Relations among the financial sector, productive sector and labor Market in the US: New Marxist Macroeconomic Simulations of the current US Crisis.

JEL Classifications: E11, E37, C69, F30, G10
Key Words: Surplus Value, Gross Domestic Product, Marx, Value Theory, Financial markets, Simulation

Victor Kasper, Jr.
Department of Economics and Finance
Buffalo State College
1300 Elmwood Ave
Buffalo, NY 14222
kasperv@buffalostate.edu
(716) 878 5132 office
Website
http://facstaff.buffalostate.edu/kasperv
Username: sam
Password: part

And

Tamara Apostolou, MA
Independent Scholar

February 15, 2013

ABSTRACT

This paper is a deeper and broader development of the ongoing research project that focuses on the development of a series of Marxist macroeconomic models. At the IIPPE conferences in Crete (2010) and Paris (2012), papers based on this model examined the relation between the productive sector and the financial sector and the relation between productive sector and the labor market in the US. This is an updated paper aiming at answering questions posed at the previous conference sessions. The questions raised issues about the nature of advanced capital and the relation of the model to those of Kalecki, as well as the need to extend the time horizon. Our own immediate concerns are with continuing to improve the specification of the real estate and debt market models, the selection of the appropriate empirical data series for representing exogenous variables, the use of a better forecasting technique for exogenous variables and integrating the productive sector and financial sector model with the labor market. Longer term development will expand the model from a one department to a two department model. This paper will provide a summary of improvements and will integrate the productive sector, financial sectors and labor market into one model. Originally, we linked surplus value production to the stock, bond and real estate aggregates, but now, in addition we have included the labor market. The time horizon is extended. We will further elaborate on the concept of advanced capital

used. We also analyze on the length of the working day, the intensity of labor and the number of working days per year, which are important to the modeling work. We have considered a simulated scenario to evaluate the impact of changing technology that can be mimicked in the model by altering the productivity of labor in subsistence goods and the partial organic composition of capital. Although it is one of our concerns, the Kalecki comparison will not be addressed in this paper. The modeling along with the results has implications for activism and policy prescriptions developed by progressives. It identifies contradictions of neoliberal recovery programs while highlighting the need for new modes of organizing production. At the same time, the analysis provides a demonstrable understanding of how struggles in the workplace get reflected in financial markets highlighting the class contradictions that emerge from neoliberal policies.