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

Institute for International Political Economy Berlin

The euro zone crisis: what would John Maynard do?

Author: Dirk Ehnts

Working Paper, No. 72/2016

The euro zone crisis: what would John Maynard do?

Dirk H. Ehnts

Abstract:

In his letter to US President Franklin D. Roosevelt Keynes (1933) wrote about 'the technique of recovery itself'. An increase in output is brought about by an increase in purchasing power, Keynes argues, which can come from three sectors: households, firms and government. Using the IS/MY macroeconomic model developed by Ehnts (2014), which features sectoral balances and endogenous money, the situation of some euro zone members is examined with a focus on the three techniques of recovery: increases in debt of the respective sectors as defined by Keynes. A fourth technique, an increase in spending by the rest of the world, is added. The conclusion is that the policy recommendation given by Keynes in his letter also holds for the euro zone at present: a rise in debt-financed government expenditure. Some reform at the institutional level in Europe would enable 'the technique of recovery' to work via the TARGET2 payment system, which is organized along Keynes' International Clearing Union proposal and a solid foundation to build on.

Keywords: deficit spending, fiscal policy, sectoral balances, Keynes, Keynesian economics

JEL classification: E12, E32, E62

Contact:

Dr. rer. pol. Dirk H. Ehnts
Lecturer at Bard College Berlin
Platanenstrasse 24
13156 Berlin
Germany
e-mail: d.ehnts@berlin.bard.edu

1. Introduction

'What would Jesus do?' is a phrase that is often heard when people strive for moral guidance. Usually, the problem to be pondered is one that is not too big or technical. Imagining what 'the master' recommends can help to play through some scenarios before acting. Full responsibility still lies with the person that acts. The euro zone crisis is a very big problem, and technical as well. The policy makers that have been confronted with the euro zone crisis have so far relied almost exclusively on what Wren-Lewis (2016) calls the 'New Classical Counter Revolution' (NCCR) if not for the short resurgence of 'Keynesian stimulus' in 2009.[1] In the US, the American Recovery and Reinvestment Act of that year was clearly based on Keynesian thought and critisized by Krugman (2009) as too little.

Academics did address the euro zone crisis from a Keynesian perspective so there is no shortage of material.[2] Some of it dates back to the years before the crisis, as calls of problems coming up were voiced by many academics. An early contender is Godley (1992, 4) writing: "If a country or region has no power to devalue, and if it is not the beneficiary of a system of fiscal equalisation, then there is nothing to stop it suffering a process of cumulative and terminal decline leading, in the end, to emigration as the only alternative to poverty or starvation." Godley and Lavoie (2007, 1) also recognize that "if all three countries do indeed operate independent fiscal policies, the system will work under a floating currency regime, but only so long as the European central bank is prepared to modify the structure of its assets by accumulating an ever rising proportion of bills issued by any 'weak' euro country."

The General Theory has been updated in what Harcourt and Riach (2006) call a second edition. It has been put into historical context by his biographer – Robert Skidelsky – and compared to both Keynes' writings before its publication and after.[3] Every ten years, there is a big conference where knowledge on the General Theory after 60/70/80/... years is exchanged, usually leading to a collection of essays.[4] However, the answer to the question of this article cannot be derived from distilling the opinions of dozens of contemporary

[1] The differences between NCCR and Post-Keynesian theory are ontological, Dow (2016) claims. NCCR follows the concept of equilibrium, which is leading to progress, whereas others think differently.
[2] There is a wide range of Keynesian schools: New Keynesians, Post-Keynesians, monetary Keynesians, and many more.
[3] See Skidelsky (1992) for a biography of Keynes 1920-1937 and Skidelsky (2009) for reasons not to forget that in the 21st century Keynes still matters.
[4] The latest monograph is Wray and Forstater (2008).

economists into one single set of ideas.[5] Instead, I will rely on a graphical representation of Keynesian ideas that I developed in Ehnts (2014).[6] It should encompass all the techniques of recovery that Keynes sketched out in his letter to US President Franklin Delano Roosevelt. The letter is analysed in the next section, followed by sections on the four techniques derived from his letter and another one that is important only from a national perspective. In the conclusion it is asked what John Maynard would do in the context of the euro zone crisis.[7] Given that the lack of aggregate demand was the main problem during the Great Depression and is also the problem of today, as Eichengreen (2015) finds, the answer might be of interest.[8]

2. The technique of recovery

In a letter to US President Franklin Delano Roosevelt, Keynes (1933) conveyed his reflections to the incoming president. It was printed in the 'New York Times' on December 31, 1933.[9] One can be sure that the letter contains Keynes' finest writings in terms of persuasion, short and crisp.[10]

> *"My second reflection relates to the technique of Recovery itself. The object of recovery is to increase the national output and put more men to work. In the economic system of the modern world, output is primarily produced for sale; and the volume of output depends on the amount of purchasing power, compared with the prime cost of production, which is expected to come on the market. Broadly speaking, therefore, and increase of output depends on the amount of purchasing power, compared with the prime cost of production, which is expected to come on the market. Broadly speaking, therefore, an increase of output cannot occur unless by the operation of one or other of three factors. Individuals must be induced to spend more out of their existing incomes; or the business world must be induced, either by increased confidence in the*

