a flow of duties and entitlements, which gives it a circuitous approach. Commons see the economy as a "contractual economy" and money is the binding social relation and the signal to the exercise of power and enhance wealth (Tymigne; 2003).

However, remained one important difference in Commons and Keynes analysis as is explained below:

"Moreover, in using a Wicksellian analysis, Commons denied one of his more powerful ideas, the idea that the rate of interest is not what equalizes saving and investment - the interest rate not being the remuneration for abstinence. Thus, it is necessary to wait until the General Theory to have a complete logical investigation of two main ideas contained in Commons: the interest rate results from a stock equilibrium, and the capital yield has to be compared with the interest rate to get the volume of investment (Tymoigne; 2003; 540)". Maybe, one important reason to Commons not to understand the relation of demand for money as demand for liquidity is the fact that the economy is an *asset* producing economy. The circuitous approach that puts forth the formation of debts and release of debts as creation and destruction of money allows the analysis of an industrial and financial circulation through transactions guaranteed by property rights. But, for an asset producing economy it does not really matter if those *assets* employ the factors of production in a way where real output come to be: "The important purpose of each of the economic factors is, not the production of things, but production of values (Commons; 1974; 43)". In special exchange–values that can be submitted to transaction and yield wealth[7], exchange-values that can be converted into money.

The relation of property, money, institution, and liquidity preference is very well put by Dudley Dillard placing money not only as an important asset but as a private property whose strategic possession give privileges to its holders, as we can understand:

"We shall be concerned with money as a special form of private property and with the impact of this strategic institution on employment and output in the economy as a whole. What is special about money under capitalism is that the private owners of capital assets may be deterred from making them available to wage earners because of uncertainty concerning the terms on which real output can be converted into money in the future at time of sale. The purchase of raw materials and the utilization of plant and equipment are also determined by business judgments about the realization of prospective money gains (Dillard; 1987; 1623)".

Money is a special form of private property sanctioned by government, in fact like all property. In the next section we will see how this is related to the *production of assets*.

Assets and accumulation of Wealth.

[7] We are going to discuss this better further.

Assets, in the point of view of Commons, as we could see, are any thing that can be transected for profit with the objective of augmenting wealth. People do not have the liberty to transect what ever they want even though they are owners of what ever they have. Commons puts the problem of slavery to consider this. People can not sell themselves even if they want to. It is an unauthorized transaction, like we discussed. Another modern example would be the market for human organs, discussed by Roth (2007). However, transactions of debts are authorized. So, who possess the liabilities of other has an asset and is considered to be property of this person. In other words, I maybe be the owner of my kidney put I can not exercise a market transaction with it. Never the less, expanding the world of transaction means expanding the possibilities of producing assets, of producing wealth. Money is a very import form of wealth in a capitalist modern economy and its relation to the others assets is very well established in post-keynesian formulations: “As the most liquid of all assets, money can be used in exchange for other assets more readily than other assets can be used in exchange for money. This is but another way of saying that it is easier to buy with money than to sell for money (Dillard;1987; 1632)”. In other words, money is the most liquid form of wealth around which the economy is organized. Institutionalists and post-keynesians agree that “money is real wealth to the business firm; it makes money only by selling real output for money (Dillard;1987; 1633)”. Dillard emphasizes the fact that money has a command over all forms of wealth because the utility of money to individuals falls less rapidly than any specific form of wealth. Money has zero or negligible elasticity of production and substitution which means that when demand for money increases it cannot be produced which results in an increase of its price, the interest rate. Commons did not understand the interest as a result of a liquidity premium. Never the less, the pecuniary nature of business economy and the fact that money is a free form of wealth because it gives liberty to transact is discussed all along his “Legal Foundation”. Davidson argues: “Liquidity means the ability to meet all contractual obligations when they are due. Money is, therefore, the liquid asset par excellence. Other assets may possess some lesser degree of liquidity depending on how organized and orderly the market is for the resaleability of the asset for money (Davidson; 1994; 49)". Commons is very much concerned also with what he called "going concerns", which has very many similar arguments, not in such fine summary, with Davidson's (1994) definitions of liquid assets and market maker. Going concerns are the nexus of contractual obligations and expected behavior of all parts in the operation of the on going business in a way that the exchange-value or price dos not change much from one day to another. The credibility and reciprocity of on going business builds social relations and establishes the bundle of authorized transactions. Commons explains his position this way:

"It will be noted, from the foregoing, that the concept of a going concern with its going business was developed as a by-product of the effort to secure equality of burdens in support of government. The notion grew, not out of theory, but out of transactions. It was recognized because failure to recognize it inflicts injustice. But it cannot be recognized in all its attributes *a priore* and in advance of actual transactions. It is recognized piecemeal as activity begins to impinge on others (Commons; 1974; 180)".

This is very much similar vein of explanations Kregel (1995) does when analyzing the emergence of securities markets organizations:

"As seen above, the efficiency of the call auction market derives from its ability to reveal all available information in the equivalent of market demand and supply functions. But, as the time required to complete the call increases, there is a greater possibility that new information, which reveals orders given to brokers to be inopportune, will arrive before they have been executed. But clients cannot communicate changes in orders to brokers during the price formation process, and cannot act on information outside the periodic meetings of brokers. Unless future conditions can be perfectly predicted, even with fully specified contingent contracts, trading outside (i.e. either during, or before or after) the periodic call auction will offer opportunity for gain. The increased attractiveness of off-market trading as well as increased competition from non- member 'curb' dealers thus drew orders away from the periodic NYSE calls (Kregel; 1995; 465)".

What is interesting is that Kregel recognizes Commons methodology and social value that underlines this methodology. We are saying that the transaction is considered to be the unit of analysis, buying and selling stock with the available information. How this transaction bury the burden on its parts, in other words if the information and the contracts establishes privileges, and if it is socially recognized as fair, if those privileges are socially recognized in the pursue of profit and if not what is to be done? This is the essential feature of a credible market making institution where the protection of asset value takes place and in which institutions are stablished.

Wealth owner will decide which *assets* they want to *produce*, with hold and yield *income*. In Commons terms, in which kinds of transactions wealth owner will engage to augment its wealth. Wealth holders in the form of money have more liberty to engage in transactions than others whose "going concerns" are already established and committed. From a post-keynesian perspective: "We want to be able to understand how decisions as to means of holding wealth over time are made and to extract the consequences of these decisions. Assets are 'promises' of future returns in a given form: therefore operations with assets are always and necessarily forward-looking. As a model of decision making, the values for own-rates of interest that are going to be considered are all expected values (Carvalho; 1992;81)". The Keynes and post-keynesian ingenious formulation of own-rate of interest of all assets turned possible comparison of assets by four attributes that they are supposed to have:

a. An asset is supposed to yield some return from its use or possession, like equipment producing saleable products, seeds to crops, bonds to interest, stocks to dividends and so on. The parameter of comparison is the ratio between these returns and the price at which it can be purchased, ***q***.

b. The holding of assets is supposed to imply some costs of various sorts, like storage, insurance, aging, etc. The ratio between these expected costs and the current price of the asset is indicated by, ***c***.

c. The easy of disposing an asset and transforming it into money is considered to be a good thing when we think possibilities of a changing environment. However, the easier is the asset to sell the smaller is expected to be its yield. This is the consideration of the liquidity premium, ***l***.

d. The purchasing and selling of an asset, the transaction, is supposed to enhance or diminish the wealth of the wealth holder. There is the fluctuation of the exchange-value, price, of assets which give to it a speculative characteristic. The rate between the change in prices and the current price of the asset is ***a***.

The own rate of interest of all assets can be compared by the sum of all these attributes: $a + q - c + l$. All assets, including "real" and "financial" assets are submitted to this kind of evaluation from the wealth owners point o view. The post-keynesians see the economy's driving force in this direction:

"For the producer of the assets that are scarce, the divergence between demand and supply prices (spot and forward prices) is a signal that it is profitable to increase their availability, since there is a fringe of unsatisfied buyers willing to pay for them more than they cost. More of these assets will be produced and made available and, thus more wealth will be generated (Carvalho; 1992; 92)".

