Research Network Macroeconomics and Macroeconomic Policies (FMM)

3rd Summer School on ‘Keynesian Macroeconomics and European Economic Policies’

31 July – 7 August, Berlin, Germany
Venue: IGM Bildungsstätte Berlin-Pichelssee
Research Network Macroeconomics and Macroeconomic Policies (FMM)

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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, increasing economic imbalances, and world wide financial crisis. 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. It will consist of overview lectures, a panel discussion, student study groups and academic papers and it will feature leading international researchers in the area, like Robert Blecker (USA), Gary Dymski (USA), Eckhard Hein (Germany), John King (Australia), Marc Lavoie (Canada), Malcolm Sawyer (UK) and Engelbert Stockhammer (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 the finance, unemployment, monetary policy and macroeconomic policy coordination in the EU.

Language: English

For detailed information and updates on the summer school see: http://www.boeckler.de/33_111761.html

For more information contact the organisers:
Eckhard Hein, Berlin School of Economics and Law (eckhard.hein@hwr-berlin.de)
Torsten Niechoj, Macroeconomic Policy Institute (IMK) at the Hans Boeckler Foundation (torsten-niechoj@boeckler.de)
Engelbert Stockhammer, Kingston University London (E.Stockhammer@kingston.ac.uk)
Till van Treeck, Macroeconomic Policy Institute (IMK) at the Hans Boeckler Foundation (till-van-treeck@boeckler.de)

For more information on the research network see: http://www.network-macroeconomics.org/
Sunday, 31 July 2011

Lecture:
HISTORY AND METHOD OF POST-KEYNESIAN MACROECONOMICS
John King, La Trobe University, Australia

Outline
In the first half of the lecture I shall summarise the contents of the first nine chapters of King (2002). In the second half I shall make some self-critical comments on the final three chapters. These self-criticisms will make reference to Paul Davidson’s (2003-4) review article, and to subsequent comments by Giuseppe Fontana (2005) and Marc Lavoie (2005). I will conclude by reflecting on how I would do things differently if I were writing the book in 2011, and invite comments and suggestions from the audience.

Required Readings
Davidson, P. (2005): Responses to Lavoie, King and Dow on what Post Keynesianism is and who is a Post Keynesian, in: Journal of Post Keynesian Economics, 27(3), 393-408.

Recommended Readings
Monday, 1 August 2011

Lecture:  
**DISTRIBUTION AND GROWTH**  
Marc Lavoie, University of Ottawa, Canada

Outline  
Distribution and growth ought to have a two-way relationship. First, embracing Kaldor (1956), one can argue that besides the neoclassical marginal productivity theory, there are five theories of the determination of the normal profit rate: Marxist, Kaleckian, Sraffian, Minskyan, and Keynesian. We focus on the Keynesian (or post-Keynesian) theory of profit, and its modification by Pasinetti (1962). Second, we examine the so-called Cambridge or Robinsonian model of growth, its inflation barrier, as well as its reversed-causation reinterpretation by Marxists, and we underline some of their drawbacks. Third, we introduce the basic neo-Kaleckian model, with its endogenous rate of capacity utilization, examining its paradox of thrift and paradox of costs. Fourthly we examine some of the additions that the model can be subjected to, such as managerial labour costs and a two-sector model, without endangering its basic results. Fifth, we deal with some extensions that have generated some controversies, such as the precise shape of the investment function, which has led to the important empirical distinction between a wage-led and a profit-led regime, and also whether there are any forces pushing the economy towards a normal rate of capacity utilization.

**Required readings**


**Recommended readings**


Tuesday, 2 August 2011

Lecture: Money and Macro
A POST-KEYNESIAN MACROECONOMIC MODEL OF INFLATION, DISTRIBUTION AND EMPLOYMENT
Eckard Hein, Berlin School of Economics and Law, Germany

Outline
Starting from the post-Keynesian critique of the New Consensus Model, we develop a model that synthesises several of the post-Keynesian arguments. The model consists of three classes: rentiers, firms and workers. It has a short-run inflation barrier derived from distribution conflict between these classes, which is endogenous in the medium run through various channels. Distribution conflict does not only affect inflation but also income shares. On the demand side the income classes have different saving propensities. We apply a Kaleckian investment function with expected sales and internal funds as major determinants. Having described the basic model, we analyse short-run stability, first without monetary policy interventions, and then introducing an inflation targeting central bank. Next, medium-run endogeneity channels for the Non-Accelerating-Inflation-Rate-of-Unemployment (NAIRU) are reviewed and included into the model, in particular cost effects of interest rate changes. Finally, the model is used to derive post-Keynesian policy assignments and policy rules.

