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

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ABSTRACT

The paper is a deeper and broader development of the ongoing research project focused on development of a series of Marxist macroeconomic models. At IIPPE conferences in Crete (2010) and Paris (2012), papers based on this model were used to examine the relation between the productive sector and the financial sector and the relation between productive sector and the labor market in the US. Questions at sessions in Paris raised issues about the nature of advanced capital and the relation of the model to those of Kalecki, and 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 brief summary of improvements and will integrate the productive sector, financial sectors and labor market into one model. We will again link surplus value production to the stock, bond and real estate aggregates but in addition include the labor market. The time horizon will be extended. We will elaborate the concept of advanced capital used. Of importance in our analysis will be consideration of the length of the working day, the intensity of labor and the number of working days per year. We consider a simulated scenario to evaluate the impact of changing technology which can be mimicked in the model by altering the productivity of labor in subsistence goods and the partial organic composition of capital. The Kalecki comparison will not be addressed here. The modeling 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.