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A MODERN GUIDE TO KEYNESIAN MACROECONOMICS AND ECONOMIC POLICIES



**Post-Keynesian Economics
and the crisis**

**Political Economy Forum:
Book presentation and
discussion**

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**Berlin Institute for
International Political
Economy, Berlin School of
Economics & Law**

The ,third (?) crisis of economics‘ and the failure of mainstream (macro)economics in the face of the 2007-?? crises

New Consensus Model / DSGE modelling

- Utility maximising representative agent(s) with rational expectations
- Frictions allow for short-run Keynesian results
- Absence of aggregate demand
- Absence of banks + financial sector
- Long-run neutrality of money and self-stabilisation of markets

Post-Keynesian Economics as an alternative

- Monetary theory of production (instead of real theory of exchange)
- Long-run non-neutrality of money
- Principle of effective demand
- Distribution conflict between social groups
- Historical time and uncertainty
- Historical and institutional specific (open) models
- Fallacies of composition (macro matters!!)
- Systemic instabilities and the need for stabilisation policies in the short and in the long run

Stages of development of PK economics

1930s/40s

- Post-Keynesian economics starts with Keynes's and Kalecki's (!) revolution in macroeconomics

1950s/60s/70s

- Distribution and growth: extending the principle of effective demand to the long period
- Critique of neoclassical macrotheory: capital controversy
- Search for a grand theoretical system

1980s/90s

- Endogenous money
- Methods and methodology
- What Keynes really meant ...

2000s

- Economic policies

What has been achieved?

- Solid body of theory and policy recommendations in the areas of: macroeconomics; employment and unemployment; distribution and growth; money, credit and finance; international money and finance; financialisation; financial instability and financial crisis; ...
- Survival as an alternative school of thought in an extremely unfriendly environment
 - Graduate programmes
 - Associations and networks
 - Conferences
 - Book series
 - Journals
 - Summer schools

A Modern Guide to Keynesian Macroeconomics and Economic Policies

Introduction, *Eckhard Hein and Engelbert Stockhammer*

1. History and Methods of Post-Keynesian Economics, *Marc Lavoie*
2. Money, Credit and Central Banks in Post-Keynesian Economics, *Marc Lavoie*
3. Growth and Income Distribution: A Post-Keynesian Perspective, *Amitava Dutt*
4. Keynesian Economics and the New Consensus in Macroeconomics, *Philip Arestis*
5. A Post-Keynesian Macroeconomic Model of Inflation, Distribution and Employment, *Eckhard Hein and Engelbert Stockhammer*
6. The Macroeconomics of Unemployment, *Engelbert Stockhammer*

7. Institutions, Aggregate Demand and Cross-Country Employment Performance: Alternative Theoretical Perspectives and the Evidence, *David Howell*
8. European Economic and Monetary Union Policies from a Keynesian Perspective, *Philip Arestis*
9. Open Economy Models of Distribution and Growth, *Robert Blecker*
10. Globalisation, Macroeconomic Performance and Distribution, *Özlem Onaran*
11. International Monetary and Financial Architecture, *Hansjörg Herr*
12. 'Financialisation', Distribution and Growth, *Eckhard Hein*
13. Keynesian Approaches to Financial Crisis, *Gary Dymski*

Some problems and tasks for the future

- Examine potential links between modern micro (experimental, behavioural, ...) and Post-Keynesian macro
- Link with other heterodox schools (Institutional economics, Marxian economics, ...) in order to develop an integrated but open research programme
- Integration of ecological constraints
- Political economy of economic policies

- Improve institutionalisation of PK economics (graduate programmes, summer schools, journals, major research projects, jobs for junior researchers)
- Improve impact on economic policies (but how??) ⁸