Money-Wage Dynamics and Labor-Market Equilibrium

Edmund S. Phelps

University of Pennsylvania

If the economy were always in macroeconomic equilibrium then the full-employment money-and-growth models of recent vintage suffice to explain the time paths of the money wage and the price level. Since any actual economy is almost continuously out of equilibrium we need also to study wage and price dynamics under arbitrary conditions.

The numerous Phillips-curve studies of the past ten years have tried with a vengeance in offering countless independent variables in combinations to explain wage movements among these economies.