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Successful and Failed Capitalism

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General Introduction

Successful and Failed Capitalism

The fundamental policy question that economics needs to address as the 20th century comes to an end is what determines whether a capitalist economy is a success or a failure. The recent past has seen a succession of conservative capitalist governments - Reagan's United States and Thatcher's Britain are leading examples - that have engaged in structural reforms that reflect the proposition that unfetterd and unregulated capitalist economies are always successful. The proposition that capitalist economies are always successful is contradicted by the observation that there are capitalist economies that are unsuccessful. Furthermore in the winter of 1932-33 the United States and the developed capitalist economies of Europe were failures.

There are two questions that follow once the problem of successful and failed capitalism is recognized: one is how is the success or failure of an economy to be measured and the second is the definition of capitalist economies. Addressing the second question first capitalism takes many forms, but one central characteristic is that there is not only private ownership of the means of production but there are markets in which items form the stock of the means of production are bought and sold. A capitalist economy can take many forms - the structure changes in response to market forces and legislated initiatives - and in particular the size and role of government can vary.

The question of the meaning of success or failure can be evaded by pointing. Thus the United States economy was a failure in the winter of 1932-33 and a success in the early 1960's, before Vietnam, OPEC, and some excesses of policy led not to failure such as 1932-33 but to an attenuation of success. In 1914 Argentina had the same per capita income as the United States. Today it is much lower. Why has Lecture # 1. Argentina been a "cumulative failure"

Fundamentals of Post Keynesian - