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 25)

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

Overviews of Keynes

Is This Resurrection Necessary?
7. *D Laidler, Fabricating the Keynesian Revolution*, Chapter 1, pp 1-24
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 Margin, Raising Keynes, ch 2.

Can Government Stimulate the Economy?

How is The Price Level Determined?

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

Two: The Ambiguous Argument of The General Theory (June 27)
What is Money? Is it Fixed Outside the System (Exogenous), or Created Within (Endogenous)?


Three: The General Theory Without Rigid Prices and Wages (July 2 – July 9)

The Price Mechanism: Gospels According to Marshall and Walras

4. S Marglin, Raising Keynes, ch 5.

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


Midterm Exam: July 11 (through Unit 3)

Four: Basic Elements of *The General Theory* (July 16 – July 23)

The Propensity to Consume (July 16)


Investment Demand (July 16)

   <http://www.dictionaryofeconomics.com/article?id=pde2008_T000070>

Interest Rates (July 18 – July 23),

Liquidity Preference

5. S Marglin, *Raising Keynes*, ch 11-12
One More Time: What is Money? (July 23)


Monetary Policy and Its Limits

   
   <http://www.dictionaryofeconomics.com/article?id=pde2008_H000180>
   
   doi:10.1057/9780230226203.1124D


Fiscal Policy and the National Debt

"Functional Finance" and its Limits


Does Stimulus Work?


4. *S Fazzari, "Does the Effectiveness of Fiscal Stimulus Depend on Economic Context?" Institute for New Economic Thinking, INET Research Note 1, Sections 1 and 2.*
   
   [http://ineteconomics.org/sites/inet.civicactions.net/files/Note-1-Fazzari.pdf](http://ineteconomics.org/sites/inet.civicactions.net/files/Note-1-Fazzari.pdf)


Beyond Full Employment: Functional Finance as a Tool for Achieving Balance Between the Public and Private Sectors


What are the Problems with Continuing Deficits?


3. *US House of Representatives, Committee on the Budget, Path to Prosperity, "Deficits and Debt,"* pp 18-23.
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

Six: The Crisis of 2008 and Beyond (July 30)

Final Exam: August 1