

# CONTENTS

<i>List of Figures</i>	xvii
<i>List of Tables</i>	xix
<i>List of Boxes</i>	xx
<i>About the Authors</i>	xxi
<i>About the Book</i>	xxii
<i>Tour of the book</i>	xxiv
<i>Preface</i>	xxvi
<i>Acknowledgements</i>	xxviii
<i>Website Materials</i>	xxix

## PART A: INTRODUCTION AND MEASUREMENT

<b>1</b>	<b>Introduction</b>	<b>2</b>
1.1	What is Economics? Two Views	2
	<i>Orthodox, neoclassical approach</i>	3
	<i>Heterodox approach – Keynesian/Institutionalist/Marxist</i>	5
	<i>What do economists do?</i>	8
	<i>Implications for research and policy</i>	8
1.2	Economics and the Public Purpose	9
1.3	What is Macroeconomics?	12
	<i>The macro model</i>	12
	<i>The MMT approach to macroeconomics</i>	13
	<i>Fiscal and monetary policy</i>	15
	<i>Policy implications of MMT for sovereign nations</i>	16
	Conclusion	17
	References	17
<b>2</b>	<b>How to Think and Do Macroeconomics</b>	<b>18</b>
2.1	Introduction	18
2.2	Thinking in a Macroeconomic Way	19
2.3	What Should a Macroeconomic Theory be Able to Explain?	22
	<i>Real GDP growth</i>	22
	<i>Unemployment</i>	23
	<i>Real wages and productivity</i>	25
	<i>Private sector indebtedness</i>	26
	<i>Central bank balance sheets</i>	26
	<i>Japan's persistent fiscal deficits: the glaring counterfactual case</i>	27

2.4	Why is it so Difficult to Come to an Agreement on Policy? The Minimum Wage Debate	31
2.5	The Structure of Scientific Revolutions	32
	Conclusion	34
	References	35
	Chapter 2 Appendix: The Buckaroos model	36
	<i>Implications of the Buckaroos model</i>	37
<b>3</b>	<b>A Brief Overview of Economic History and the Rise of Capitalism</b>	<b>38</b>
3.1	Introduction	39
3.2	An Introduction to Monetary Capitalism	39
3.3	Tribal Society	40
3.4	Slavery	41
3.5	Feudalism	42
3.6	Revolts and the Transition to Capitalism	43
3.7	Capitalism	44
3.8	Monetary Capitalism	45
3.9	Global Capitalism	46
3.10	Economic Systems of the Future?	47
	Conclusion	49
	References	49
<b>4</b>	<b>The System of National Income and Product Accounts</b>	<b>50</b>
4.1	Measuring National Output	50
4.2	Components of GDP	53
	<i>Consumption (C)</i>	53
	<i>Investment (I)</i>	53
	<i>Government spending (G)</i>	54
	<i>Exports (X) minus imports (M) or net exports (NX)</i>	54
4.3	Equivalence of Three Measures of GDP	54
	<i>Expenditure approach</i>	55
	<i>Production approach</i>	55
	<i>Income approach</i>	55
4.4	GDP versus GNP	55
4.5	Measuring Gross and Net National Income	56
	<i>Measuring net national income</i>	56
4.6	GDP Growth and the Price Deflator	57
4.7	Measuring Chain Weighted Real GDP	58
4.8	Measuring CPI Inflation	59
	<i>The CPI Index</i>	59
	<i>Rate of growth of the CPI index</i>	61
	<i>Difficulties in using the CPI to accurately measure inflation</i>	62
4.9	Measuring National Inequality	63
	Conclusion	65
	References	65
<b>5</b>	<b>Labour Market Concepts and Measurement</b>	<b>66</b>
5.1	Introduction	66
5.2	Measurement	67
	<i>Labour force framework</i>	67
	<i>Impact of the business cycle on the labour force participation rate</i>	71
5.3	Categories of Unemployment	72
5.4	Broader Measures of Labour Underutilisation	73