Wealth owners can put their money on industrial circulation or financial circulation (Tymoigne; 2003) which can yield different forms of income through the contractual nexus of the "going business" to enhance their own wealth. Post-keynesians and institutionalists, like Commons himself are worried about how wealth holders spend their money to enhance their wealth because of the income derived by their investment:

"What is special about money under capitalism is that the private owners of capital assets may be deterred from making them available to wage earners because of uncertainty concerning the terms on which real output can be converted into money in the future at time of sale. The purchase of raw materials and the utilization of plant and equipment are also determined by business judgments about the realization of prospective money gains (Dillard; 1987; 1623)".

In other words, which kinds of assets and how they are related to what are being produced are very important for the economy as a whole. The post keynesians are very much concerned about the production of financial assets and the consequences to the production of "real out" and the employment of wage earners (Minsky; 1996; Davidson; 1994)). How to manage money in a monetary production economy is the out most important thing for those reasons and the production of financial assets, which are supposed to be the assets most similar to money, have all the attention.

Commons points out to other directions also to understand the production of an *asset economy*. The possibility of not employing wage earners to make money is not exclusive of the financial circulations when we look at the production of assets which can be transected with the proper protection of modern private property. The institutionalists, like Bearly and Means (1991), treats modern corporation and the separation of property and control in line with modern property capitalism but did not go much further. It would be interesting to apply the asset attributes also in the industrial and service circulation of money. Commons separates "tangible" and "intangible" property which do have some thing to do with industrial and financial circulation (Tymoigne; 2003), but Commons seams to have a more "radical" position towards an *asst economy*. Like we discussed above, reputation is an asset and can be transected, a brand is an asset and can be transected, a football player is an asset and can be transected, and all the post-keynesians agree that the capitalist economy have a speculative drive in all directions. Why look at "the financial circuit" with a certain prejudice to the rest? The evolution of property rights trough transactions in pursues of money and wealth could be used in many markets in the same manner as did Kregel about the security market, for example. What we are arguing is that the *production* of a brand, with all the implications it has, for example, should be under the same criteria as the production of *any* asset. In other words, should the wealth owner invest in a new plant considering its spot price and forward price and expected production and sells or should he/she invest in branding the thing or what ever it is? The criteria to maintain and enhance wealth comparing all the assets with the four attributes is not as static as it seams at first and it is perfectly capable of taking into account intangible assets that are not financial[8]. Brand and reputation are not financial assets but they are neither "real" assets, nevertheless they have exchange value with very important implications in the employment of wage earners and accumulation of wealth. The economic search for valuable assets, the "opportunities" in Commons terms, is the exercise of property rights through transactions. Post-keynesians are sympathetic with the idea of an economy where the distinction of monetary and real is misleading in the comprehension of a capitalist economy; Commons with his property rights framework helps even further to blur this kind of separation. Incorporating the transaction as the unit of analysis at the micro-level can expand the capacity of explaining, understanding, and proposing police for the post-keynesians without altering their concepts. The combination of these approaches helps to understand better this post-industrial and post-modern capitalism because post-keynesians have a proper ***asset decision theory*** and Commons have a proper **institutional change theory**, the ***transaction analysis***.

[8] We are aware that Keynes accepted the "division" of work with Schumpeter about technology and innovations. However, we believe that the approach of property and entitlements which generates rent is not all covered by Schumpeter´s treatment on temporary innovation monopoly.

Social Value Theory, very brief considerations in conclusion.

What is the social value theory that underlies post-keynesians theory and police? It is not a clear or explicit. In fact, it has a very pragmatic nature which gives it a "grasp" of reality (Dillard; 1946) and takes it a way from too much formalistic frame work (Dow; 2003). The idea of a "fair" society whose "flow" of income makes it possible for everybody develop herself/himself with freedom is pretty much acknowledged by all post-keynesians. Commons puts the idea of a "fair society" under the restrictions of customary and legal regulations. Behavior can change but it will look for legitimate acceptance. People have to understand that it is reasonable and fair to behave like that. It is reasonable to earn profit when selling goods but it is not reasonable if you are not paying taxes and every one else is. For Commons exchange-values, prices are governed by demand and supply but the scarcity criteria is not the only one to take into account to increase prices, prices follow the shadow of "reasonable value", a "fair value" when the transaction takes place. From a social point of view its not fair to leave people unemployed, we must find a way to solve this problem. The pragmatic nature of institutionalism and post-Keynesianism could be combined in the development of this concept of reasonable value.

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