



Hochschule für
Wirtschaft und Recht Berlin
Berlin School of Economics and Law



Institute for International Political Economy at the
Berlin School of Economics and Law (IPE)

IPE Political Economy Forum

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Introduction to Macroeconomics – Pluralist and Interactive

Presentation of an Online Book with Simulations

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1. Background

The project MGWK

- ✓ The project (*Modelltheoretische Grundlagen wirtschaftspolitischer Kontroversen*) Alessandro Bramucci, Eckhard Hein, Franz Prante, Achim Truger (September 2016 – April 2019)



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1. Background

Motivation and goals

- ✓ A project to present macroeconomic models in an **interactive** and **pluralist** way
- ✓ Use of **digital tools** in macroeconomic **education** has increased
- ✓ However, available simulations are either too simple or too complex, often opaque and with no or little discussion of the underlying economic theory
- ✓ **Mainstream** economic theory **dominates** the academic and textbook literature
- ✓ We offer an **introductory** textbook in macroeconomics that is **interactive**, academically rigorous and with a **pluralist** approach
- ✓ We introduce first the **new Keynesian** textbook model and show how to derive an alternative model in line with the **post-Keynesian** tradition

1. Background

Motivation and goals

- ✓ The online textbook is designed primarily for **Bachelor** courses in Macroeconomics and Economic Policies, but some parts can be used in more advanced courses, e.g. at the master's level
- ✓ Text and simulations are **freely** available online
- ✓ Materials are available in **English** and **German**
- ✓ A **print** version of the text is in preparation (likely available later this year)

1. Background

Motivation and goals

✓ The project was described and presented in:

- Prante F., Bramucci A., Hein E., Truger A. (2020) Pluralist Macroeconomics – An Interactive Simulator. *International Journal of Pluralism and Economics Education*. Vol.11 No.1. pp.55 – 78. **(in English)**
- Prante F., Bramucci A., Hein E., Truger A. (2020) Interaktive Makroökonomik – ein pluraler Simulator. In: Fridrich C., Hedtke R., Ötsch W. (hs.) *Grenzen überschreiten, Pluralismus wagen – Perspektiven sozioökonomischer Hochschullehre*. Sozioökonomische Bildung und Wissenschaft. Springer VS, Wiesbaden. **(in German)**

2. The Online Book

Structure and contents

Part I - Measurement of aggregate economic activity

1. The empirical reference point of our model world

Part II - The demand side in the model economy

2. Aggregate demand: introduction
3. Private consumption
4. Investment
5. Government demand
6. The goods market equilibrium and the multiplier
7. The IS curve: the interest rate and the goods market equilibrium

2. The Online Book

Structure and contents

Part III - The supply side of the model economy

8. Labour supply, employment and productivity
9. Inflation - the conflict between wage and profit claims

Part IV - Macroeconomic models

10. The interaction of the supply and the demand side: economic shocks and inflation
11. Economic policy in the 3-equation model of the “new consensus” macroeconomics
12. From the 3-equation model of the New consensus to the post-Keynesian model
13. Summary

Appendix

Literature

2. The Online Book

How to use the book

✓ What are we going to see now?

- How to **access** the book

- The project website: <https://projekt.mgwk.de/index.html>

- The English version: <https://eng.mgwk.de/>

- The German version: <https://www.mgwk.de/>

- How to **navigate** through the book

- The features of the book

3. Interactive Simulations

Partial models

- ✓ Alongside the written explanation, a series of **interactive applications** allow to test the “partial models” (consumption function, investment function, Phillips curve, etc.)
- ✓ Users can change values of the **parameters** and of the **exogenous variables**
- ✓ In some cases, there are **small exercises** to be solved or **targets** that need to be achieved
 - Consumption function from [chapter 3](#)
 - Vertical IS curve from [chapter 7](#)

3. Interactive Simulations

The complete model

- ✓ Full models allow to “play around” with the New Keynesian model
- ✓ Introduced in chapter 11 they are meant to **review** the operation of the 3-equation model
- ✓ No tasks or targets
- ✓ Two types of simulations:
 - [play round after round](#)
 - [with impulse-response functions](#)

3. Interactive Simulations

Scenarios

- ✓ In the interactive scenarios, users are guided through a series of **problems** that require appropriate **reactions**
- ✓ Users **take control** of economic policy instruments
- ✓ A series of **feedbacks** guide the users toward the correct choice
- ✓ There are six scenarios:
 - Chapter 11:
 - [New Keynesian model: The case of an aggregate demand shock](#)
 - [New Keynesian model: The case of an aggregate supply shock](#)
 - [New Keynesian model: The case of an aggregate demand shock and the preference of the central bank](#)
 - Chapter 12:
 - [New Keynesian model with simplified labour market hysteresis: The case of an aggregate demand shock](#)
 - [A post-Keynesian variation of the 3-equation new consensus model: The case of a positive aggregate demand shock with interest rate elastic mark-up](#)
 - [Post-Keynesian Phillips curve with horizontal element: Demand shocks, fiscal policy and wage coordination](#)

To summarise:

- ✓ Our introductory book “**Introduction to Macroeconomics: Pluralist and Interactive**” is aimed at courses in Macroeconomics and Economic Policies
- ✓ It is **freely available online** in both English and German
- ✓ Contains **interactive simulations** of the models presented as well as **interactive scenarios** to test the concepts learned in the book
- ✓ Our book has a pluralist approach: starting from the **New Keynesian** 3-equation model it shows how it is possible to obtain an alternative model in line with **post-Keynesian** thinking with diametrically different economic policy prescriptions

Thanks for your attention!

Questions?

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