[5] In the recent debate, Temin and Vines (2016, 47-49) have discussed the euro zone crisis with reference to Keynes. Wray (2012, 169-185) has a section on the EMU and its problems. Lavoie (2015a, 2015b) and Cesaratto (2013, 2015) have an ongoing debate about whether the euro zone crisis is a balance of payments crisis. Ehnts (2016) presents a short euro zone history based on balance sheets and accounting.
[6] By Keynesian ideas I think of those Keynes developed in and around his General Theory. See Tily (2007) and Toporowski (2008) for a recent discussion of the book.
[7] Obviously, much research has been added to economics that stands on Keynes' shoulders. Outstanding contributions include Davidson (2007), Keen (2002), Lavoie (2014), Minsky (1975), Moore (1988) and Wray (2015).
[8] The book, just like Piketty (2014), has been under attack from mainstream economists. See Paqué (2015), who is claiming that the euro was introduced to "gain the trust of financial markets"!
[9] The letter was reprinted by UK newspaper 'The Guardian' on November 25, 2008.
[10] See Gnos (2005) for a longer exposition on Keynesian-style policy against recession.

prospects or by a lower rate of interest, to create additional current incomes in the hands of their employees, which is what happens when either the working or the fixed capital of the country is being increased; or public authority must be called in aid to create additional current incomes through the expenditure of borrowed or printed money. In bad times the first factor cannot be expected to work on a sufficient scale. The second factor will come in as the second wave of attack on the slump after the tide has been turned by the expenditures of public authority. It is, therefore, only from the third factor that we can expect the initial major impulse."

In the letter, Keynes recognizes three factors that precede any increase in output:

1. Individuals spend more of their existing incomes.
2. Businesses must spend more, thereby creating more income for households.
3. Public authority – government – must create additional incomes through an increase in expenditure, using borrowed or printed money.

The last point is quite interesting since Keynes does not consider government spending financed by taxes. The only question is whether the government bonds financing the increase in government spending are later sold to the public or not. In the former scenario, the money has been borrowed, in the latter printed. For Keynes, it is a lack of demand that is the cause of the trouble. He puts it very clearly when he ends his letter with two recommendations (ibid., 295): "In the field of domestic policy, I put in the forefront, for the reasons given above, a large volume of Loan-expenditures under Government auspices." In modern language, government should increase its spending and, if need be, accept a budget deficit for the time being. Keynes continues (ibid., 296): "I put in the second place the maintenance of cheap and abundant credit and in particular the reduction of the long-term rates of interest." This is something which modern central banks can do, since they set the short-term interest rate and, through open market operations, are able to affect long-term interest rates too.[11] Kregel (2011) argues that in the General Theory Keynes changed his ideas on the effectiveness of monetary policy during a slump.

In the context of the euro zone crisis, it would be interesting to see how the techniques of recovery developed by Keynes (1933) fit into the macroeconomic picture. Keynes argues that in order to see an increase in output we need an increase in spending. Given that it is

[11] This is what we now call 'quantitative easing' and Keynes (1930, 372) calls "monetary policy á outrance."

impossible to predict how the funds then circulate in the monetary system the actors must be willing to risk a temporary or permanent deficit, which is defined by inflows minus outflows. Whoever increases spending would hence have a deficit until additional inflows can correct the situation. It should also be noted that the list of techniques of recovery is exhaustive – if no increase in spending is brought about, then output will not increase.[12] Keynes, with the world in depression in December 1933, did not contemplate a rise in foreign spending as a way out of the crisis as this would obviously be a zero-sum game. A re-direction of spending would shift unemployment from one country to another.

3. The IS/MY model: a Keynesian interpretation

The members of the euro zone have different sorts of troubles. Germany's economy is doing quite well, but that is only because the German economy is based on (net) exports. Germany had a current account surplus of €219.7 billion in 2015, roughly 7% of GDP, meaning foreign countries must have moved into debt or seen their assets reduced by the same amount. Unemployment is quite low, if one considers the official statistics. However, in countries like Greece and Spain unemployment is high. Some euro zone economies have not regained the GDP they had before the crisis, among them Finland. The Netherlands had a real estate bubble that burst in the last years and is struggling to regain growth.

The euro zone, as a common currency area, will be analyzed as a single area.[13] That does not imply that all euro zone countries should follow the policy advice. After understanding what sort of economic policy could be helpful, the policies will be analyzed in the euro zone context. However, if the current arrangements of the euro zone stand in the way of restarting economic growth then a short discussion will follow that addresses the specific problems. One culprit of the on-going crisis is the Stability and Growth Pact, and it is certainly doesn't do any harm to think about reforms. Until now, reforms addressed only the 'problems' of sovereign debt that stem from the time before the ECB recognized its responsibility as the lender of last resort, or they have been misdirected.[14]

[12] This means that lower wages or higher productivity are not part of his menu of possible solutions. Obviously, austerity policy is also excluded.
[13] This is why the analysis of Flassbeck and Lapavitsas (2013) of a coordinated European wage policy is not examined in this article.
[14] The macroeconomic imbalance procedure, for instance, is not a workable tool for a common currency area and it seems that there is no other currency area that has anything like it. As it stands, the current account surpluses that Germany and the Netherlands are running violate the rules but trigger no sanctions. See Dodig and Herr (2015) and Hein and Detzer (2015) for further discussion of macroeconomic imbalances inside the euro zone.

The IS/MY model is a graphical representation of a small set of equations that is quite similar in look and feel to the IS/LM model but contains a number of alternative choices, incorporating:

1. Endogenous money, thus recognizing that the link between the nominal short-term interest rate set by the central bank (and other interest rates) and the quantity of credit is weak and at times non-existent.[15]
2. Sectoral balances, dividing the economy into public, private and external sectors.
3. The balance of payment identity, so that the change in net financial debt of all three sectors (private, public, rest of the world) must equal zero, which is a new definition of 'equilibrium' (against the idea of supply equals demand as equilibrium).[16]
4. The economy can run in two modes: profit-maximising and debt-minimizing, thus allowing the economy to be driven by financial deleveraging of the private sector.[17] Other modes, like export-led or profit-/wage-led could easily be added to the model.

