Labour markets and unemployment in Post Keynesian macroeconomics

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22 April 2015, 10:00-14:00, room tbc, Kingston University

The first part of the lecture discusses the role of the labour markets and unemployment in macroeconomics. In Walrasian/neoclassical economics full employment is ensured by Walrasian market clearing and an anchor for economic activity. In Keynesian economics employment follows economic activity determined by effective demand. Today the NAIRU framework has supplanted the traditional Walrasian labour market as the mainstream macroeconomic model of unemployment. The NAIRU model exhibits involuntary unemployment and incorporates (and domesticates) some arguments that Keynesians have made for a long time. A generalized NAIRU model will be used to illustrate differences and similarities between Monetarist, New Keynesian, Post Keynesian and Marxist accounts of unemployment and economic activity.

The second part of the lecture deals with the empirical research on the determinants of unemployment. Following the OECD (1994) Jobs Study the mainstream view regards inflexible labour market institutions as the main causes for unemployment. The OECD (2006) reassessment modifies the analysis (but hardly the policy conclusions). Several studies have in the meantime questioned the explanatory power of labour market institutions and Keynesians have highlighted changes in capital accumulation and monetary policy as determinants of unemployment.

Core readings

Suggested readings


