

## THE 1ST MINI LECTURE SERIES ON ANALYTICAL POLITICAL ECONOMY

ORGANIZED BY HITOTSUBASHI UNIVERSITY GLOBAL COE PROJECT

The Hitotsubashi University Global Centers of Excellence (COE) project will hold a mini lecture series about the frontiers of analytical political economy with the aim of contributing to the development of front-line researchers on the global level. On this occasion Professor Peter Skott of the University of Massachusetts Amherst will conduct intensive lectures on the topic “Behavioral and structuralist macro models”.

**Date: March 29 and 30, 2012**

**Venue: Conference room, 7th floor, Mercury tower, East campus, Hitotsubashi University**

**Topic: Behavioral and structuralist macro models**

On two days, there will be 5 lectures and one session for young scholars’ presentations. The detailed schedule is the following:

### **1. March 29: 10:30-12:00**

#### **Lecture 1: *Microfoundations?***

The 'micro foundations' of contemporary mainstream macroeconomics are primitive and misleading.

The use of representative-agent models as a basis for welfare analysis produces an intrinsic bias in favor of the rich.

Heterodox theory often pays too little attention to the implications of goal-oriented micro behavior.

Background readings:

- Skott, P (2010) “The great detour”. *Homo Economicus*, Vol 27 (3), pp. 338-343 (UMass wp 2010-07).
- Skott, P. (2011) “Heterodox macro after the crisis”. *Korean Review of Social Studies*, forthcoming (UMass wp 2011-23)
- Skott, P. (2012) "Pluralism, the Lucas critique, and the integration of macro and micro". Working Paper 2012-04, University of Massachusetts Amherst
- Skott, P. and Davis, L. (2011) “Distributional biases in the analysis of climate change”. Working Paper 2011-22, University of Massachusetts Amherst
- Skott, P. and Dutt, A.K. (2006) “Keynesian Theory and the AD-AS Framework: A Reconsideration”. In C. Chiarella, P. Flaschel, R. Franke and W. Semmler (eds) *Quantitative and Empirical Analysis of Nonlinear Dynamic Macromodels*, Elsevier, 2006, pp. 149-172 (UMass wp)
- Akerlof, G.A. (2007) "The Missing Motivation in Macroeconomics". *American Economic Review*, pp. 5-36.
- Kirman, A.P. (1992) “Whom or what does the representative individual represent?” *Journal of Economic Perspectives*, Vol 6, 117-136
- Lucas, R. E. Jr. (1976). "Econometric Policy Evaluation: A Critique," in *The Phillips Curve and the Labor Markets*, ed. K. Brunner and A. Melzer, Carnegie-Rochester Conference Series on Public Policy, 1: 19-46.
- Rabin, M. (1998) “Psychology and Economics”. *Journal of Economic Literature*, 11-46.

## 2. March 29: 14:00-15:30

### Lecture 2: (Non-) existence and (in-) stability of the natural rate of unemployment

Both the theory behind and the empirical support for a natural rate of unemployment are weak  
Evidence from behavioral economics support both 'money illusion' and aspiration-induced path dependencies in employment

Market interactions often produce locally unstable dynamics

Background readings:

- Skott, P. (1997) "Stagflationary consequences of prudent monetary policy in a unionized economy". *Oxford Economic Papers*, pp. 341-374.
- Skott, P. (1999) "Wage formation and the (non-) existence of the NAIRU". *Economic Issues* 4, pp. 77-92.
- Skott, P. (2005) "Fairness as a source of hysteresis in employment and relative wages". *Journal of Economic Behavior and Organization*, pp. 305-331.
- Akerlof, G.A. Dickens, W.T. and Perry, G.L. (1996) "The macroeconomics of low inflation". *Brookings Papers on Economic Activity*, 1:1996, pp. 1-75.
- Howell, D.R. Baker, D., Glyn, A. and Schmitt, J. (2006) "Are Protective Labor Market Institutions at the Root of Unemployment? A Critical Review of the Evidence". *Capitalism and Society*, Volume 2(1), Article 1.
- Shafir, E. Diamond, P. and Tversky, A. (1997) "Money illusion". *Quarterly Journal of Economics*, pp. 341-374.
- Solow, R.M. (1990) *The Labor Market as a Social Institution*. Blackwell
- Tobin (1975) "Keynesian model of recession and depression". *American Economic Review*, pp. 195-202