The model should therefore contain the essential building blocks that are needed to explain mass unemployment in a modern monetary economy. The sectoral decomposition allows us to examine the techniques of recovery identified by Keynes one by one. The model does not allow us to look at stocks explicitly, which is why more insights might by gained through looking at an extended stock-flow consistent version of this model. For the purposes of this exercise it should be enough to note that public debt can rise infinitely (at least theoretically) whereas private and foreign debt cannot.[18]

[15] See Wray (1999, ch.3) for a short history of money and Moore (1988) on endogenous money in a modern monetary economy.
[16] The balance of payments is in balance or 'equilibrium' even if some additional output is produced but not consumed. The increase in stocks of unsold goods counts as investment. Since supply is higher than demand, neoclassical 'equilibrium' is not reached.
[17] This has been stressed by Koo (2008).
[18] This does not mean that public debt should rise infinitely or that if it would do so there would be no changes in the rate of inflation or other variable. Foreign debt, if it is public debt, can rise infinitely, but for the purpose of this exercise I exclude such a solution. It would mean that the US would pull the world economy out of the slump by ‚going it alone' in terms of fiscal policy.

Figure 1: The IS/MY model

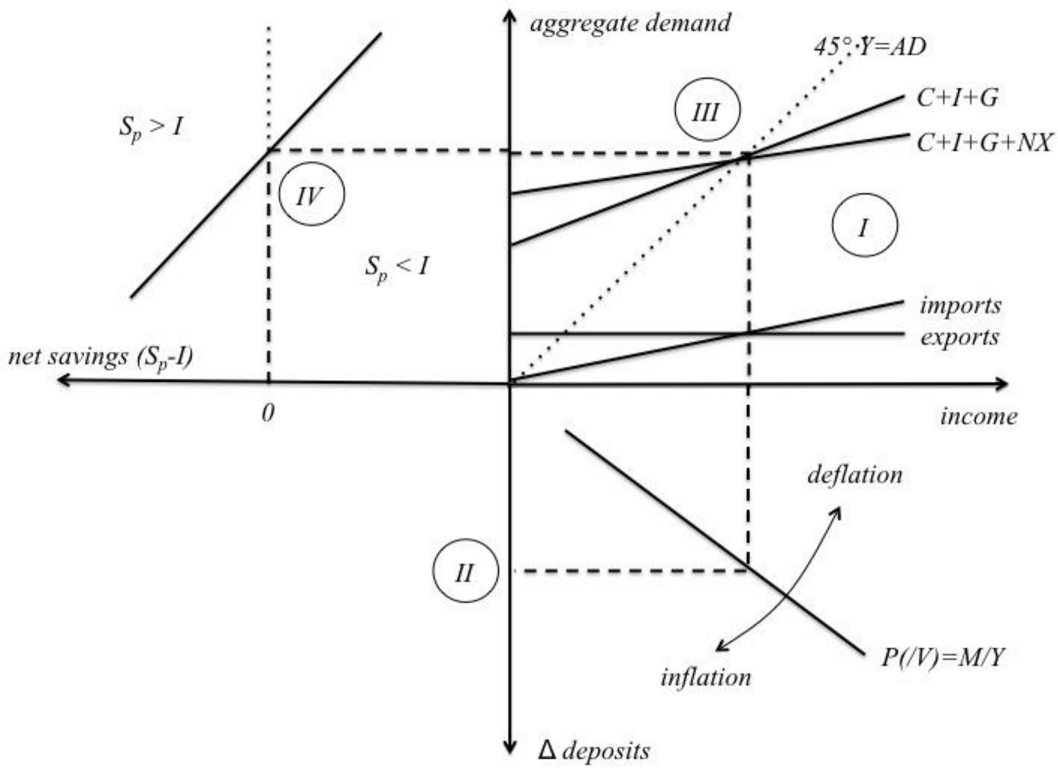


Figure 1 shows an economy in the position of a balanced current account, a balanced government budget and a private sector that does not change its net debt. The northeast quadrant shows the usual Keynesian supply-demand nexus as a 45° line. Parts of aggregate demand are financed by borrowing, which establishes the connection to the southeast quadrant. Spending of deposits on goods and services leads to income, which establishes a positive connection between the two. New deposits are created by additional a) private borrowing (investment), b) government spending or c) exporting.[19] All these three variables are hence treated as exogenous, since nobody can predict the quantities and they are not determined by other variables either directly or indirectly through accounting relationships.[20] Consumption, imports, private saving and taxes roughly depend on income and are hence endogenously determined. Thus, the government budget deficit (T-G) and the change in net debt for the private (S_P-I) and external sectors (IM-EX) are undetermined *ex ante*.

[19] It is assumed that firms and households borrow to finance investment, not consumption. Housing is counted as investment in the national income and product accounts, even though households are supposed to consume it over time.

[20] See Carrión Álvarez and Ehnts (2015) for a further discussion of macroeconomic variables and accounting relationships.

