ECO 4114

POST-KEYNESIAN THEORY: MONEY AND EFFECTIVE DEMAND

Syllabus

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Office hours: Wednesday: 13:15- 14:30 or by appointment

January 2003
Tuesday: 16:00 - 17:20
Thursday: 14:30- 15:50

COURSE OBJECTIVES

In this course I shall present approaches, theories and models, which are generally ignored by orthodox theory, i.e., what has been taught in intermediate micro and macro. This alternative approach to neoclassical economics is called post-Keynesian theory.

The main objective of this course is to show that a coherent and powerful alternative to mainstream theory can be built; and that this alternative relies on the works of Keynes, Kalecki and the classical authors, as developed by economists such as Joan Robinson, Nicholas Kaldor, Luigi Pasinetti and Paul Davidson. The emphasis will be on the positive contributions of this tradition.

For those who wish to oppose mainstream economic policies, i.e., the economic policies endorsed by the establishment (austerity policies, zero-inflation policies, downsizing, salary cuts, social program cuts, etc.), post-Keynesian economics offers a solid theoretical economic background. It also turns out that some aspects of post-Keynesian consumer theory are key aspects of heterodox environmental economics.
TEXTBOOK

The recommended textbook has been specifically written for this course:


There are copies of this textbook available from the University Bookstore. In addition, there is a set of readings, with the additional assigned readings as indicated below, which is available from the photocopy centre of the University, on the basement floor of Morisset Library building. You are more than strongly advised to get this set of readings.

There are also several other post-Keynesian textbooks, to which students may wish to consult. Most of them are on reserve at the Morisset Library.

Fernando J. Cardim de Carvalho, Mr Keynes and the Post Keynesians, Edward Elgar, 1992.
Phil A. O’Hara (ed.), Encyclopedia of Political Economy, 2 volumes, Routledge, Londres, 1999 (2001 paperback). These two books are to be found in the reference section of the Morisset Library.

INFORMATION FROM THE WEB

Students may wish to have a look at the Post Keynesian Theory network, the PKT-net, and/or participate to the network. Look at: <http://csf.Colorado.EDU/pkt/> Students wishing to browse through past and more recent discussions on the PKT network may check the archives which are on: http://csf.colorado.edu/forums/pkt/
STUDENT EVALUATION

(i) a mid-term exam [15%]; FEBRUARY 6TH
(ii) a final exam [40%];
(iii) a term paper [35%];
(iv) the outline of the term paper [5%];
(v) participation [5%].

Participation will be based essentially on attendance in class.

The due date for the term paper is Friday April 4TH 2003. The paper should be around 4000 to 5000 words. The paper should be printed in 12 pt font, double-spaced or with 1½ spacing. There are about 250 words in a double-spaced page.

There is another deadline: each student must present a written document (a couple of pages), by March 5TH, with an outline of the paper, and a bibliography of the documents which the student plans to use. An appointment must be taken on or before March 5TH, during which the student will explain the written document. Students who present an outline demonstrating that work is in good progress will get a high grade. In all cases the chosen topic must be approved. Students who hand in an essay based on an unapproved topic will get a zero mark for the term paper.

Suggested topics for the essays:

The Encyclopedia of Political Economy (1999) provides hundreds of entries on various topics, and is a useful source of essay topics and starting bibliographies. There are several dozens of entries devoted to specific post-Keynesian entries (see volume 1, pages xx-xxvii, particularly list 18, but also lists 3, 7, 11, 13. Other possible topics:

- Profit-squeeze theories of business cycles and their links/differences with post-Keynesian theories
- Investment theories of Keynes, Minsky, Davidson, Tobin: similarities, differences
- Alfred Eichner’s theory of pricing: features and weaknesses
- Comparing the pricing views of G. Means, Kaplan and Lanzillotti, Kalecki, etc.
- The role of uncertainty and its various definitions, viz knowledge, rationality...
- Determinants of investment (cash flows, profits, interest payments, rates of capacity utilization)
- Debates on the link between asset inflation and price inflation; or banks as firms...