1. Introduction
2. A basic post-Keynesian model including a rentiers class
2.1 Endogenous money, finance, distribution and the inflation generating process
2.2 The income generating process
3. Is the NAIRU a strong attractor in the short run?
4. An inflation targeting central bank as a short-run stabiliser?
5. Medium-run endogeneity of the NAIRU
6. A post-Keynesian macroeconomic policy assignment
7. Conclusions and outlook

Required readings

Suggested readings


Wednesday, 3 August 2011

Lecture:
THE OPEN ECONOMY: NEO-KALECKIAN MODELS OF DISTRIBUTION AND GROWTH WITH MANAGED AND FLOATING EXCHANGE RATES
Robert A. Blecker, American University, Washington DC, USA

Outline
1. Overview of the post-Keynesian approach to international economics and alternative models
2. A neo-Kaleckian model of distribution and growth for an open economy: the short run
3. An extended neo-Kaleckian model with a managed exchange rate, conflicting claims inflation, and endogenous income distribution (including effects of a currency devaluation)
4. Incorporating a flexible exchange rate into the open economy neo-Kaleckian model
5. Effects of monetary policy in a flexible exchange rate regime, normal vs. crisis situations (also taking interest-elastic or interest-inelastic mark-ups into account)

Required Readings

Suggested Readings


Thursday, 4 August 2011

Lecture: Finance and Crisis
HETERODOX & ORTHODOX APPROACHES TO FINANCIAL STRUCTURE, FINANCIALIZATION, AND FINANCIAL CRISIS
Gary A. Dymski, University of California, Riverside

Outline
I. Introduction
II. Theories of financial structure and crisis
   1. Orthodox approaches to financial structure, financial vulnerability and crisis
   2. Keynes’ writings on financial vulnerability and crisis
   3. New Keynesian and Conflict-theory approaches to financial structure and vulnerability
   4. Minsky-Keynes approaches to financial structure and crisis
   5. Financialization and financial vulnerability
III. Interpreting post-1980 financial crises and structural changes in finance: orthodox vs. heterodox analyses
   1. The deregulation era (1980s-1990s)
      • Financial crises: moral hazard or financial instability?
      • Financial strategies and financial mergers and acquisitions: responding to adversity
   2. The post-regulation era (2000s)
      • The “originate and distribute” model of loan making
      • The resurgence of financial acquisitions and the emergence of the megabanks
      • Housing bubbles, the spread of subprime lending, the explosion of securitization
      • Financial crises, 2007-2011 and beyond
      • Geo-economic mergers for too-big-to-fail banks
      • New (semi) orthodox approaches to credit markets and asset bubbles – Brunnemeier, Shin, Geanakaplos
IV. Conclusion: rising skepticism, unresolved questions

Required Readings

Recommended Readings (a selection of ten additional readings)


Further Readings

For those who may be interested or curious, additional readings for each portion of the lecture are provided here. This bibliographical material is divided by section of the detailed outline for the lecture. This is intended as a resource for participants.

(II-1)

(II-2)

(II-3)


**II-4**


**II-5**


**III-1**


**III-2**

Overviews of the 2007- Crisis


Were economists to blame?
Galbraith, J. K. (Fall 2009): Who are These Economists, Anyway?, in: Thought and Action.

Crisis-inspired orthodox (and semi-orthodox) models of credit and finance
Adrian, T., Shin, H.S. (January 2009): Liquidity and Leverage, Staff Report No. 328, Federal Reserve Bank of New York Staff Reports.

Crisis-inspired heterodox explorations of credit and finance
Friday, 5 August 2011

Lecture:
LABOUR MARKETS AND UNEMPLOYMENT IN KEYNESIAN MACROECONOMICS
Engelbert Stockhammer, Kingston University London, UK

The first part of the lecture discusses the role of the labour markets and unemployment in macroeconomics. In Walrasian/neoclassical economics full employment is ensured by Walrasian market clearing and an anchor for economic activity. In Keynesian economics employment follows economic activity determined by effective demand. Today the NAIRU framework has supplanted the traditional Walrasian labour market as the mainstream macroeconomic model of unemployment. The NAIRU model exhibits involuntary unemployment and incorporates (and domesticates) some arguments that Keynesians have made for a long time. A generalized NAIRU model will be used to illustrate differences and similarities between Monetarist, New Keynesian, Post Keynesian and Marxist accounts of unemployment and economic activity.

The second part of the lecture deals with the empirical research on the determinants of unemployment. Following the OECD (1994) Jobs Study the mainstream view regards inflexible labour market institutions as the main causes for unemployment. The OECD (2006) reassessment modifies the analysis (but hardly the policy conclusions). Several studies have in the meantime questioned the explanatory power of labour market institutions and Keynesians have highlighted changes in capital accumulation and monetary policy as determinants of unemployment.

