Economics S-1936: Redeeming Keynes
Syllabus

This course explores the birth, death, and resurrection of *The General Theory of Employment, Interest and Money* from the Great Depression (1929-1939) to the Great Recession (2008-?). A major goal is to lay out a coherent argument that, for all its theoretical innovation, *The General Theory* did not deliver: the argument why a market system, even an idealized system with all of the warts removed, may fail to provide jobs for willing workers. In the process we will examine the orthodoxy that Keynes attacked and that resurfaced before the ink was dry on *The General Theory*; the key concepts underlying the models implicit in *The General Theory*; and the attempts of the "Keynesian" mainstream to make peace with both Keynes and orthodoxy. We will also explore the applicability of *The General Theory* to the long run.

Prerequisites: An introductory economics course at the level of Economics 10; more economics, for example, intermediate micro and macro, will prove helpful. A year of college calculus will allow students to understand mathematical notation and concepts (derivatives, maximization, etc) even though mathematics will be used very sparingly in lectures. Fair warning based on past experience: this will likely prove a very difficult course even if one comes to it with considerably more economics than the minimum background.

**Required reading in boldface**
* indicates supplementary reading

### One: What is "Mainstream Economics"? What was Keynes's Critique? (June 27)

**Then and Now: The Great Depression (1929-1941) and the Great Recession (2008-?)**

5. **F Ehlers, "Italy's Lost Generation: Crisis Forces Young Italians to Move Abroad," Der Spiegel Online, August 6, 2012.**

**Overviews of Keynes**

2. **Time, "The Economy: We Are All Keynesians Now," December 31, 1965.**
3. **R Skidelsky, Keynes: The Return of the Master, ch 3, pp 55-74.**
4. **J Schumpeter, Ten Great Economists: From Marx to Keynes, ch 10, pp 260-291.3.**
6. **Veritas Foundation, Keynes at Harvard: Economic Deception as a Political Credo, ch 4-6, pp 41-85.**

**Is This Resurrection Necessary?**

7. **D Laidler, Fabricating the Keynesian Revolution, Chapter 1, pp 1-24**
8. **S Marglin, Raising Keynes, A 21st Century General Theory, Prologue and Ch 1.**
What Were They Thinking? Economics Before The General Theory

Is the Economy Self-Regulating? Why Doesn't the Economy Get to Full Employment? What Was Keynes Struggling Against?
2. J Viner, Balanced Deflation, Inflation, or More Depression, Minneapolis: University of Minnesota Press, 1933
4. S Marglin, Raising Keynes, ch 2.

Can Government Stimulate the Economy?

How is The Price Level Determined?

Perspectives on the Macroeconomy: Monetarists, New Classicals and New (and old) Keynesians

Two: The Ambiguous Argument of The General Theory (June 29)


5.  S Marglin, *Raising Keynes*, ch 3

Countercritique


What is Money? Is it Fixed Outside the System (Exogenous), or Created Within (Endogenous)?


Three: *The General Theory Without Rigid Prices and Wages* (July 4 – July 6)

The Price Mechanism: Gospels According to Marshall and Walras


A Model for Chapter 19 of *The General Theory*

5.  *J Hicks, The Crisis in Keynesian Economics*, ch1, pp 22-30 (on flexprice vs fixprice markets).
A Dose of Reality: Facts and Figures on the Great Depression

An Alternative Interpretation

Four: Basic Elements of The General Theory (July 11 – July 20)
The Propensity to Consume (July 11)

Investment Demand (July 11)

Interest Rates (July 13 – July 20)
Liquidity Preference
5. S Marglin, *Raising Keynes*, ch 11-12

Midterm Exam: July 18 (through Investment demand)

One More Time: What is Money? (July 20)

Monetary Policy and Its Limits

Fiscal Policy and the National Debt
"Functional Finance" and its Limits
2. S Marglin, Raising Keynes, ch 14.

Does Stimulus Work?
7. S Marglin, Raising Keynes, ch 15-16.

Beyond Full Employment: Functional Finance as a Tool for Achieving Balance Between the Public and Private Sectors
1. S Marglin, Raising Keynes, ch 17, pp 1-12.

What are the Problems with Continuing Deficits?
1. B Friedman, Day of Reckoning, ch 1, pp 3-27.
5. S Fazzari, "Does the Effectiveness of Fiscal Stimulus Depend on Economic Context?" Institute for New Economic Thinking, INET Research Note 1, Section 3. 
   http://ineteconomics.org/sites/inet.civicactions.net/files/Note-1-Fazzari.pdf

6. S Marglin, Raising Keynes, ch 17, pp 12-34.

Six: The Crisis of 2008 and Beyond (August 1)
7. B Eichengreen, Hall of Mirrors, ch 22-26 and Conclusion.

Final Exam: August 3