## 3. March 29: 16:00-17:30

### Lecture 3: Growth cycles and the long run

Post-Keynesian and neo-Marxian models can provide a parsimonious explanation of growth and cycles shed light on Japanese growth (pre 1990) and stagnation (post 1990)

Background readings:

- Nakatani, T. and Skott, P. (2007) "Japanese growth and stagnation: A Keynesian perspective". *Structural Change and Economic Dynamics*, pp. 306-332
- Skott, P. (1989) "Effective Demand Class Struggle and Cyclical Growth", *International Economic Review*, pp. 231-47.
- Skott, P. (2012) "Theoretical and empirical shortcomings of the Kaleckian investment function". *Metroeconomica*, Vol. 63, pp. 109-138.
- Skott, P. and Zipperer, B. (2010a) "An empirical evaluation of three post-Keynesian models". Working Paper 2010-08, University of Massachusetts Amherst.
- Skott, P. and Zipperer, B. (2010b) "Dynamic patterns of accumulation and income distribution". *Kikan Keizai-Riron (Political Economy Quarterly)*, 46 (4), pp.34-53 (in Japanese).
- Dutt, A.K. (1984) "Stagnation, income distribution and monopoly power". *Cambridge Journal of Economics*, 8, pp. 25-40.
- Goodwin, R.M. (1967) "A Growth Cycle". In C.H. Feinstein (ed.) *Socialism, Capitalism and*

Growth (CUP).

- Marglin (1984) "Growth, distribution, and inflation: a centennial synthesis". Cambridge Journal of Economics, pp. 115-144.
- Marglin, S. and Bhaduri, A. (1990) "Profit Squeeze and Keynesian Theory." In: S. Marglin and J. Schor (eds). The Golden Age of Capitalism - Reinterpreting the Postwar Experience. Oxford: Clarendon.

#### **4. March 30: 10:30-12:00**

##### **Lecture 4: *Financialization and Minskian long waves***

Structural and behavioral changes associated with 'financialization' may have affected economic performance; the effects, however, depend on non-financial aspects of the economy  
Minskian instability arises from the interaction between the real and the financial sectors

Background readings:

- Skott (1994) "On the modeling of systemic financial fragility". In A.K. Dutt (ed.) *New directions in analytical political economy*, Elgar, pp. 49-76.
- Skott, P. and Ryoo, S. (2008) "Macroeconomic implications of financialization". *Cambridge Journal of Economics*, 2008, 32 (6), pp. 827-862
- 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.
- 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*, pp. 277-311.
- Ryoo, S. (2010) "Long waves and short cycles in a model of endogenous financial fragility". *Journal of Economic Behavior and Organization*, 74, pp.163-186.
- 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*, pp. 871-885.

#### **5. March 30: 14:00-15:30**

##### **Lecture 5: *Causes and implications of increasing inequality***

Standard explanations of rising inequality based on skill-biased technical change are not convincing

The heterodox tradition points to two alternative perspectives: 'power biased technical change' and the effects of induced mismatch in the labor market

Whatever the causes, rising inequality can be a source of instability

Background readings:

- Guy, F. and Skott, P. (2008) "Information and communications technologies, coordination and control, and the distribution of income". *Journal of Income Distribution*, 17, pp. 71-92.
- Skott, P. (2011) "Increasing inequality and financial instability" *Review of Radical Political Economics*, forthcoming (UMass wp 2011-20)
- Skott, P. and Guy, F. (2007) "A Model of Power-Biased Technological Change" *Economics Letters*, Vol. 95, No. 1, pp. 124-131.
- Skott, P. and Slonimczyk, F. (2010) "Employment and Distribution Effects of Changes in the

Minimum Wage”. Working Paper 2010-03, University of Massachusetts Amherst.

- Autor, D. Katz, L. and Kearney, M. (2008) “Trends in U.S. Wage Inequality: Revising the Revisionists”. *Review of Economics and Statistics*, 90(2), pp. 300-323.

In each day, the

**6. March 30: 16:00-17:00**

**Special Session for Young Scholars’ Presentations**

There are two young scholars who will present their own research respectively for 30 Mins.