5.5	Flow Measures of Unemployment	75
	<i>Labour market stocks and flows</i>	77
5.6	Duration of Unemployment	78
5.7	Hysteresis	80
	Conclusion	81
	References	82
<b>6</b>	<b>Sectoral Accounting and the Flow of Funds</b>	<b>83</b>
6.1	Introduction	83
6.2	The Sectoral Balances View of the National Accounts	84
	<i>Introduction</i>	84
	<i>How can we use the sectoral balances framework?</i>	86
	<i>A graphical framework for understanding the sectoral balances</i>	87
6.3	Revisiting Stocks and Flows	91
	<i>Flows</i>	91
	<i>Stocks</i>	92
	<i>Inside wealth versus outside wealth</i>	93
	<i>Non-financial wealth (real assets)</i>	94
6.4	Integrating NIPA, Stocks, Flows and the Flow of Funds Accounts	94
	<i>Causal relationships</i>	96
	<i>Deficits create financial wealth</i>	96
6.5	Balance Sheets	97
6.6	The Flow of Funds Matrix	101
	<i>Flow of funds accounts and the national accounts</i>	102
	Conclusion	103
	References	103
<b>7</b>	<b>Methods, Tools and Techniques</b>	<b>104</b>
7.1	Overview	104
7.2	Basic Rules of Algebra	106
	<i>Model solutions</i>	106
7.3	A Simple Macroeconomic Model	107
7.4	Graphical Depiction of a Macroeconomic Model	109
7.5	Power Series Algebra and the Expenditure Multiplier	111
7.6	Index Numbers	112
7.7	Annual Average Growth Rates	115
7.8	Textbook Policy Regarding Formalism	115
	Conclusion	117
<b>8</b>	<b>The Use of Framing and Language in Macroeconomics</b>	<b>118</b>
8.1	Introduction	118
8.2	MMT and Public Discourse	119
8.3	Two Visions of the Economy	121
8.4	Cognitive Frames and Economic Commentary	123
8.5	Dominant Metaphors in Economic Commentary	123
8.6	Face to Face: Mainstream Macro and MMT	123
	<i>Mainstream Fallacy 1: The government faces the same 'budget' constraint as a household</i>	124
	<i>Mainstream Fallacy 2: Fiscal deficits(surpluses) are bad(good)</i>	124
	<i>Mainstream Fallacy 3: Fiscal surpluses contribute to national saving</i>	125
	<i>Mainstream Fallacy 4: The fiscal outcome should be balanced over the economic cycle</i>	125
	<i>Mainstream Fallacy 5: Fiscal deficits drive up interest rates and crowd out private investment because they compete for scarce private saving</i>	126

<i>Mainstream Fallacy 6: Fiscal deficits mean higher taxes in the future</i>	126
<i>Mainstream Fallacy 7: The government will run out of fiscal space (or money) if it overspends</i>	127
<i>Mainstream Fallacy 8: Government spending is inflationary</i>	127
<i>Mainstream Fallacy 9: Fiscal deficits lead to big government</i>	128
8.7 Framing a Macroeconomics Narrative	128
<i>Language and metaphor examples</i>	128
<i>Fiscal space</i>	130
<i>Costs of a public programme</i>	130
<i>The MMT alternative framing</i>	131
Conclusion	131
References	132