Papers will be marked according to the following criteria;
(i) quality of presentation (typed, fonts, footnotes, lack of typos, clear sections and subsections)
(ii) fluidity of style, lack of spelling and grammar mistakes
(iii) the depth of the paper (how deeply the topic has been covered, the quality of the analysis, not superficial)
(iv) the width of the paper (whether the paper covered a lot of ground, and took several different sources into account)
(v) the quality and extent of references (and whether standard norms of scientific papers were followed (see the references as they are presented in the Lavoie 1992 book)
(vi) whether the topic pursued was the approved topic
(vii) whether the paper was given on time

Penalties will be awarded to papers which are not given on time. There will be a 20% penalty per office day late. For instance, a paper given on Tuesday April 8th would get a 40% penalty.

You will find a complete guide about how to write a dissertation or an essay (references, etc.) on the following web site:
Go to this site and find the English button.
The guide also explains what is plagiarizing (see last page). Check for the definition of plagiarism. Do not plagiarize.
COURSE OUTLINE  (roughly follows the book)

* means that the article is to be found in the reading set.
op.cit. means that the reference is part of the books to be found on reserve, as listed above.

1. An overview of post-Keynesian economics  (Jan. 7)
   M. Lavoie, ch. 1.
   
   
   

2. Microeconomics: An alternative theory of household choice  (Jan. 9, 14)
   M. Lavoie, ch. 2.
   
   


3. Microeconomics: objectives of firms  (Jan. 16)
   M. Lavoie, ch. 3, pp. 94-118.
   

   JANUARY 30TH: COURSE CANCELLED

4. Microeconomics: cost and pricing theory  (Jan. 21, 23, 28)
   
   

   FEBRUARY 6TH: MID-TERM EXAM
5. Macroeconomics: credit and money (Feb. 4, 11, 13)

M. Lavoie, ch. 4.


*Godley and Lavoie, 2002, “Balance sheets, transaction matrices and the monetary circuit, chapter 2 of a manuscript.

6. Macroeconomics: employment and effective demand (Feb. 25, 27, March 6, 8)

M. Lavoie, ch. 5, pp. 217-266.


7. Macroeconomics: growth theory fundamentals (March 11, 13)

M. Lavoie, ch. 6, pp. 282-316.

8. Macroeconomics: introducing some complexities in growth models (March 18, 20, and 25)

M. Lavoie, ch. 6, pp. 316-371


9. Macroeconomics: inflation theory (March 25, 27, April 1)

M. Lavoie, ch. 7.

10. **Economic policies**


Beware of Academic Fraud

Academic fraud is an act committed by a student to distort the marking of assignments, tests, examinations and other forms of academic evaluation. Academic fraud is neither accepted nor tolerated by the University. Anyone found guilty of academic fraud is liable to severe academic sanctions.

Here are a few examples of academic fraud:

• engaging in any form of plagiarism or cheating;
• presenting falsified research data;
• handing in an assignment that was not authored, in whole or in part, by the student;
• submitting the same assignment in more than one course, without the written consent of the professors concerned.

In recent years, the development of the Internet has made it much easier to identify academic plagiarism. The tools available to your professors allow them to trace the exact origin of a text on the Web, using just a few words.

In cases where students are unsure whether they are at fault, it is their responsibility to consult the University’s Web site at the following address: http://www.uottawa.plagiarism.pdf

Persons who have committed or attempted to commit (or have been accomplices to) academic fraud will be penalized. Here are some examples of the academic sanctions which can be imposed:

• a grade of “F” for the assignment or course in question; • an additional program requirement of between three and 30 credits; • suspension or expulsion from the faculty.

Last session, most of the students found guilty of fraud were given an “F” for the course and had between three and 12 credits added to their program requirements.