

# IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

## East German Unemployment: A Post Keynesian Perspective

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Considered are the relatively higher rates of persistent unemployment plaguing the eastern region of Germany since the early 1990s. This presentation relies upon a Post Keynesian perspective to advance the argument that weak demand for output as well as labor in Germany's eastern region better explains the unemployment problem, than do approaches that explore frictions in the labor market. Unemployment is associated with rapid privatization that was followed by cross-regional capital flows, resulting in high levels of capital intensity and a dramatic shedding of labor. Rebuilding of industry combined with service-sector expansion proved too weak to generate sufficient labor demand. Related to privatization, business headquarters moved to the western region, resulting in a notable pattern of eastern region's specialization in intermediates vis-à-vis finished goods, further engendering weak labor demand especially as Germany's economy addressed the Domar problem by quietly shifting to export-led growth with 1996. Empirical evidence seeks to establish emergence and persistence of "involuntary" unemployment appearing as a jobs' gap in the eastern region, especially for business services, with implications for labor migration.

**Dienstag, 15. September 09**  
**16:00 Uhr**

**Sitzungssaal 126a**