ECON 797K: Modelling growth and distribution, fall 2007
Tu-Th 1:00pm - 2:15pm

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This course focuses on the formal modeling of growth and distribution within a broadly Keynesian and/or neo-Marxian approach.

There have been many attempts to formalize (post-) Keynesian and (neo-) Marxian theories. Most of the theoretical models assume a closed, one-sector, capitalist economy. Notions of uneven development, however, have also been prominent in the Keynesian/Marxian tradition and contributions to this literature – involving some spatial and sectoral disaggregation – will be included.

The course falls in two parts. The first part - approximately the first 2/3 of the course - will cover fairly basic models, some of them classics in the field. This part of the course will be based on lectures, although with a small class size, I expect and hope for a lot of discussion. During the second part of the course, students present articles. Many if not most of these presentations may take up recent contributions that build on and extend ideas covered in the first part of the course. However, the articles may also address issues that we don't have the time to consider in the first part of the course (for instance growth and inequality, interactions between growth and institutional structures, technical change, or the question of convergence).

Evaluation will be based on (i) problem sets (about 6), (ii) a take-home midterm exam, (iii) class presentation of one or more articles on a topic chosen by the participant, and (iv) a term paper that may typically be related to the material covered in the class presentation and/or dissertation plans. The weights will be 20%, 30%, 15% and 35%, respectively.

<u>Preliminary</u> outline of part 1:

I Introduction
II Keynesian and Kaleckian one-sector models
III Neo-Marxian models
IV Growth and cycles
V Financial issues
VI Uneven development

Part 1

The readings below are preliminary. Core readings (which we will cover in detail) are indicated by an asterisk.

I Introduction

4 Sept: Stylized facts; the Solow-Swan model

Readings:

Glyn, A. (1995) “Stability, inegalitarianism, and stagnation”. In G. Epstein and H. Gintis (eds) *Macroeconomic policy after the conservative era*, Cambridge University Press.

Romer, D. (2001) *Advanced macroeconomics*. McGraw-Hill, chapter 1.

Ros, J. (2001) *Development theory and the economics of growth*, Michigan University Press, chapter 1.

Solow, R.M. (1956) “A Contribution to the Theory of Economic Growth”. *Quarterly Journal of Economics*, 70, 64-94.

II Keynesian and Kaleckian one-sector models

6 Sept: Classics: Harrod, Kalecki, Steindl, Kaldor, Robinson
11 Sept: A Kalecki-Steindl model (Dutt)
13 Sept: Wage-led and profit-led regimes (Bhaduri&Marglin)
18 Sept: Endogenous mark-ups (Flaschel&Skott)
20 Sept: Utilization rates and the specification of accumulation (Lavoie, Auerbach&Skott)

Readings:

* Auerbach, P. and Skott, P. (1988) "Concentration, competition and distribution". *International Review of Applied Economics*, 2, pp. 42-61.

* Bhaduri, A. and Marglin, S.A. (1990) "Unemployment and the real wage: the economic basis for contesting political ideologies". *Cambridge Journal of Economics*, 375-393.

Blecker, R. (1989) "International competition, income distribution and economic growth". *Cambridge Journal of Economics*, 14, pp. 375-393.

Cowling, K. (1981) “Oligopoly, distribution and the rate of profit”. *European Economic Review*,

* Dutt, A.K. (1984) "Stagnation, income distribution and monopoly power". *Cambridge Journal of Economics*, 8, pp. 25-40.

Dutt (1990) *Growth, distribution and uneven development*. Cambridge University Press, chapter 3.

* Flaschel, P. and Skott, P. (2005) "Steindlian models of growth and stagnation". *Metroeconomica*, forthcoming.

Foley, D. and Michl, T. (2001) *Growth and distribution*. Harvard University Press, chapter 10.

Harrod (1939) “An essay in dynamic theory”. *Economic Journal*, 14-33

Kaldor (1956) “Alternative theories of distribution”. *Review of Economic Studies*, 83-100.

Kaldor (1957) “A model of economic growth”. *Economic Journal*, 591-624.

Kalecki, M. (1968) “Trends and business cycles reconsidered”. *Economic Journal*, 263-276.

* Lavoie, M. (1995) "The Kaleckian model of growth and distribution and its neo-Ricardian and neo-Marxian critiques". *Cambridge Journal of Economics*, 19, pp. 789-818.

Robinson, J. (1962) *Essays in the Theory of Economic Growth*. London and Basingstoke: Macmillan, (mainly chapter 2).

