Research Network Macroeconomics and Macroeconomic Policies

Summer School
‘Keynesian Macroeconomics and European Economic Policies’

27 July – 3 August 2008, Berlin

Location: IG Metall Bildungsstätte Berlin-Pichelssee
More information on the location (in German only):
http://www2.igmetall.de/homepages/bs-berlin/tagungshotel.html
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Post-Keynesian economics is a thriving economic approach which highlights issues of effective demand, income distribution, employment and growth in a monetary production economy. Most of the features of a monetary production economy are usually neglected in mainstream economics and its “free market”-orientation. During the recent decades, economic policies based on this mainstream approach have contributed to high unemployment, worsening income distribution and increasing economic imbalances. Developing alternative policy proposals will therefore need a firm theoretical foundation. The summer school aims at providing an introduction to Post-Keynesian economics and to the problems of European economic policies as well as presenting some ongoing research to interested graduate students (MA and PhD) and junior researchers.

The summer school will consist of overview lectures, student study groups and academic papers. It will feature leading international researchers in the area, like Marc Lavoie (Canada), Amitava Dutt, James Crotty, David Howell (all USA), and Philip Arestis (UK). Issues of monetary economics, the theory of growth and distribution, and the relation of Post-Keynesian Economics to other heterodox traditions, but also to the now prevalent New Keynesian approach, will be covered as well as applications of Keynesian theory to issues of unemployment, monetary policy and macroeconomic policy coordination in the EU.

Language: English

Costs: There is a fee of € 250,- for each participant for accommodation and meals. Travelling costs cannot be covered.

Application: Send a letter of motivation (max. 2 pages), your CV and the address of one academic adviser who may be contacted for reference to torsten-niechoj@boeckler.de no later than 31 March, 2008. Accepted participants will be informed by the end of April 2008 and will be provided with a reading package for the Summer School.

For detailed information and updates on the summer school see: http://www.boeckler.de/cps/rde/xchg/hbs/hs.xsl/33_89470.html

For more information contact the local organisers:
Eckhard Hein, Macroeconomic Policy Institute (IMK), Hans Boeckler Foundation
(eckhard-hein@boeckler.de)
Torsten Niechoj, Macroeconomic Policy Institute (IMK), Hans Boeckler Foundation
(torsten-niechoj@boeckler.de) and
Engelbert Stockhammer, Vienna University of Economics and Business Administration
(engelbert.stockhammer@wu-wien.ac.at)

For more information on the Research Network Macroeconomic Policies see: http://www.boeckler.de/cps/rde/xchg/hbs/hs.xsl/36176_36330.html
## Programme of the Summer School

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<tr>
<td><strong>Marc Lavoie</strong>, University of Ottawa</td>
<td><strong>Amitava Dutt</strong>, University of Notre Dame</td>
<td><strong>James Crotty</strong>, University of Massachusetts at Amherst</td>
<td><strong>David Howell</strong>, New School University, New York</td>
<td><strong>Philip Arestis</strong>, University of Cambridge</td>
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<td><strong>Peter Spahn</strong>: New Keynesian Macroeconomics and Monetary Targeting</td>
<td><strong>Marc Lavoie</strong>: Cadrisme Within a Post-Keynesian Model of Growth and Distribution</td>
<td><strong>Trevor Evans</strong>: Marxian and Post-Keynesian Theories of Finance and the Business Cycle</td>
<td><strong>Volker Mayer</strong>: Globalization and Labour in the North, East and South. A Political Economy Approach</td>
<td><strong>Hansjörg Herr</strong>: Wages and Economic Coherence in the Enlarging EU</td>
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<td><strong>Marc Lavoie</strong>: The State as an Agent of Change and the Challenge of Policy-Making</td>
<td><strong>Amitava Dutt</strong>: Distribution and Growth</td>
<td><strong>James Crotty</strong>: The Progressive Enigma: The Current Global Crisis and the Debate Over a New Economic Paradigm</td>
<td><strong>David Howell</strong>: The Political Economy of the Euro</td>
<td><strong>Engelbert Stockhammer</strong>: On the Empirics of Distribution and Growth</td>
<td><strong>Philip Arestis</strong>: Assessing UK Monetary Policy, Part I &amp; II</td>
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- Lecture, study group, academic papers, after dinner lecture
History and Method of Post-Keynesian Macroeconomics