Figure 2: The slump

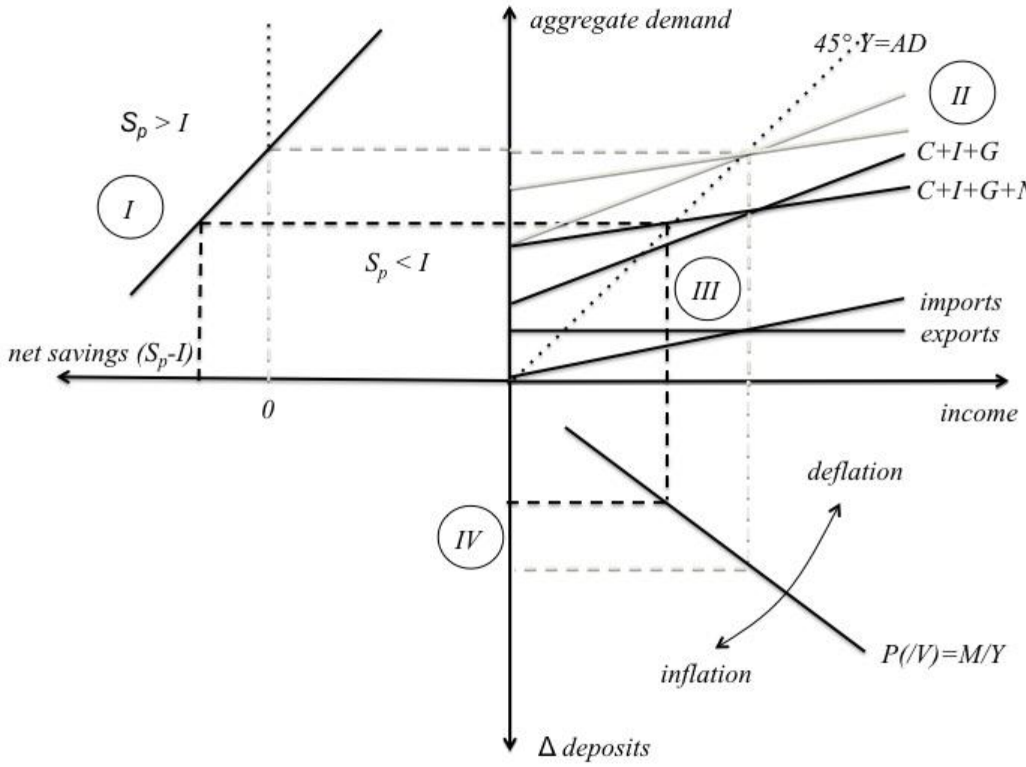


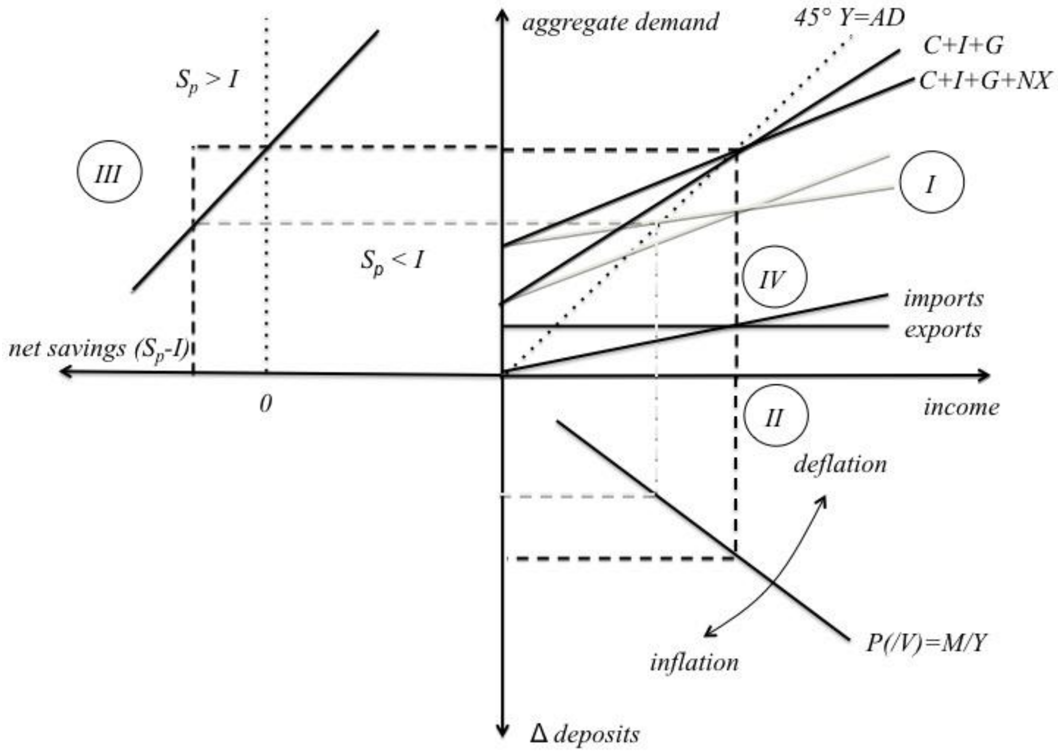
Figure 2 shows what happens in a slump. Investment has fallen, so that the amount of deposits does not increase as fast as before as less loans are taken. Also, loan repayment has accelerated, leading to a decrease in deposits. The result of the fall in investment is without doubt a fall in spending and hence a fall in output. The macroeconomic system is driven by the private sector's intent to reach a targeted nominal quantity of net financial savings, which it uses to reduce debt or build up net savings in preparation for any expected bad times.[21] The counterpart could be the public sector or the rest of the world or any combination of the two, but in the way the model is set up it is the rest of the world that is the counterpart.[22]

a. An increase in household debt

Households could increase the amount of spending given their income. If the propensity to consume rises, the consumption function would rotate anti-clockwise.

