

Contents

1	Introduction	5
I	Temporary Equilibrium	13
2	Keynes, the ‘Classics’, and the ‘New Classics’: A Simple Presentation of Basic Differences	17
2.1	Introduction	17
2.2	‘Classical Macroeconomics’ revisited	22
2.3	A simple ‘Keynes’ Revolution’ in Classical Macroeconomics	30
2.4	‘New Classical Macroeconomics’.	35
2.5	IS–LM–analysis as a generalization of the ‘New Classical Model’	40
2.6	Keynes’ Notes on the Trade Cycle	43
2.7	Concluding remarks	48
2.8	Appendix 1: The government sector	51
2.9	Appendix 2: Wicksell’s Cumulative Process: An intermediate case between the ‘Classics’ and ‘Keynes’	51
2.10	References	54

II	Basic Approaches to Growth and Stability	55
3	After Keynes: Growth and (In-)Stability	61
3.1	Introduction	61
3.2	Methodology and basic tools	65
3.3	The instability of 'warranted growth' (Harrod)	71
3.4	The stability of a depressed economy (Domar)	77
3.5	Stable full employment growth (Solow)	81
3.6	Harroddian instability in the Neoclassical growth model (Nikaido)	87
3.7	The Keynesian trade cycle model (Hicks)	91
3.8	Three types of economic regulation (Phillips)	100
3.9	Conclusions	107
3.10	Appendix: Nonlinear approaches to the multiplier - accelerator analysis of the trade cycle (Goodwin, Kaldor)	108
3.11	References	121
4	Stability by the reserve army mechanism: Marx' contribution	125
4.1	Marx' point of departure: The Classical theory of capital accumulation	125
4.2	Marx' critique of the Classical theory of accumulation	129
4.3	Goodwin's growth cycle model	135
4.4	A simple completion of the Marxian growth cycle model	147
4.5	Government stabilization policies	155
4.6	Independent investment behavior and problems of stabilization	160
4.7	On the non-equivalence of Classical and Keynesian stabilization policies	166
4.8	Concluding remarks	171
4.9	Mathematical appendix	172
4.10	References	174

5 Stagflation: Friedman – or Marx?	177
5.1 Introduction	177
5.2 A ‘monetarist standard model’	181
5.3 Conflict over income distribution and the ‘natural’ unemployment rate	192
5.4 A Classical modification of the ‘standard model’	197
5.5 Appendix: A Neokeynesian analysis of economic depressions	205
5.6 References	216
III Monetary Growth Dynamics: Elements of a Proto-type Analysis of Cyclical Growth	219
6 Keynesian Dynamics Under Adaptive Expectations: An Alternative View	225
6.1 Introduction	225
6.2 Walrasian price adjustment as part of a Keynesian dynamic analysis? .	227
6.3 The notion of effective demand as a device for simplifying a properly specified Keynesian dynamics	232
6.4 On the instability of temporary full employment equilibrium	236
6.5 On the instability of long-run full employment equilibrium	246
6.6 Concluding remarks	263
6.7 Appendix 1: Wage dynamics in a depressed economy	264
6.8 Appendix 2: A discrete time version of the model and its simulation . .	271
6.9 References	274
7 A (Neo-)Classical revolution in Keynesian dynamics via myopic perfect foresight?	277
7.1 Introduction	277
7.2 The Keynesian model with myopic perfect foresight	279

7.3	A characterization of Sargent's perfect foresight analysis	284
7.4	On the relevance of Sargent's perfect foresight model	290
7.5	A 'Classical' villain in the Keynesian spectacle?	294
7.6	Appendix: On the stability of models of money and growth with perfect foresight	304
7.7	References	316
8	Synthesizing Marx and Keynes	319
8.1	Introduction	319
8.2	A synthesis of Marx and Keynes	330
8.3	Classical cross-dual dynamics on the aggregate level	341
8.4	Synthesizing Marx and Keynes. A further attempt	362
8.5	Some dynamic properties of the Marx-Keynes model	369
8.6	References	381
9	Conclusions and List of Symbols	385
9.1	Concluding Remarks	385
9.2	List of Main Symbols	396