Lecture

INTRODUCTION: HISTORY AND METHOD OF POST-KEYNESIAN MACROECONOMICS
Marc Lavoie, University of Ottawa

Outline

This lecture can be divided into seven themes.
1. We set post-Keynesian economics within a set of multiple heterodox schools of thought, in opposition to mainstream schools.
2. We go over a brief history of post-Keynesian economics, in particular its founding moments.
3. We identify the main features (presuppositions) of heterodoxy, contrasting them to those of orthodoxy.
4. We identify the additional features that characterize post-Keynesian economics relative to closely-related heterodox schools.
5. We delineate the various streams of post-Keynesian economics: Fundamentalism, Kaleckian, Kaldorian, Sraffian, Institutionalist.
6. We attempt to show how modern writers are linked to those various streams and to the “founding fathers”.
7. We go over some of the methodological debates that have rocked post-Keynesian economics over the last ten years.

Required Readings

Lavoie, M. “Do heterodox theories have anything in common? A Post-Keynesian point of view”, Intervention, 2006, 3 (1), 87-112.

Suggested Readings


Outline
This lecture has several objectives.
1. We define the main claims of the post-Keynesian views on money, credit and finance, namely a demand-led money supply, the impossibility of pursuing monetary targets, reversed causality, and multiple natural rates of interest.
2. We show that post-Keynesian monetary economics has a long history, that goes back to the Banking School and Thomas Tooke, and which can also be linked to the distinction, made by Schumpeter, between real and monetary analysis.
3. We look at some of the heterodox schools in post-Keynesian monetary economics, in particular the place of circuit theory and the neo-chartalist school.
4. We survey the controversies that arose, mainly in the 1990s, between the so-called horizontalist and structuralist views, and which are tied up with Minsky’s financial fragility hypothesis.
5. We survey new developments in monetary policy implementation by central banks, and their implications for monetary theory.
6. We discuss open-economy monetary economics.
7. We discuss how post-Keynesian monetary economics has been integrated to post-Keynesian macroeconomics
   (a) in growth and distribution models;
   (b) through the stock-flow consistent approach (SFC) tied to flow-of-funds analysis.

Required Readings

Suggested Readings
Kaldor, N. The Scourge of Monetarism, Oxford University Press, 1982.


Tuesday, 29 July 2008
Distribution and Growth

Lecture

GROWTH AND INCOME DISTRIBUTION

Amitava Krishna Dutt, University of Notre Dame

Outline
This lecture will examine the interrelation between growth and income distribution in theoretical terms and discuss some of the implications of these theories for understanding trends in the real world.

1. It will start with a general discussion of different concepts of income distribution and examine different kinds and sources of interaction between income distribution and the rate of growth of the economy. It will argue that the relationship between growth and income distribution is a complex one, and depends on the specific characteristics of the economy being considered.

2. To illustrate the existence of different types of interaction in different contexts it will examine some models of growth and distribution which are developed from a simple common framework. The models that will be examined will include neoclassical, neo-Marxian, neo-Keynesian and post-Keynesian ones.

3. It will then discuss whether there are grounds for choosing one kind of model over another. It will discuss the main theoretical arguments and empirical regularities which try to argue in favor of the different theories and argue that each of the models may have some relevance in certain contexts.

4. It will then examine more carefully the implications of post Keynesian models of growth and income distribution, relaxing some of the simple assumptions made in the common framework. It will examine, in particular, implications of different kinds of investment functions and financial markets, as well as for multi-sector economies and open economies.

5. It will conclude by briefly discussing some of the major trends in the real world, and examining the extent to which the models can help in understanding these trends.

Required Readings


Suggested Readings


Wednesday, 30 July 2008

Keynesian, Classical and Marxian Economics: A Coherent Post-Keynesian Research Programme?

Lecture

MARX, KEYNES AND SCHUMPETER AND GLOBAL NEOLIBERAL CAPITALISM

James Crotty, University of Massachusetts at Amherst

Outline

Marx and Keynes are generally believed to hold starkly conflicting theories of capitalist economic dynamics. In my opinion, this view is not properly balanced: though their perspectives on capitalist dynamic are distinct, they have far more in common than is normally understood. Post Keynesian Economics should incorporate the theoretical insights of both great economists.

