

# **Title: Testing a post-Keynesian macro model**

*Author: Engelbert Stockhammer\*, Vienna Univ, of Econ & BA and Özlem Onaran\*\*, Istanbul Technical University*

## **ABSTRACT**

The paper tests a Marglin-Bhaduri (1990) model for an open economy by means of a structural VAR (vector autoregression) method for France, the UK, and the USA. The model belongs to the family of neo-Kaleckian growth models that exhibit a variable capacity utilization. Income distribution, as it is captured by the profit share, has a dual effect on accumulation. First it has a direct positive effect on accumulation as a component of profitability. Second it has an indirect negative effect through the demand effect, i.e. the high savings propensity associated with profit income. Structural VAR is chosen as the method of estimation because it is a systems approach that allows for the simultaneity among variables, which has been not been taken into account properly by previous studies (e.g. Bowles and Boyer 1995). The results confirm two central tenets of Keynesian macro economics: the driving role of accumulation in the determination of capacity utilization and the importance of demand factors for the determination of the level of employment. Wages, here proxied inversely by the profit share, on the other hand have hardly any effect on unemployment. Surprisingly, the empirical results do not show a strong or significant effect of the profit share on either capacity utilization or accumulation.

\* Vienna Univ. of Economics & B.A.; email: engelbert.stockhammer@wu-wien.ac.at

\*\* Istanbul Technical University