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Involuntary Unemployment

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The Great Depression of the 1930s with its dramatic unemployment rates was one of the most striking economic events of the past century. It shook economists' beliefs in the existence of self-adjusting forces and prompted Keynes to write his masterwork, *The General Theory of Employment, Interest and Money*.

Involuntary unemployment was the central concept of Keynes' book. However, after having been considered the sine qua non of economics for decades, it has gradually disappeared from textbooks and research. This book recounts and ponders this demise, asking whether the abandonment of the concept of involuntary unemployment is the manifestation of some inner defect of recent economic theory or is rather due to some intrinsic weakness of the concept itself, which makes it of little use when it comes to economic theorising.

In order to disentangle these issues, the author critically reviews the different explanations of involuntary unemployment that have been offered from Keynes up to the end of the 1980s. After considering *The General Theory*, the author studies the works of pioneering macroeconomists such as Hicks, Modigliani, Lange, Leontief, Tobin, Klein and Hansen. An examination of the 're-appraisal of Keynes' and of the so-called disequilibrium school is followed by a discussion of Friedman's and Lucas' anti-Keynesian attack. The final part of the book investigates a series of models purporting to revive the Keynesian project, namely implicit contract, efficiency wages, insider-outsider, coordination failures, and imperfect competition.

1. Introduction

Part One: Conceptual Prerequisites

2. Defining Involuntary Unemployment
3. From Labour Rationing to (Involuntary) Unemployment
4. Trade Organisation

Part Two: Involuntary Unemployment in Keynes' *General Theory*

5. Keynes' Programme. A Reconstruction
6. Involuntary Unemployment in Keynes' *General Theory*

Part Three: LM Macroeconomics

7. Hicks <<Mr Keynes and the Classics>>
8. IS-LM à la Modigliani
9. Lange, Leontief, Tobin, Klein and Hansen
10. Involuntary Unemployment in Macroeconomic Textbooks

Part Four: Reconstructing Keynesian Economics: the Disequilibrium Approach

11. The Forerunners: Patinkin, Clower, Leijonhufvud
12. The Second Generation: Barro and Grossman, Drèze, Benassy and Malinvaud

Part Five: The Anti-Keynesian Offensive

13. Friedman
14. Lucas

Part Six: The New Keynesian Counter-Attack

15. Implicit Contract Theory
16. Efficiency Wages Models
17. Insiders-Outsiders Theory
18. Coordination Failure Models
19. Imperfectly Competitive General Equilibrium Models
20. Epilogue

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