[21] This might include postponing spending on expensive goods if their price is expected to fall.
[22] It would also be possible that redistribution of assets and liabilities is enough to make the private sector happy with respect to its net financial savings situation.

Figure 3: An increase in the propensity to consume



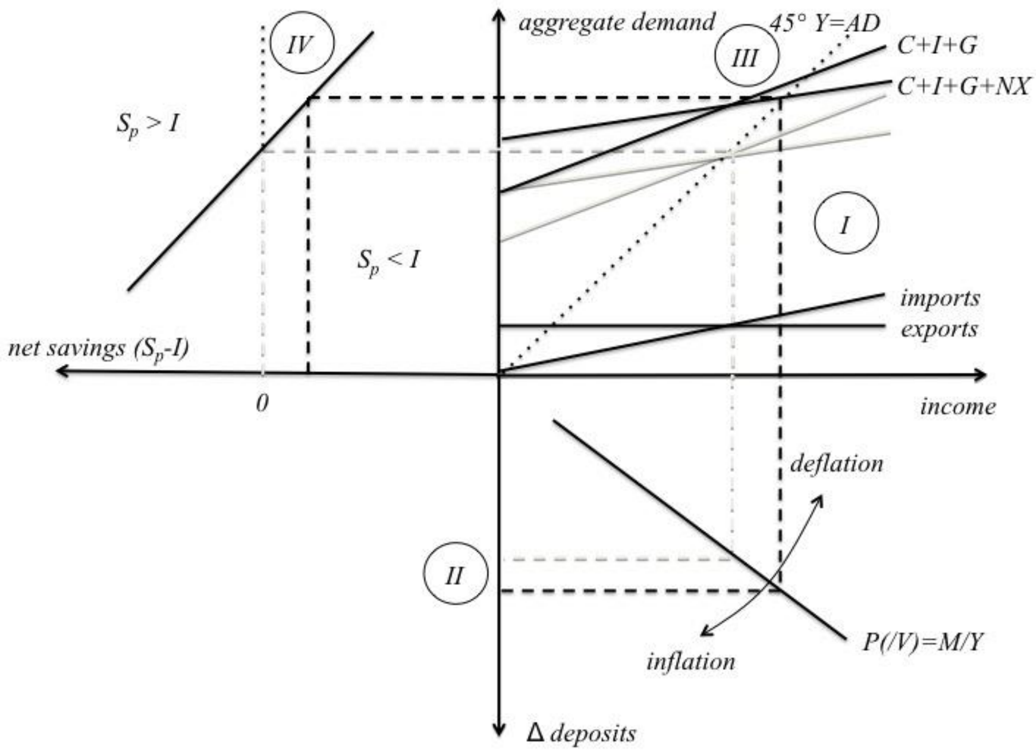
As a result, income rises and the economy grows. Note that the rise in spending on consumption is not caused by an increase in household debt, like is described by Hudson (2006).[23] This case is easily imaginable as an increase in investment in real estate and would be an alternative interpretation of the next section.

b. An increase in business debt

Businesses could pay higher wages, which would put additional income in the hands of households. To be able to pay higher wages, the firms would have to borrow more. The increase in income for households might also be caused by a rise in business investment, which is modeled below.

[23] Households in this model are not allowed to finance consumption by an increase in debt.

Figure 4: An increase in investment

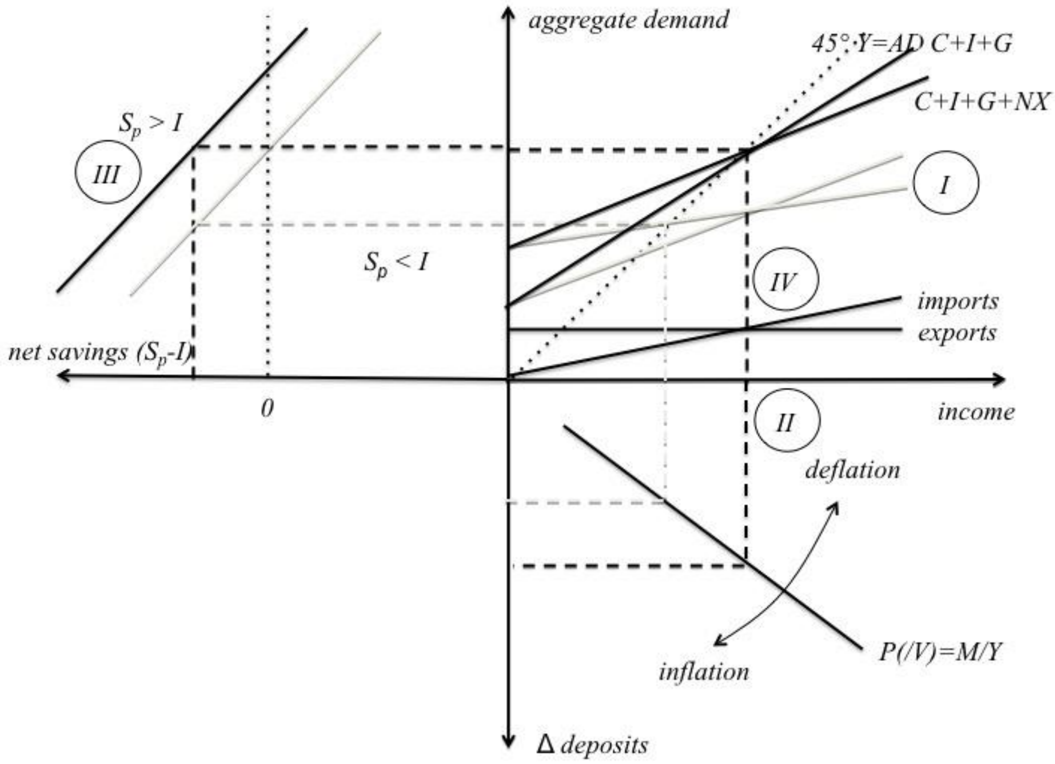


Again the economy improves, this time additional demand has come from the private sector. If prices react to higher wages, then a part of the wage increase ends up increasing inflation. In a slump as Keynes described this should not be a problem. If inflation does arise it should be a sign that the slump is history.

c. An increase in government debt

The government could spend more and thus put more purchasing power in the hands of households plus increase output directly when it spends.