Rowthorn, B. (1981) "Demand, real wages and economic growth". *Thames Papers in Political Economy*.

Skott, P. (1989a) *Conflict and effective demand in economic growth*. Cambridge: Cambridge University Press, chapter 3.

Skott, P. (2005) Equilibrium, Stability and Economic Growth. In B. Gibson (ed.) *Joan Robinson’s Economics: A Centennial Celebration*. Edward Elgar, 173-194.

Steindl, J. (1952) *Maturity and stagnation in American capitalism*. Oxford: Blackwell, chapters (mainly chapters 9,10,13).

Steindl, J. (1979) "Stagnation theory and stagnation policy". *Cambridge Journal of Economics*, 3, pp. 1-14.

Taylor, L. (1985) "A stagnationist model of economic growth". *Cambridge Journal of Economics*, 9, pp. 383-403.

III Neo-Marxian one-sector models

25 Sept:	Base models (Bowles, Marglin)
27 Sept:	Integrating Marx and Keynes (Bowles&Boyer, Marglin)
2 Oct:	Inflation and the NAIRU (Marglin, Skott 1999)
4 Oct:	Production decisions and the reserve army (Skott 1989a)

Readings:

Bowles, S. (1985) "The production process in a competitive economy". *American Economic Review*, 16-36.

* Bowles, S. and Boyer, R. (1990) "A wage-led employment regime". In S.A. Marglin and J. Schor (eds) *The golden age of capitalism*, Oxford University Press.

Dutt (1990) *Growth, distribution and uneven development*. Cambridge University Press.

Foley, D. and Michl, T. (2001) *Growth and distribution*. Harvard University Press, chapter 6.

Marglin, S.A. (1984) *Growth, Distribution and Prices*. Harvard University Press.

* Marglin (1984a) "Growth, distribution, and inflation: a centennial synthesis". *Cambridge Journal of Economics*, 115-144.

Rowthorn, R. (1977) "Conflict, inflation and money". *Cambridge Journal of Economics*, 215-239.

* Skott, P. (1989a) *Conflict and effective demand in economic growth*. Cambridge: Cambridge University Press, chapter 4.

* Skott, P. (1999) "Wage formation and the (non--) existence of the NAIRU". *Economic Issues* 4, 77-92.

IV Growth and cycles

11 Oct:	Keynesian models
16 Oct:	Goodwin's Marx formalization (Goodwin)
18 Oct:	Integrating Marx and Keynes (Skott)

Readings:

Dutt, A.K. (1992) "Conflict inflation, distribution, cyclical accumulation and crises". *European Journal of Political Economy*, 8, pp. 579-597.

* Goodwin, R.M. (1967) “A Growth Cycle”. In C.H. Feinstein (ed.) *Socialism, Capitalism and Growth* (CUP).

Hicks, J.R. (1950) *A contribution to the trade cycle.* Clarendon.

Kaldor, N. (1940) "A Model of the Trade Cycle". *Economic Journal* 50, pp.78-92.

Kalecki, M (1943) "Political aspects of full employment". Reprinted in M. Kalecki, *Selected essays on the dynamics of the capitalist economy*, Cambridge: Cambridge University Press, 1971.

Kalecki, M. (1968) “Trends and business cycles reconsidered”. *Economic Journal*, 263-276.

Samuelson, P.A. (1939) “A synthesis of the principle of acceleration and the multipler”. *Journal of Political Economy*, 786-797.

* Skott, P. (1989) “Effective Demand Class Struggle and Cyclical Growth”, *International Economic Review*, 231-47.

Skott, P. (1992) "Class Conflict and Accumulation". In G. Mongiovi and C. Ruhl (eds.), *Macroeconomic theory: diversity and convergence*, Aldershot: Edward Elgar.

V Financial issues

23 Oct:	A Steindlian model (Dutt)
25 Oct:	Stock-flow consistent models (Skott 1989a, Lavoie&Godley)
30 Oct:	Financialization (Stockhammer, Skott&Ryoo)
1 Nov:	Minsky cycles (Taylor&O’Connell, Skott 1994)

<u>Readings</u>:

Delli Gatti, F. and Gallegati, M. (1990) "Financial Instability, Income Distribution and the Stock Market". *Journal of Post Keynesian Economics*, pp. 356-374.