This session will begin with a comparison and contrast of Marxian and Keynesian visions of capitalist dynamics. Topics will include: the impact of uncertainty on macro theory; the nature of money and financial markets; sources of instability and theories of crisis; and the role of the state in capitalism. It will then proceed to address crucial questions about the nature of global neoliberalism using insights from both theorists as well as from Schumpeter’s innovative theory of competition in industries with large economies of scale and scope. These questions include: what caused the transition from the “Golden Age” to the neoliberal era; what are the structural contradiction of global neoliberal capitalism that generate the problems associated with it; what is the nature of the new global financial system and what are its effects on the performance of nonfinancial corporations? We will conclude with a discussion of a research agenda to help further our understanding of today’s global capitalism and thereby assist in the effort to develop policy proposals adequate to improve the economic condition of the majority of the world’s people.

Required Readings


Suggested Readings


Thursday, 31 July 2008
Labour Market, Macroeconomic Policies and Unemployment

Lecture

DO LABOR MARKET RIGIDITIES EXPLAIN THE POST-1970S PATTERN OF OECD UNEMPLOYMENT?
David R. Howell, New School University, New York

Outline
1. Mainstream Theory: Competitive Markets and Voluntary Unemployment

2. Post-Keynesian Theory: Imperfectly Competitive Markets and Involuntary Unemployment

   3.1 Can Labor Market Institutions be Efficiency-Enhancing?
   3.2 Some Evidence

4. Unemployment and Institutions: The Basic Facts

5. Measurement Issues
   5.1 Unemployment
   5.2 Labor Market Institutions

6. Macroeconometric Evidence
   6.1 Simple Correlations
   6.3 Early Macroeconometric Evidence
   6.4 The “State of the Art”: Explaining Changes over Time with Annual Data
   6.5 Time Series Evidence from the UK
   6.6 Comprehensive Labor Market Reform Indices and Unemployment (Nickell and the OECD)

7. Lessons from Country Case Studies
   7.1 The Success Stories: Ireland, Denmark and the Netherlands
   7.2 The Failure Stories: France and Germany (?)
   7.3 Sweden

8. The Post-1979 Pattern of OECD Unemployment: Alternative Explanations

9. Policy Implications

Required Readings
Nickell, “Unemployment: Questions and Some Answers,” Economic Journal 108 (May);

Friday, 1 August 2008

Post-Keynesian Macroeconomics and its New Keynesian/New Consensus Cousins

Lecture

KEYNESIAN ECONOMICS AND THE NEW KEYNESIAN/NEW CONSENSUS SCHOOLS OF THOUGHT

Philip Arestis, University of Cambridge

Outline

- a short history of the emergence of the New Consensus school of thought: from the first neoclassical synthesis and Keynesian economics, to new classical macroeconomics and new Keynesian economics; this will produce the basis of explaining the emergence of the new consensus macroeconomics along with its policy implications;

- discussion of the New Consensus: this part will concentrate on the basic relationships of the model and how they interact together to explain the determination of macroeconomic variables that are the focus of this school of thought;

- assessing the new consensus macroeconomics framework: this will discuss the problematic areas of both the theoretical and empirical dimensions of the framework;

- relationship between Keynesian economics and new Consensus macroeconomics: this part of the lecture will attempt to highlight the differences between these two schools of thought along with their policy implications. The apparent similarities will be highlighted and discussed and offer a rationale of their differences.

Required Readings


Suggested Readings


Saturday, 2 August 2008
Economic Problems and Macroeconomic Policy Coordination in the Enlarging EU

Lecture
ECONOMIC THEORY AND MACROECONOMIC POLICIES IN THE EMU
Philip Arestis, University of Cambridge

Outline
- theoretical underpinnings of the EMU model: this part of the course will concentrate on the theory that underpins the EMU model, along with its policy implications. It will be argued that the theory of the model is essentially the new consensus macroeconomics model and its policy implications. In this way this part of this lecture will draw heavily on the KEYNESIAN ECONOMICS AND THE NEW KEYNESIAN/NEW CONSENSUS SCHOOLS OF THOUGHT lecture;
- assessing the theoretical framework of the EMU: this will concentrate on the problematic areas of the framework, along with the institutional set up that purports to support it;
- current EMU macropolicies: monetary and fiscal policies: this follows logically from the first part of the lecture, and it will also assess the performance of the policies since the inception of the EMU in the late 1990s;
- policy coordination in the EMU: the discussion of the second part of the course will conclude that the current arrangements for the EMU are problematic. A new set of policies is required and relevant suggestions will be offered. Underpinning this suggestion will be the coordination of the policies suggested in a coherent manner and way.