Figure 5: An increase in government spending

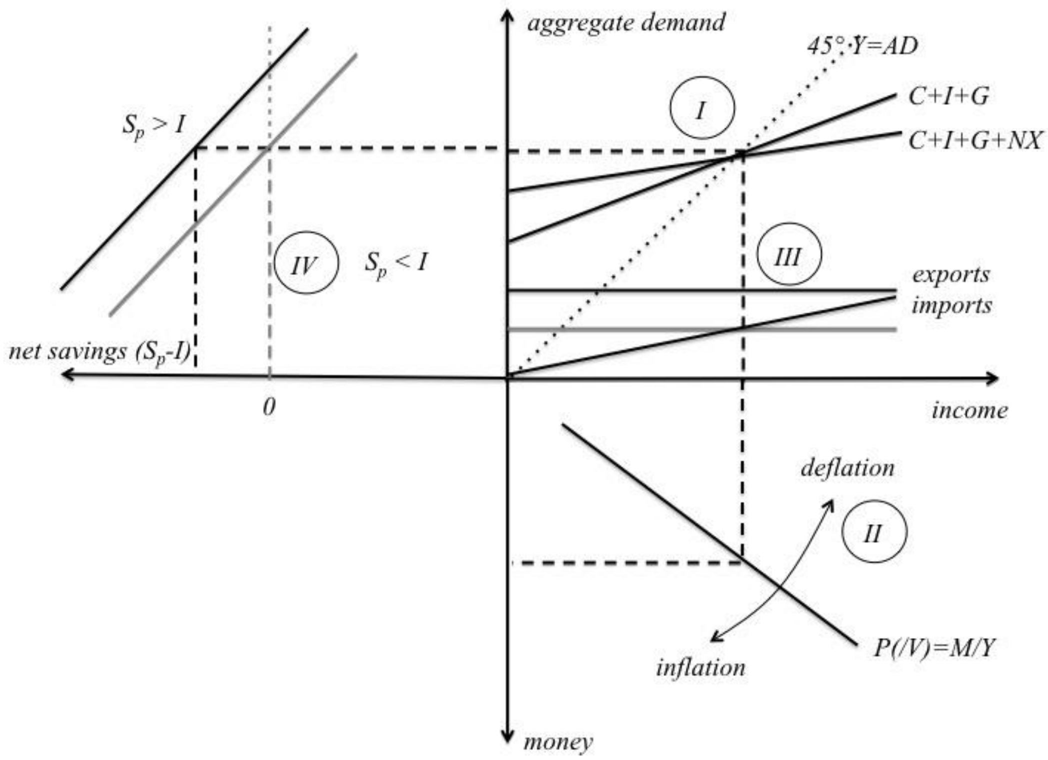


This is close to traditional Keynesian fiscal policy and Lerner's (1943) concept of functional finance.

d. An increase in foreign debt

An increase in exports would also help the economy as the rest of the world goes into debt to buy more products, thus generating income in the economy we are examining.

Figure 6: An increase in exports



Kindleberger (1973, 290-1) once wrote: "When every country turned to protect its national private interest, the world public interest went down the drain." This solution is only of regional character, as the unemployment is exported. World unemployment does not change, only its distribution. That has been the policy of choice for the European Union so far.

4. The euro zone crisis: institutions and policies

The euro zone's institutions prohibit only one of the techniques of recovery: scenario (c) is impossible since the Stability and Growth Pact rules out large deficits. However, the Stability and Growth Pact can be and is ignored at will. In February 2016, the Portuguese government went to Berlin and got a nod from the German chancellor for a budget that is predicted to not meet the expectations of the European Commission. The Stability and Growth Pact is a soft, not a hard constraint. There is political leeway to not enforce the pact, this does not mean, however, that it can be ignored.

Some observers have argued that expansionary policy would lead to capital flight and higher interest rates (and yields) in those countries that practice it, but this seems to go against the logic of the current institutions. Keynes would have been very pleased with the way the TARGET2 system is set up. As Lavoie (2015a) argues, the payment system resembles the plan for the International Currency Union. The euro takes the place of the bancor, which is the unit of account for international clearing. It is available in unlimited amounts, which means that capital flight does not cause monetary shocks. Hence, macroeconomic imbalances inside currency areas are not a major problem.[24] Nevertheless, with the Macroeconomic Imbalance Procedure (MIP) the euro zone has moved further towards the Keynes plan. Current account surpluses above 6% and deficits above 4% are now punished.[25] Germany can be seen as an international 'hoarder'. [26]

Keynes would surely have critisized the European Commission, which followed the former British Treasury view as sketched out by Skidelsky (2016, 9-10). The key issue would have been the austerity policies imposed on the crisis countries by the Troika (IMF, ECB, European Commission). Keynes would have argued that in the case of a lack of aggregate demand, government spending should have increased. It is easy to imagine Keynes writing a tract in 1999 called "The economic consequences of the euro" in which he attacks the fact that in times of crisis no fiscal policy would be available.[27] Keynes would claim that monetary policy is not sufficient to guarantee full employment and very likely would agree with Bibow (2013) that a Euro Treasury is needed. The Euro Treasury is also mentioned in the Five Presidents' Report and has been endorsed by the presidents of the German and French central banks.[28] Definitions of what constitutes a Euro Treasury in terms of fiscal and political arrangements differ widely. Keynes probably would have tried to persuade politicians behind the scene to follow his advice. Whether this would have succeeded is anyone's guess.