## **PART B: CURRENCY, MONEY AND BANKING**

<b>9 Introduction to Sovereign Currency: The Government and its Money</b>	<b>134</b>
9.1 Introduction	134
9.2 The National Currency (Unit of Account)	135
<i>One nation, one currency</i>	135
<i>Sovereignty and the currency</i>	135
<i>What 'backs up' the currency?</i>	136
<i>Legal tender laws</i>	136
<i>Fiat currency</i>	136
<i>Taxes drive the demand for money</i>	137
<i>Financial stocks and flows are denominated in the national money of account</i>	140
<i>The financial system as an electronic scoreboard</i>	140
9.3 Floating versus Fixed Exchange Rate Regimes	140
<i>The gold standard and fixed exchange rates</i>	141
<i>Floating exchange rates</i>	141
9.4 IOUs Denominated in National Currency: Government and Non-Government	142
<i>Leveraging</i>	143
<i>Clearing accounts extinguish IOUs</i>	143
<i>Pyramiding currency</i>	144
9.5 Use of the Term 'Money': Confusion and Precision	145
Conclusion	146
References	146
<b>10 Money and Banking</b>	<b>147</b>
10.1 Introduction	147
10.2 Some Definitions	147
<i>Monetary aggregates</i>	147
10.3 Financial Assets	148
<i>Yield concepts in fixed income investments</i>	150
10.4 What Do Banks Do?	153
<i>The neoclassical view: the money multiplier</i>	153
<i>MMT representation of the credit creation process</i>	154
<i>Loans create deposits</i>	155
<i>Banks do not loan out reserves</i>	156
<i>Endogenous money</i>	156
<i>Summary</i>	157
<i>An example of a bank's credit creation: a balance sheet analysis</i>	157
Conclusion	160
References	161

## PART C: NATIONAL INCOME, OUTPUT AND EMPLOYMENT DETERMINATION

<b>11</b>	<b>The Classical System</b>	<b>164</b>
11.1	Introduction	164
11.2	The Classical Theory of Employment	165
	<i>Why is the labour demand function downward sloping?</i>	167
	<i>Why is the labour supply function upward sloping?</i>	167
	<i>Equilibrium in the labour market</i>	168
11.3	Unemployment in the Classical Labour Market	169
11.4	What is the Equilibrium Output Level in the Classical Model?	170
11.5	The Loanable Funds Market, Classical Interest Rate Determination	172
11.6	Classical Price Level Determination	175
11.7	Summary of the Classical System	176
11.8	<i>Pre-Keynesian Criticisms of the Classical Denial of Involuntary Unemployment</i>	176
	Conclusion	178
	References	178
<b>12</b>	<b>Mr. Keynes and the 'Classics'</b>	<b>180</b>
12.1	Introduction	180
12.2	The Existence of Mass Unemployment as an Equilibrium Phenomenon	181
12.3	Keynes' Critique of Classical Employment Theory	182
12.4	Involuntary Unemployment	186
12.5	Keynes' Rejection of Say's Law: The Possibility of General Overproduction	188
	<i>Refresher: the loanable funds market</i>	188
	<i>Keynes' critique of the loanable funds doctrine</i>	188
	<i>Liquidity preference and Keynes' theory of interest</i>	190
	Conclusion	192
	References	192
<b>13</b>	<b>The Theory of Effective Demand</b>	<b>193</b>
13.1	Introduction	193
13.2	The D-Z Approach to Effective Demand	194
13.3	Introducing Two Components of Aggregate Demand: D1 and D2	198
13.4	Advantages of the D-Z Framework	199
	<i>The macroeconomic demand for labour</i>	199
13.5	The Role of Saving and Liquidity Preference	200
13.6	The Demand Gap Arguments and Policy Implications	201
	Conclusion	202
	Reference	203
<b>14</b>	<b>The Macroeconomic Demand for Labour</b>	<b>204</b>
14.1	Introduction	204
14.2	The Macroeconomic Demand for Labour Curve	205
	<i>The interdependency of aggregate supply and demand</i>	205
	<i>Money wage changes and shifts in effective demand</i>	206
14.3	The Determination of Employment and the Existence of Involuntary Unemployment	211
14.4	A Classical Resurgence Thwarted	213
	Conclusion	214
	References	215
<b>15</b>	<b>The Aggregate Expenditure Model</b>	<b>216</b>
15.1	Introduction	216
15.2	A Simple Aggregate Supply Depiction	217
15.3	Aggregate Demand	218