Required Readings

Suggested Readings
The Summer School Lecturers

Marc Lavoie is Professor in the Department of Economics at the University of Ottawa, where he started teaching in 1979. He has written a number of books, among which Foundations of Post-Keynesian Economic Analysis (1992), Introduction to Post-Keynesian Economics (2006), as well as Monetary Economics: An Integrated Approach to Money, Income, Production and Wealth (2007) with Wynne Godley. He has been the co-editor, with Mario Seccareccia, of a book on the works of Milton Friedman (1993) and of Central Banking in the Modern World: Alternative Perspectives (2004), as well as being an associate editor of the Encyclopedia of Political Economy (1999). Lavoie has been a visiting professor at the universities of Bordeaux, Nice, Rennes, Dijon, Grenoble, Limoges, Lille, Paris-Nord and Paris-1, as well as Curtin University in Perth (Australia).

Amitava Krishna Dutt is Professor of Economics at the Department of Economics and Policy Studies. University of Notre Dame. He was educated at the University of Calcutta and the Massachusetts Institute of Technology. His areas of specialization are macroeconomic theory, development economics, international economics and political economy. His current research focuses on global uneven development and globalization, models of growth and distribution, consumption and happiness, and the political economy of war and peace. He is the author or editor of several books including Growth, Distribution and Uneven Development (Cambridge, 1990), and Development Economics and Structuralist Macroeconomics (coedited with J Ros, Edward Elgar, 2003) and the author of over 100 papers published in edited volumes and economics journals including American Economic Review, Cambridge Journal of Economics, Journal of Development Economics, Journal of Post Keynesian Economics, Oxford Economic Papers, Review of Radical Political Economics, and World Development. He is a coeditor of the international journal, Metroeconomica.

David R. Howell is a Professor of economics and public policy at Milano The New School for Management and Urban Policy, a division of The New School, New York. He is also an affiliated member of the New School’s economics department, a faculty research fellow at the Schwartz Center for Economic Policy Analysis (The New School), and a Research Scholar at the Political Economy Research Institute (U-Mass Amherst). His recent work focuses on inequality and unemployment in developed countries. Among his recent publications are “Increasing Earnings Inequality and Unemployment in Developed Countries: A Critical Assessment of the ‘Unified Theory’,” *Politics and Society*, (June 2002); the edited volume *Fighting Unemployment: The Limits of Free Market Orthodoxy* (Oxford, 2005); and “Are Protective Labor Market Institutions at the Root of Unemployment? A Critical Review of the Evidence,” (with Baker, Glyn and Schmitt), *Capitalism and Society*, (2007).

Philip Arestis is University Director of Research, Cambridge Centre for Economics and Public Policy, Department of Land Economy, University of Cambridge, UK; Adjunct Professor of Economics, University of Utah, US; Senior Scholar, Levy Economics Institute, New York, US; Visiting Professor, University of Leeds, UK; and Visiting Professor, School of Oriental and African Studies (SOAS), University of London, UK. He was a member of the Economics and Econometrics RAE panel in 1996 and in 2001, and Quality Assessor for the quality assessment exercise in Economics of the Scottish Higher Education Funding Council, the Welsh Funding Councils and of the Higher Education Funding Council in England. He was a member of the Council of the Royal Economic Society (RES), and Secretary of the RES Standing Conference of Heads of Department in Economics (CHUDE). He is currently Vice-Chair of the ESRC-funded Macroeconomics, Money and Finance Research Group, and an elected member of the Executive Board of the Eastern Economic Association (EEA), USA. He is Chief Academic Adviser to the UK Government Economic Service (GES) on Professional Development in Economics. He has published as sole author or editor, as well as co-author and co-editor, a number of books, contributed in the form of invited chapters to numerous books, produced research reports for research institutes, and has published widely in academic journals.