Dos Santos, C.H. (2005) “A stock-flow consistent general framework for formal Minskyan analyses of closed economies”. *Journal of Post Keynesian Economics*,

Dos Santos, C.H. (2005) “Keynesian Theorizing during Hard Times: Stock-Flow Consistent Models as an Unexplored 'Frontier' of Keynesian Macroeconomics”. *Cambridge Journal of Economics*,

* Dutt, A.K. (1995) "Internal finance and monopoly power in capitalist economies: a reformulation of Steindl's growth model". *Metroeconomica*, 46:1, pp. 16-34.

Foley, D. (1987) “Liquidity-profit rate cycles in a capitalist economy”. *Journal of Economic Behavior and Organization*, 363-376.

Lavoie, M. (1986/87) "Systemic Fragility: A Simplified View". *Journal of Post Keynesian Economics*, 258-266.

* Lavoie, M. and Godley, W. (2001-2002) “Kaleckian growth models in a stock and flow monetary framework: a Kaldorian view”. *Journal of Post Keynesian Economics*, 277-311.

Minsky, H.P. (1975) *John Maynard Keynes*. New York: Columbia University Press.

Minsky, H.P. (1986) *Stabilizing an Unstable Economy*. New Haven: Yale University Press.

Semmler, W. (1987) "A Macroeconomic Limit Cycle with Financial Perturbations". *Journal of Economic Behaviour and Organization*.

Semmler, W. and Franke, R. (1991) "Debt Financing of Firms, Stability, and Cycles in a Dynamical Macroeconomic Growth Model". In E. Nell and W. Semmler (eds.) *Nicholas Kaldor and Mainstream Economics*, Macmillan.

Sethi, R. (1992) "Dynamics of Learning and the Financial Instability Hypothesis". *Journal of Economics*, pp. 39-70.

* Skott, P. (1989a) *Conflict and effective demand in economic growth*. Cambridge: Cambridge University Press, chapters 5 and 7.

* Skott (1994) “On the modeling of systemic financial fragility”. In A.K. Dutt (ed.) *New directions in analytical political economy*, Elgar, 49-76.

* Skott, P. and Ryoo, S. (2007) "Macroeconomic implications of financialization". UMass WP 2007-08

* Stockhammer, E. (2004) "Financialisation and the Slowdown of Accumulation". *Cambridge Journal of Economics*, 28, pp. 719-741.

* Taylor, L. and O'Connell, S.A. (1985) "A Minsky Crisis". *Quarterly Journal of Economics*, 871-885.

Wolfson, M. (1990) "The Causes of Financial Instability". *Journal of Post Keynesian Economics*, 12, pp. 333-355.

VI Uneven development

6 Nov: ‘Big push’ in closed and open economies (Murphy et al, Skott&Ros)
8 Nov: Cumulative causation in a “new growth” model (Lucas)
13 Nov: A Kaldorian model (Skott&Larudee)
15 Nov: Some policy issues (Krugman, Skott&Larudee)
20 Nov: Dynamic effects of currency overvaluation (Ros&Skott)

Readings:

Dutt (1990) *Growth, distribution and uneven development*. Cambridge University Press.

Kaldor, N. (1996) *Causes of the slow rate of economic growth in the United Kingdom*. Cambridge: Cambridge University Press.

Kaldor, N. (1970) “The Case for Regional Policies”. *Scottish Journal of Political Economy*, pp. 337-448.

* Krugman, P. (1987) “The Narrow Moving Band, the Dutch Disease, and the Competitive Consequences of Mrs. Thatcher”. *Journal of Development Economics*, pp. 41-55.

* Lucas, R.E. (1988) “On the Mechanics of Economic Development”. *Journal of Monetary Economics*, pp. 3-42.

* Murphy, K.M., Shleifer, A. and Vishny, R.W. (1989) “Industrialization and the Big Push”. *Journal of Political Economy*, 1003-1026.

Ros, J. and Skott, P. (1998) “Dynamic effects of trade liberalization and currency overvaluation under conditions of increasing returns”. *Manchester School*, 466-489.

Rosenstein-Rodan, P. (1943) Problems of industrialization in Eastern and South-Eastern Europe. *Economic Journal*, 202-211.

* Skott, P. and Larudee, M. (1998) “Uneven Development and the Liberalization of Trade and Capital Flows”, *Cambridge Journal of Economics*, 277-295.

* Skott, P. and Ros, J. (1997) “The ‘big push’ in an open economy with non-tradable inputs”. *Journal of Post Keynesian Economics*, 149-162.

Part 2

27 Nov
- 11 Dec: Presentations by participants
13 Dec: General summing-up and discussion; term paper due.