15.4	Private Consumption Expenditure	219
15.5	Private Investment	222
15.6	Government Spending	224
15.7	Net Exports	224
15.8	Total Aggregate Expenditure	225
15.9	Equilibrium National Income	228
15.10	The Expenditure Multiplier	230
	<i>An algebraic treatment</i>	231
	<i>A graphical treatment</i>	232
	<i>Numerical example of the expenditure multiplier at work</i>	234
	<i>Changes in the magnitude of the expenditure multiplier</i>	235
	<i>A final point about the multiplier</i>	236
	Conclusion	238
	References	238
<b>16</b>	<b>Aggregate Supply</b>	<b>239</b>
16.1	Introduction	239
16.2	Some Important Concepts	240
	<i>Schedules and functions</i>	240
	<i>The employment-output function</i>	240
	<i>Money wages</i>	242
16.3	Price Determination	244
16.4	The Aggregate Supply Function (AS)	245
	<i>The theory of production</i>	247
	<i>Some properties of the aggregate supply function</i>	248
16.5	What Determines the Level of Employment?	249
16.6	Factors Affecting Aggregate Output per Hour	249
	<i>The choice of production technology</i>	250
	<i>Procyclical movements in labour productivity</i>	251
	Conclusion	252
	Reference	252

## PART D: UNEMPLOYMENT AND INFLATION: THEORY AND POLICY

<b>17</b>	<b>Unemployment and Inflation</b>	<b>254</b>
17.1	Introduction	254
17.2	What is Inflation?	255
17.3	Inflation as a Conflictual Process	255
	<i>Cost push inflation</i>	256
	<i>Raw material price increases</i>	258
	<i>Conflict theory of inflation and inflationary biases</i>	259
	<i>Demand pull inflation</i>	260
	<i>Cost push and demand pull inflation: a summary</i>	261
17.4	The Quantity Theory of Money	261
17.5	Incomes Policies	264
	Conclusion	267
	References	267
<b>18</b>	<b>The Phillips Curve and Beyond</b>	<b>268</b>
18.1	Introduction	268
18.2	The Phillips Curve	269
	<i>Phillips curve algebra</i>	271
	<i>The instability of the Phillips curve</i>	272

Econometric misspecification	273
18.3 The Accelerationist Hypothesis and the Expectations Augmented Phillips Curve	274
<i>Introduction</i>	274
<i>Expectations of inflation</i>	274
<i>The algebra of the expectations augmented Phillips curve</i>	278
<i>Specification of inflationary expectations</i>	280
18.4 Hysteresis and the Phillips Curve Trade-off	283
<i>The algebra of hysteresis</i>	284
18.5 Underemployment and the Phillips Curve	286
Conclusion	288
References	288
<b>19 Full Employment Policy</b>	<b>290</b>
19.1 Introduction	290
19.2 Full Employment as the Policy Goal	291
19.3 Policies for the Promotion of Employment	293
<i>Behaviouralist, structuralist, and Keynesian approaches</i>	293
<i>Private sector incentives</i>	294
<i>Direct job creation by government</i>	295
19.4 Unemployment Buffer Stocks and Price Stability	296
<i>Measuring the costs of unemployment buffer stocks</i>	298
19.5 Employment Buffer Stocks and Price Stability	301
<i>The JG wage</i>	302
<i>The JG as an automatic stabiliser</i>	303
<i>Inflation control and the JG</i>	304
<i>Open economy impacts</i>	305
<i>Would the NAIBER be higher than the NAIRU?</i>	305
<i>Employment buffer stocks and responsible fiscal design</i>	307
<i>A plausible adjustment path</i>	308
19.6 Impact on the Phillips Curve	309
Conclusion	311
References	311