5. Conclusion

Markets are not self-regulating.[29] This is true for national economies as well as for the global economy.[30] Money matters, and chapter 17 of the General Theory is central to Keynes's

[24] Keynes would agree with Lavoie (2015a) and disagree with Sawyer (2016, 40), who believes that "current account balances [must] be resolved".
[25] Keynes, in the context of international macroeconomic imbalances, always stressed that the creditor country should carry part of the cost of adjustment, so he would rather have accepted an asymmetric regime in which the surplus country is punished from 5% onwards and the deficit country from 6%.
[26] See Dodig and Herr (2015).
[27] For a mainstream critique of ignoring fiscal issues in the euro zone see Goodhart (2006) and Eichengreen (2008). The debate on the euro has led some countries to stay out of it, including most notably the United Kingdom.
[28] The respective documents are available at http://www.sueddeutsche.de/wirtschaft/euro-raum-europa-braucht-ein-gemeinsames-finanzministerium-1.2852586 and https://ec.europa.eu/priorities/sites/beta-political/files/5-presidents-report_en.pdf.
[29] Sau (2008) claims that Kalecki and Keynes are the founding fathers of this idea.

thinking.[31] So, situations of under-employment are possible and stable. A fall in the real wage is not the answer to the problem, since it is not possible for businesses to achieve it, as Keynes (1936) describes in the second chapter of the General Theory.[32] Instead, techniques of recovery are available. Which one to pick? What would John Maynard do?

Keynes, I believe, would have tried to persuade his peers that the situation calls for one particular technique of recovery because the others are either not available (increase in household or business debt) or not leading to recovery everywhere (increase in net exports). Skidelsky (2016) describes how Keynes came to Britain offering a solution for the 'blocked system' of the political economy. Once again, it seems, the political system is blocked. It takes courage and persuasiveness to solve the problem of mass unemployment in today's euro zone. It is a question of when rather than how, given that the next recession will surely lead to the use of fiscal policy.

[30] The international 'non-system' has been built on the Washington Consensus, which has been critisized by many scholars. See Herr and Priewe (2006).
[31] See Davidson (1978) for a revival of the role of money in Post-Keynesian economics.
[32] Keynes (1936, 13) writes: "There may exist no expedient by which labour as a whole can reduce its real wage to a given figure by making revised money bargains with the entrepreneurs."

Bibliography

Bateman, Bradley W. and Dimand, Robert W. 2016. John Maynard Keynes Narrates the Great Depression: His Reports to the Philips Electronics Firm. Unpublished manuscript, downloadable from http://charlesgide2016.sciencesconf.org/82666/document

Bibow, Jörg. 2013. Lost at Sea: The Euro Needs a Euro Treasury. Levy Economics Working paper 780

Carrión Álvarez, Miguel and Ehnts, Dirk. The Roads Not Taken: Graph Theory and Macroeconomic Regimes in Stock-flow Consistent Modeling. Levy Institute working paper 854

Cesaratto, Sergio. 2013. The Implications of TARGET2 in the European Balance of Payments Crisis and Beyond. *European Journal of Economics and Economic Policies: Intervention* 10(3), 359-382

Cesaratto, Sergio. 2015. Balance of Payments or Monetary Sovereignty? In Search of the EMU's Original Sin–Comments on Marc Lavoie's The Eurozone: Similarities to and Differences from Keynes's Plan. *International Journal of Political Economy* 44(2), 142–156

Davidson, Paul. 1978. *Money and the Real World*. 2nd edition. London: Macmillan

Davidson, Paul. 2007. *John Maynard Keynes*. London/New York: Palgrave Macmillan

Dodig, Nina and Herr, Hansjörg. 2015. Current Account Imbalances in the EMU: An Assessment of Official Policy Responses. *Panoeconomicus* 62 (2), 193-216

Dow, Sheila. 2016. Ontology and Theory for a Redesign of European Monetary Union. *World Economic Review* 6, 1-11

Ehnts, Dirk. 2014. A simple macroeconomic model of a currency union with endogenous money and saving-investment imbalances. *International Journal of Pluralism and Economics Education* 5(3), 279-297

Ehnts, Dirk. 2016. *Modern Monetary Theory and European Macroeconomics*. London: Rouledge, forthcoming

Eichengreen, Barry. 2008. Sui Generis EMU. NBER Working Paper No. 13740

Eichengreen, Barry. 2015. *Hall of Mirrors: The Great Depression, The Great Recession, and the Uses-and Misuses-of History*. Oxford: Oxford University Press

Flassbeck, Heiner and Lapavitsas, Costas. 2013. *The Systemic Crisis of the Euro - True Causes and Effective Therapies*. Rosa-Luxemburg-Stiftung, Reihe Studien, Berlin

Gnos, Claude. 2005. Analysing and fighting recession with reference to Keynes. In: Wray, L. Randall and Mathew Forstater (eds.). Contemporary Post Keynesian Analysis. Cheltenham, UK: Edward Elgar

Godley, Wynne. 1992. Maastricht and All That. *London Review of Books* 14(19), 3-4

