# POST KEYNESIAN WORKSHOP

PKE Group

# Summary of main points

- Post Keynesians (PK) are a subgroup within Heterodox economics. Heterodox economics can be seen as emphasizing the concern with the social reproduction of society in which distribution is conflictive and employment, output and growth are demand driven. Autonomous demand can be managed by governments, and historically the state played a crucial role in growth and development;
- PKE emphasize effective demand, in output and employment determination;
- PKE emphasizes the fact that money of account is, in modern times, a creature of the state and that central banks were created and have become again fundamentally fiscal agents of the state;
- In the current crisis of neoliberal capitalism, in which inequality and environmental sustainability are central, PKE have defended proposals like the Green New Deal.

# Employment in PKE

- In the long run the system fluctuates around a point significantly below full employment;
  - *Savings adjust to investment through variations of the level of income*
    - If savings and investment don't determine the natural rate of interest, it is indeterminable, and should be explained as a conventional variable;
- Wages are not ordinary price, because they effect all other markets;
- Aggregate real wages and demand for labour are not necessarily negatively correlated;
- Effective Demand: higher wages lead to higher consumption/demand, supply capacity adjusts as a result.

# The Role of Central Bank

- PKE criticizes that for Mainstream Economics the main function of Central Banks is control of inflation;
- PKE emphasizes the fact that money of account is, in modern times, a creature of the state;
- PKE argues that central banks were created and have become again fundamentally fiscal agents of the state.

# Monetary expansion might NOT lead to Inflation

- This is not necessarily the case, because PKE does NOT assume full employment. Mainstream assumes that:
- All people who want to work are working and full capacity utilization
- There are no idle means of production.


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FEDERAL RESERVE

**Fed analysis warns of 'economic ruin' when governments print money to pay off debt**

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# Post-Keynesian Growth

- The fundamental idea is that capitalists only invest in productive capacities, if there is enough demand;

- The key force of growth is the autonomous expenditures (mainly public investment) and that technological change results of the search for more efficient methods as the market (demand) expands;

- Balance of payment issues constitutes a constraint for how ambitious developing countries' spending strategies can be.

# Post-Keynesian Green New Deal

- This theory, which is based on the dynamics between investment and productivity growth, is related to the discussion of regional inequalities and disparities studied in the context of economic development (Arestis, 1996);
- Technological innovation are endogenous and can be driven by ambitious state spending akin to the military-industrial complex;
- Green New Deal policies will lead to growth through autonomous expenditure and lessen inequality;
- Increased working-class incomes will potentially:
  - *(i) lead to more energy efficient solutions - as the working class becomes able to buy these – and;*
  - *(ii) reduces racial/gender-based inequalities (Galvin & Healy 2020).*

# Questions for debate

- Would a Green New Deal (GND) be a solution for the COVID-19 crisis?
- Would a GND be inflationary?
- Can a GND help resolve the inequalities in the global economy, both between wealthy individuals and the rest within countries and between countries?