## **PART E: ECONOMIC POLICY IN AN OPEN ECONOMY**

<b>20 Introduction to Monetary and Fiscal Policy Operations</b>	<b>314</b>
20.1 Introduction	314
20.2 The Central Bank	315
<i>The payments system, reserves and the interbank market</i>	316
20.3 The Treasury	317
<i>Government and private financial accounting</i>	317
<i>Sectoral balances</i>	318
20.4 Coordination of Monetary and Fiscal Operations	319
<i>Duties of the central bank</i>	319
<i>Duties of the treasury</i>	320
<i>A numerical example using balance sheets</i>	321
<i>Is there a sufficient demand for treasury debt?</i>	322
20.5 Taxes and Sovereign Spending	323
20.6 Currency Sovereignty and Policy Independence	325
Conclusion	326
References	327
Chapter 20 Appendix: Advanced Material	329
<i>Monetary policy in the open economy, causes and consequences of capital flows</i>	329

<b>21</b>	<b>Fiscal Policy in Sovereign Nations</b>	<b>332</b>
21.1	Introduction	332
21.2	Functional Finance versus Sound Finance	333
	<i>The fiscal constraint and the views of deficit hawks, doves, and owls</i>	333
	<i>Why is the deficit owl the only perspective that is consistent with MMT?</i>	334
	<i>Functional finance</i>	335
21.3	Fiscal Policy Debates: Crowding Out and (Hyper) Inflation	336
	<i>Crowding out?</i>	336
	<i>Voluntary constraints</i>	337
	<i>Inflation and sovereign fiscal policy</i>	339
	<i>Hyperinflation</i>	342
	<i>Real world hyperinflations</i>	344
	<i>Summing up on hyperinflation</i>	346
	Conclusion	347
	References	347
<b>22</b>	<b>Fiscal Space and Fiscal Sustainability</b>	<b>349</b>
22.1	Introduction	349
22.2	The Full Employment Fiscal Deficit Condition	350
22.3	Fiscal Space and Fiscal Sustainability	352
	<i>Advancement of public purpose</i>	353
	<i>Understanding the monetary environment</i>	354
	<i>Understanding what a sovereign government is</i>	354
	<i>Understanding why governments tax</i>	355
	<i>Understanding why governments issue debt</i>	355
	<i>Setting fiscal targets</i>	355
	<i>Foreign exposure</i>	356
	<i>Understanding what a cost is</i>	356
22.4	The Debt Sustainability Debate	356
	Conclusion	359
	References	359
<b>23</b>	<b>Monetary Policy in Sovereign Nations</b>	<b>360</b>
23.1	Introduction	360
23.2	Modern Banking Operations	361
23.3	Interest Rate Targets versus Monetary Targets	362
	<i>Lender of last resort and financial stability</i>	363
23.4	Liquidity Management	363
	<i>Introduction</i>	363
	<i>Different interest rate setting arrangements</i>	364
23.5	Implementation of Monetary Policy	365
	<i>Transmission mechanism</i>	365
23.6	Unconventional Forms of Monetary Policy	366
	<i>Introduction</i>	366
	<i>Quantitative easing (QE)</i>	366
	<i>Negative interest rates</i>	367
	<i>Conclusion</i>	367
23.7	Monetary Policy in Practice	368
23.8	The Advantages and Disadvantages of Monetary Policy	368
23.9	Central Bank Independence	369
	<i>Introduction</i>	369
	<i>Rationale for independence</i>	369



23.10	Horizontal and Vertical Operations: An Integration	370
	Conclusion	372
	References	372
<b>24</b>	<b>Policy in an Open Economy: Exchange Rates, Balance of Payments and Competitiveness</b>	<b>374</b>
24.1	Introduction	374
24.2	The Balance of Payments	375
	<i>Balance of payment examples</i>	376
	<i>The current account</i>	376
	<i>The capital account and financial account</i>	377
24.3	Essential Concepts	378
	<i>Nominal exchange rate (e)</i>	378
	<i>Change in the nominal exchange rate, appreciation and depreciation</i>	378
	<i>What determines the exchange rate?</i>	379
	<i>International competitiveness</i>	382
	<i>The real exchange rate</i>	383
24.4	Aggregate Demand and the External Sector Revisited	384
24.5	Trade in Goods and Services, Product Market Equilibrium and the Trade Balance	385
	<i>National income equilibrium with trade</i>	385
	<i>The net exports function</i>	386
	<i>The impact on national income and net exports of a change in world income</i>	387
	<i>An increase in world income leads to a rise in net exports</i>	388
24.6	Capital Controls	389
	Conclusion	391
	References	391