Godley, Wynne and Lavoie, Marc. 2007. A simple model of three economies with two currencies: the eurozone and the USA. *Cambridge Journal of Economics* 31, 1–23

Goodhart, Charles. 2006. Monetary and social relationships. In: Wray, R. and M. Forstater (eds.), Money, Financial Instability and Stabilization Policy, Cheltenham/Northampton: Edward Elgar, 22-36

Harcourt, Geoffrey and Riach, Peter. 1997. *A Second Edition of The General Theory*. London: Routledge

Hein, Eckhard and Detzer, Daniel. 2015. Post-Keynesian Alternative Policies to Curb Macroeconomic Imbalances in the Euro Area. *Panoeconomicus* 62(2), 217-236

Herr, Hansjörg and Priewe, Jan. 2006. The Washington Consensus and (non-) development. In: Wray, R. and M. Forstater (eds.), Money, Financial Instability and Stabilization Policy, Cheltenham/Northampton: Edward Elgar, 171-191

Hudson, Michael. 2006. Asset-Price Inflation, and Debt-Induced Deflation. In: Wray, R. and M. Forstater (eds.), Money, Financial Instability and Stabilization Policy, Cheltenham/ Northampton: Edward Elgar, 104-124

Keen, Steve. 2002. *Debunking Economics: The Naked Emperor of the Social Sciences*. London and New York, NY: Zed Books

Keynes, John M. 1930. *A Treatise on Money, Vol. II: The Applied Theory of Money*. London: Macmillan

Keynes, John M. 1933. An open letter to President Roosevelt. NY Times, Dec 31, 1933, reprinted in Donald Moggridge (ed.), *The Collected Writings of John Maynard Keynes, XXI, Activities, 1931-1939: World Crises and Policies in Britain and America*, 289-297

Keynes, John M. 1936. *The General Theory of Employment, Interest and Money*. London: Macmillan

Kindleberger, Charles P. 1973. *The World in Depression, 1929-1939*. Berkeley and Los Angeles: University of California Press

Koo, Richard. 2008. *The Holy Grail of Macroeconomics: Lessons from Japan's Great Recession*. Singapore: John Wiley & Sons

Kregel, Jan. 2011. Was Keynes's Monetary Policy 'á outrance' in the Treatise a forerunner of ZIRO and QE? Did he change his mind in the General Theory? Levy Economics Institute Policy Note 2011/4

Krugman, Paul. 2009. Behind the Curve. NY Times, March 8, http://www.nytimes.com/2009/03/09/opinion/09krugman.html

Lavoie, Marc. 2014. *Post-Keynesian Economics: New Foundations*. Cheltenham: Edward Elgar

Lavoie, Marc. 2015a. The Eurozone: Similarities to and Differences from Keynes's Plan. *International Journal of Political Economy* 44(1), 3–17.

Lavoie, Marc. 2015b. The Eurozone Crisis: A Balance-of-Payments Problem or a Crisis Due to a Flawed Monetary Design? *International Journal of Political Economy* 44(2): 157-160

Lerner, Abba. 1943. Functional Finance and the Federal Debt. *Social Research* 10, 38-51

Minsky, Hyman. 1975. *John Maynard Keynes*. New York, NY: Columbia University Press

Moore, Basil J. 1988. *Horizontalists and Verticalists: The macroeconomics of credit money*. New York, NY: Cambridge University Press

Paqué, Karl-Heinz. 2015. Die Rückkehr der Ideologien. *Perspektiven der Wirtschaftspolitik* 16(3), 302–321.

Piketty, Thomas. 2014. *Capital in the Twenty-First Century*. Cambridge: The Belknap Press

Sau, Lino. 2008. Two Founding Fathers of the Post Keynesian Critical Appraisal of Self-balancing Mechanisms? In: Wray, R. and M. Forstater (eds.): *Keynes and Macroeconomics after 70 years – Critical assessments of the General Theory*, 51-63

Sawyer, Malcolm. 2016. The Economic and Monetary Union: Past and Present Failures and some Future Possibilities. *World Economic Review* 6, 31-43

Skidelsky, Robert. 1992. *John Maynard Keynes: The Economist as Saviour 1920-1937*. London: Macmillan

Skidelsky, Robert. 2009. *Keynes – The Return of the Master*. London: Allen Lane

Skidelsky, Robert. 2016. How Keynes came to Britain. *Review of Keynesian Economics* 4(1), 4-19

Temin, Peter and Vines, David. 2016. Keynes and the European Economy. *Review of Keynesian Economics* 4(1), 36-49

Tily, Geoff. 2007. *Keynes's General Theory, the rate of interest, and Keynesian economics: Keynes betrayed*. Basingstoke: Palgrave Macmillan

Toporowski, Jan. 2008. Book review on G. Tily, Keynes's General Theory, the rate of interest and Keynesian economics, *Intervention* 5 (2), 284-289

Wray, L. Randall. 1998. *Understanding Modern Money: The Key to Full Employment and Price Stability*. Northampton, MA: Edward Elgar

Wray, L. Randall. 2012. *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*. New York, NY: Palgrave Macmillan

Wren-Lewis, Simon. 2016. Unravelling the New Classical Counter Revolution, *Review of Keynesian Economics* 4(1), 22-35

Imprint

Editors:
Sigrid Betzelt Trevor Evans Eckhard Hein Hansjörg Herr
Birgit Mahnkopf Christina Teipen Achim Truger Markus Wissen

ISSN 1869-6406

Printed by
HWR Berlin

Berlin July 2016

www.ipe-berlin.org