Required readings


Recommended readings


Saturday, 6 August 2011

Lecture:
**ECONOMIC POLICIES IN THE EUROPEAN UNION**
*Malcom Sawyer*, Leeds University, UK

**Outline**
After a brief review of the policy making arrangements within the EU, we consider whether economic policies at the EU level come from a coherent theoretical framework and whether those economic policies can be deemed neo-liberal. The policy perspectives with regard to competition and to privatisation are briefly considered in that light. The macroeconomic policies of the Stability and Growth Pact are outlined, and the operation of fiscal policy considered. The ‘inflation targeting’ policy of the European Central Bank is then considered along with the ‘independent’ role of the ECB. The success or otherwise of these policies in the first decade of the euro is discussed, along with the nature of the policy responses to the financial crisis and the ‘great recession’. The lecture concludes by remarks on the nature of the ‘euro crisis’, and then outline of policies needed to promote a prosperous high employment Europe.

**Required Readings**
Chapters 7, 9, 17 and 22 from:
*J. Huffschmid (ed.), Economic Policy for a Social Europe*, Basingstoke: Palgrave Macmillan

Chapters 1, 2 and 5 from:

P. Arestis and M. Sawyer, ‘The Design Faults of the Economic and Monetary Union’, *Journal of Contemporary European Studies*, forthcoming

**Recommended readings**

T. Niechoj, Stability by Balanced Growth, IMK Policy Brief March 2011

G. Horn, T. Niechoj, S. Tobe, T. van Treeck, A. Truger, Reforming the European Stability and Growth Pact: Public Debt is Not the Only Factor, Private Debt Counts as Well, IMK Report No 51 July 2010

The Summer School Lecturers

Robert A. Blecker is Professor of Economics and Chair of the Department of Economics at American University, Washington, DC, USA, where he teaches courses in international economics, macroeconomic theory, history of economic thought, and political economy. He is also a Research Associate of the Economic Policy Institute (EPI) in Washington, DC, and the Political Economic Research Institute (PERI) at the University of Massachusetts, Amherst. His research interests include heterodox macro theory, international trade theory and policy, open economy macro models, exchange rates and global trade imbalances, North American integration, the Mexican economy, and export-led growth in developing countries. His books include *Fundamentals of U.S. Foreign Trade Policy: Economics, Politics, Laws, and Issues* (co-authored with Stephen D. Cohen and Peter D. Whitney, 2nd edition, Westview, 2003); *Taming Global Finance: A Better Architecture for Growth and Equity* (EPI, 1999), and *U.S. Trade Policy and Global Growth* (edited volume, EPI and M. E. Sharpe, Inc., 1996). His articles have appeared in many refereed academic journals, including the *Cambridge Journal of Economics*, *Economica*, *International Review of Applied Economics*, *Journal of Development Studies*, *Journal of Post Keynesian Economics*, *Review of Development Economics*, *Structural Change and Economic Dynamics*, *Weltwirtschaftliches Archiv* (Review of World Economics), and *World Development*, as well as in numerous edited books and conference volumes. He is on the editorial boards of the *International Review of Applied Economics* (UK) and *Investigación Económica* (Mexico). Professor Blecker received his BA in economics from Yale University and his MA and PhD in economics (with a minor in political science) from Stanford University. He also did post-baccalaureate studies at El Colegio de México on a Fulbright scholarship.

Gary Dymski is professor of economics at the University of California, Riverside. He received his B.A. in urban studies from the University of Pennsylvania in 1975, and an MPA from Syracuse University in 1977. From 1977 to 1979, Gary was economic analyst for the Legal Services Organization of Indiana; from 1979 to 1981, he was staff director for the Democratic caucus in the Indiana State Senate. Gary received his Ph.D. in economics from the University of Massachusetts, Amherst in 1987. He was a research fellow in economic studies at the Brookings Institution in 1985-86, and then taught economics at the University of Southern California from 1986 to 1991 before joining the UCR faculty as assistant professor in 1991. He became associate professor in 1995 and professor in 2000. He served as associate dean in the College of Humanities, Arts, and Social Sciences in 2001-02 and was founding director of the Center for Sustainable Suburban Development in 2002-03. From 2003 to 2009, Gary was the founding Executive Director of the University of California Center, Sacramento, a UC-wide center that introduced UC students to public service and connected UC researchers with California’s policy-making community. Gary has been a visiting scholar in universities and research centers in Brazil, Bangladesh, Japan, Korea, Great Britain, Greece, and India. His most recent books are *Capture and Exclude: Developing Nations and the Poor in Global Finance* (Tulika Books, New Delhi, 2007), co-edited with Amiya Bagchi, and *Reimagining Growth: Toward a Renewal of the Idea of Development*, co-edited with Silvana DePaula (Zed, London, 2005). Gary has published articles, chapters, and studies on banking, financial fragility, urban development, credit-market discrimination, the Latin American and Asian subprime financial crises, exploitation, housing finance, the subprime lending crisis, financial regulation, and economic policy. He is a member of the editorial boards of the *International Review of Applied Economics*, *GeoForum*, and *Econômica* (Brazil).