## PART F: ECONOMIC INSTABILITY

<b>25</b>	<b>The Role of Investment in Profit Generation</b>	<b>394</b>
25.1	Investment in a Capitalist Monetary Economy	394
	<i>The volatility of investment</i>	395
	<i>Gross and net investment</i>	396
25.2	The Accelerator Model of Investment	397
	<i>The simple accelerator model</i>	397
	<i>Limitations of the simple accelerator model</i>	399
25.3	The Flexible Accelerator Model	400
	<i>Rate of adjustment in the flexible accelerator model</i>	400
	<i>Implications of incomplete adjustment</i>	400
25.4	Expectations and Interest Rate Impacts on Investment Demand	401
25.5	Introduction to Cash Flow Discounting and Present Value	402
25.6	Keynes and the Marginal Efficiency of Investment	404
25.7	Minsky's Model of the Investment Decision	407
	<i>The two price system</i>	407
	<i>Determination of investment</i>	407
25.8	Investment and Profits	409
	<i>Kalecki's simplified model</i>	409
	<i>Kalecki's generalised model</i>	411
25.9	Business Cycles: Fluctuations in Economic Activity	413
	<i>Terminology and patterns</i>	413
	<i>The interaction of the expenditure multiplier and the investment accelerator</i>	415

Conclusion	418
References	418
<b>26 Stabilising the Unstable Economy</b>	<b>419</b>
26.1 Introduction	419
26.2 Economic Cycles and Crises	420
26.3 Marxist Theory of Crisis	422
26.4 Keynesian and Post-Keynesian Theories of Crisis	424
26.5 Minsky's Financial Instability Hypothesis	427
Conclusion	428
References	429

## PART G: HISTORY OF MACROECONOMIC THOUGHT

<b>27 Overview of the History of Economic Thought</b>	<b>432</b>
27.1 Introduction	432
27.2 History of Neoclassical Theory	432
27.3 History of Heterodox Thought	436
27.4 Institutional Economics	437
27.5 Modern Orthodox Schools of Thought	438
27.6 Post-War Economic History and History of Thought	439
Conclusion	442
References	442
<b>28 The IS-LM Framework</b>	<b>444</b>
28.1 Introduction and the Concept of General Equilibrium	444
28.2 The Money Market: Demand, Supply and Equilibrium	445
28.3 Derivation of the LM Curve	447
28.4 The Product (Goods) Market: Equilibrium Output	450
28.5 Derivation of the IS Curve	452
28.6 Equilibrium and Policy Analysis in the IS-LM Framework	453
28.7 Introducing the Price Level: The Keynes and Pigou Effects	458
28.8 Limitations of the IS-LM Framework	463
<i>The endogeneity of the money supply</i>	463
<i>Expectations and time</i>	464
Conclusion	466
References	466
Chapter 28 Appendix: The IS-LM Algebra	467
<i>Simplified open economy</i>	467
<i>Product market equilibrium</i>	467
<i>Money market equilibrium</i>	467
<i>General equilibrium</i>	468
<b>29 Modern Schools of Economic Thought</b>	<b>469</b>
29.1 Introduction	469
29.2 The Rise of New Classical Economics	470
<i>Roots in Friedman's Monetarism</i>	470
<i>New Classical Economics</i>	472
29.3 Real Business Cycle Theory	473
<i>Advanced treatment of the RBC model</i>	474
29.4 New Keynesian Economics	475
<i>Introduction</i>	475

