

IPEA lectures – June 2019:

"Growth and income distribution: theoretical perspectives and modeling strategies"

Peter Skott

University of Massachusetts Amherst and Aalborg University

Preliminary plan (22 May 2019)

Post-Keynesian models of growth and distribution tend to focus on the goods market and use a one-sector framework. 'Kaleckian' specifications have dominated the tradition in recent years. Day 1 of the lectures will examine this tradition and some of the controversies that surround it, in particular Harroddian criticisms of the treatment of investment.

Day 2 turns to the analysis of Harroddian models. Harroddian instability will tend to generate cumulative divergence in one-sector models with an exclusive focus on aggregate demand in the goods market. Feedback effects from the supply side and the labor market may turn cumulative divergence into endogenous growth cycles.

Financial markets and their interaction with goods and labor market form the topic of Day 3. The explicit introduction of financial stocks in what has come to be known as stock-flow consistent models allows the analysis of changes in financial behavior and their effects on aggregate demand and employment.

Policy issues are introduced explicitly on Day 4. The analysis reveals a sharp distinction between the potential for 'structural aggregate demand problems' in mature (labor constrained) economies and 'structural transformation problems' in dual economies with large amounts of open or hidden unemployment. Expansionary demand policies may be necessary to prevent secular stagnation in mature economies; in dual economies, by contrast, expansionary aggregate demand policies but can have negative effects on long-term growth.

Day 5 considers income distribution. Many countries have seen dramatic increases in inequality over the last 40 years. The lectures focus on 'power biased technological and institutional change' as a source of increasing inequality.

Many issues relating to growth and distribution are controversial. The lectures give my take on these issues, rather than an attempt to provide a balanced survey of the different positions within the profession (many of which I disagree with). The readings reflect this approach with a heavy concentration on my own work.

Outline and readings

Day 1: Growth and distribution

1. Post-Keynesian theories of growth and distribution
2. Controversies in post-Keynesian growth theory
 - a. Investment behavior
 - b. Wage-led growth
 - c. Autonomous demand

Readings:

Skott (2010, 2012a, 2017a, 2017b, 2019a)

Allain (2015), Dutt (1984, 2006), Fiebiger and Lavoie (2019), Freitas and Serrano (2015), Lavoie and Stockhammer (2012), Marglin and Bhaduri (1990); *Metroeconomica* Vol 70(2), special issue.

Day 2: Growth cycles in a mature economy

1. Marxian (Goodwin) and Keynesian models of growth and cycles in a mature economy
2. Hybrid Keynes-Marx models

Readings:

Skott (1989a, 1989b, 2012b, 2015), Skott and Zipperer (2012)

Barbosa-Filho and Taylor (2006), Fazzari et al. (2017), Kaldor (1940), Kalecki (1943), von Arnim and Barrales (2017)

Day 3: Stock flow consistency and financialization

1. Stock-flow consistency
2. Steady-growth effects of changes in financial behavior

Readings:

Skott (1981, 1989a, 1994, 2013), Skott and Ryoo (2008),

Davis (2018), Godley and Lavoie (2007), Hein and van Treeck (2010), Stockhammer (2004).

Day 4: Secular stagnation, structural transformation and uneven development

1. Secular stagnation and functional finance in mature economies
2. Structural transformation problems in dual economies

3. Two-sector models of dual economies with and without a non-tradable good

Readings:

Skott (2016, 2019b), Skott and Larudee (1998), Nakatani and Skott (2007), Ryoo and Skott (2013), Razmi et al. (2012).

Lerner (1943), Reinhart and Rogoff (2010), Ros (2013), Schlicht (2006), Summers (2015).

Day 5: Inequality and summary

1. Power biased technological and institutional change as a source of increasing inequality
2. Challenges for post-Keynesian macroeconomics

Readings:

Guy and Skott (2008, 2018), Skott (2019c).

Literature

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