Eckhard Hein is Professor of Economics at the Berlin School of Economics and Law, Germany. Previously he was a Senior Researcher at the Macroeconomic Policy Institute
John E. King (B.A.) (Hons) (Oxon) has been at La Trobe University in Melbourne since 1988, and was appointed Professor of Economics in 2002. He is a Fellow of the Academy of Social Sciences in Australia. Born in London, his earlier appointments were at the University of Lancaster and the Department of External Studies at the University of Oxford. He teaches industrial relations, the economics of human resources and twentieth-century world economic history. His principal research interests are in the history of heterodox economic thought, with particular reference to Marxist political economy and Post Keynesian economics. His recent publications include A Biographical Dictionary of Australian and New Zealand Economists (editor) (Elgar, 2007); The Rise of Neoliberalism in Advanced Capitalism: A Materialist Analysis (with M.C. Howard) (Palgrave Macmillan, 2008), and Nicholas Kaldor (Palgrave Macmillan, 2009). He is currently working on a critical analysis of the dogma that macroeconomic theory must have ‘rigorous microfoundations’, and is preparing a second edition of the Elgar Companion to Post Keynesian Economics.

Marc Lavoie is Professor in the Department of Economics at the University of Ottawa, where he started teaching in 1979. Besides having published more than 100 articles in refereed journals and more than 60 chapters in books, he has written a number of books, among which Foundations of Post-Keynesian Economic Analysis (1992), Introduction to Post-Keynesian Economics (2006) (with French, Spanish, Japanese and Chinese versions), as well as Monetary Economics: An Integrated Approach to Money, Income, Production and Wealth (2007) with Wynne Godley. With Mario Seccareccia, he has been the co-editor of a book on the works of Milton Friedman (1993) and of Central Banking in the Modern World: Alternative Perspectives (2004), in addition to writing the Canadian edition of the Baumol and Blinder first-year textbook (2009). Lavoie has also been the associate editor of the Encyclopedia of Political Economy (1999), and with Gennaro Zezza he is preparing the Selected Writings of Wynne Godley. Lavoie’s main fields are growth theory, employment theory, and monetary economics, in particular within the framework of the stock-flow consistent approach, but he has also published several articles on the recent history of economic thought, on income distribution along linguistic lines, and on sports economics, plus two books on the economics of ice hockey. He 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). He has lectured at the post-
Keynesian summer schools in Kansas City, Berlin, and at the Levy Institute. He has participated twice to the Summer Olympics, in Montreal 1976 and Los Angeles 1984.

Malcolm Sawyer is Professor of Economics, University of Leeds, formerly Pro-Dean for Learning and Teaching for the Faculty of Business; previous appointments include Professor of Economics, University of York. He established and is managing editor of *International Review of Applied Economics* (published by Taylor and Francis), and has served on a number of editorial boards. He is the editor of the book series *New Directions in Modern Economics* which is published by Edward Elgar, and is the co-editor of an annual publication *International Papers in Political Economy* (Palgrave Macmillan). He is the author of 11 books, has edited over 25 books and published over 100 papers in refereed journals and contributed chapters to over 100 books. His research interests are in the areas of macroeconomics (applied and theoretical), fiscal and monetary policy, the political economy of the European Monetary Union, the nature of money, causes and concepts of unemployment and the economics of Michal Kalecki.

Engelbert Stockhammer is Professor of Economics at Kingston University. His research areas include macroeconomics, financial systems and Political Economy. He is research associate at the Political Economy Research Institute at the University of Massachusetts at Amherst, member of the coordination committee of the ‘Research Network Macroeconomics and Macroeconomic Policies’ (FMM) and a co-organiser of the summer schools of the FMM. He has published widely in academic journals on the determinants of unemployment, on distribution-led demand regimes, and on financialization. He is author the book “The rise of unemployment in Europe” (2004) and is co-editor of *Macroeconomic Policies on Shaky Foundations - Whither Mainstream Economics?* (2009), of *Heterdoxe Ökonomie* ([in German] 2009) and a forthcoming *Modern Guide to Keynesian Economics and Economic Policies* (Edward Elgar).