



Il Dipartimento di Economia e il Centro Sraffa organizzano il Seminario

A NEW PHILLIPS CURVE: WAGES, PRODUCTIVITY AND UNEMPLOYMENT IN THE US, 1947-2012

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Abstract

In Phillips' original investigation we can distinguish between his general question and his particular answer. His general question was about the effects of unemployment on wages. His particular answer was posed in terms of an empirical relation between the rate of change of money wages and the level (and rate of change) of unemployment. It is well known that the latter relation dissolved over time. In my paper, I argue that the appropriate answer to Phillips' general question requires us to consider the money wage in relation to prices, productivity and unemployment. Goodwin famously posited a real-wage Phillips curve, and Friedman-Phelps posited an expected-real-wage curve. I argue that the classical answer to Phillips' question would be a wage-share curve. I also argue that any appropriate measure of unemployment must take into account both the level and duration of unemployment. On this basis, I demonstrate that there exists a strong and clearly visible wage-share curve in the US along which the economy moves upward when it is pumped up (as in the Vietnam War boom and the Dot.com bubble) and downward as the booms fade. I show that this curve shifts only once, downward precisely in face of an onslaught on labor beginning with Reagan in the early 1980s. Most interestingly, a wage-share curve implies that the wage share is stable only at one particular level of the duration-adjusted unemployment rate. The trigger unemployment rate is lowered from 5.9 percent in the 1948-1984 era to 4.2 percent in the neoliberal era of 1993-2011 (i.e. after the reduction of labor strength it takes a much tighter labor market to begin raising the wage share). It should be added that none of this need imply any particular connection between inflation and the trigger rate of unemployment

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La partecipazione è aperta a tutti gli interessati

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