

PKE: endog financial cycles, hysteresis, wage-led growth

Rebuilding Macro Instability hub
meeting, March 2017

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Post-Keynesian econ (PKE)

- Fundamental uncertainty, liquidity preference, financial instability
- Sociological and institutional foundations rather than micro foundations
- Structural macro models

Minsky cycles, endog cycles

- Stability is destabilising
- Endog financial cycles, not shocks
 - Mainstream: similar mechanisms (fin accelerator), either shocks or empirically driven (Schularick, Borio, Haldane)
- Survey: different mechanisms, role of debt, of interest rates and asset prices (J Ec Surveys 2017)
- Theo: endogenous debt targets
- Theo: interaction of two cycle mechanisms
- Theo: shadow banking (Nikolaïdi, Botta)
- Emp: simple 2D endogenous cycle models; identify to whether debt and demand interact to generate oscillations; assess role different financial variables: business debt, HH debt, interest rates, asset prices
- Emp: endogeneous cycles with historical macro data

Hysteresis, path dependency

- PKE: demand matters in long run
- Hysteresis, path dependence, endog NAIRU
- Mainstream: in 1980s insider bargaining (hysteresis as special case), recently output hysteresis (Blanchard et al)
- PKE: supply side adjusts to
 - Wage norms (Skott, Stockhammer): current wage perceived as 'normal' => no inflationary/disflationary pressure = endog NAIRU
 - Endog pdy growth (Fazzari)
- Theo: reformulate to NAIRU model to allow for genuine hyst (Stockhammer, Michl)
- Emp: estimate NAIRU with Kalman filter as EC, OECD in model that allows for hyst
- Emp: evaluate medium term effects of demand shocks (investment!) vs labour market institutions

Distribution and demand

- PKE: has long asserted that income distribution is important for demand
- Mainstream: recently in context of personal inequality (Ostry et al), supply side channels
- PKE: more focus on functional distr, more focus on demand channels (saving propensities) => wage increase can have expansionary effects
- Demand regimes: wage-led demand, profit-led, but also debt-driven and export-driven demand (increasingly taken up by VoC)
- Theo: conditions under which w/p led D regimes arise; extensions: include asset p, personal inc ineq
- Wage-led demand => labour market equilibrium likely to be unstable (in absence of mon policy)
- Role of rising inequality in causing the global financial crisis
- Emp: identify demand regimes (Onaran and Galanis 2014, Stockhammer and Wildauer 2016)