<i>Examples of price and wage inflexibility</i>	476
<i>The role of policy</i>	476
29.5 Modern Heterodox Schools of Thought	477
<i>Introduction</i>	477
<i>Method: the notion of equilibrium and locus of analysis</i>	478
<i>Alternative approaches to distribution</i>	479
<i>Say's Law</i>	481
<i>Loanable funds versus liquidity preference</i>	481
<i>Imperfect competition</i>	482
<i>Treatment of money, time and expectations</i>	482
Conclusion	485
References	485
<b>30 The New Monetary Consensus in Macroeconomics</b>	<b>487</b>
30.1 Introduction	487
30.2 Components of the NMC theory	488
30.3 Weaknesses of the NMC	490
Conclusion	494
References	494
Chapter 30 Appendix: The New Monetary Consensus model	496

## PART H: CONTEMPORARY DEBATES

<b>31 Recent Policy Debates</b>	<b>498</b>
31.1 Introduction	499
31.2 Ageing, Social Security, and the Intergenerational Debate	499
<i>Dependency ratios</i>	499
<i>Do dependency ratios matter?</i>	501
31.3 The Twin Deficits Hypothesis	503
<i>Introduction</i>	503
<i>The link between the deficits</i>	504
31.4 Balance of Payments Constraints and Currency Crises	507
<i>Currency crises</i>	508
31.5 Fixed versus Flexible rates: Optimal Currency Areas, the Bancor, or Floating Rates?	513
<i>Introduction</i>	513
<i>Optimal currency areas</i>	513
<i>The demise of the gold standard: the Great Depression and the Second World War</i>	514
<i>Keynes' Bancor plan and the end of Bretton Woods</i>	515
<i>An alternative (MMT) approach to international money: floating rates and sovereign currency</i>	516
<i>The euro and optimal currency areas</i>	518
Conclusion	519
31.6 Environmental Sustainability and Economic Growth	520
References	522
Chapter 31 Appendix 1: Case Study 1 – Economic Growth: Demand or Supply Constrained?	
The US, 1975 to 2007	524
<i>Introduction</i>	524
<i>Did the US economy suffer from secular stagnation from 1970 to 1995?</i>	525
<i>The 'New Economy' and the productivity miracle, 1995 to 2007</i>	527
Chapter 31 Appendix 2: Case Study 2 – The Return of Secular Stagnation? US Labour Markets after the Global Financial Crisis	529
Conclusion	532
Chapter 31 Appendix 3: The US Social Security and Medicare Systems	533

<b>32</b>	<b>Macroeconomics in the Light of the Global Financial Crisis</b>	<b>535</b>
32.1	Introduction	535
32.2	Why Didn't Mainstream Macroeconomics Foresee the GFC?	536
32.3	Who Did Foresee the GFC and Why?	540
	<i>Introduction</i>	540
	<i>Minsky's financial instability hypothesis</i>	540
	<i>The rise in inequality</i>	543
32.4	Lessons That Can be Learned About Sovereign Currency From the Eurozone Crisis	547
	Conclusion	549
	References	549
<b>33</b>	<b>Macroeconomics for the Future</b>	<b>551</b>
33.1	Introduction	551
33.2	Modelling Framework	552
33.3	Government and the Monetary System	553
	<i>A sovereign currency</i>	553
	<i>Fiscal policy</i>	554
	<i>Persistent fiscal deficits</i>	555
33.4	Monetary Policy	556
	<i>Reserves and bond sales</i>	556
33.5	Private Banks	557
	<i>Finance</i>	557
	<i>Inside wealth versus outside wealth</i>	558
	<i>Credit creation and the money supply</i>	558
33.6	Trade and Exchange Rates	559
	<i>Exchange rate regime</i>	559
	Conclusion	560
	Further Reading	561
	<i>Index</i>	562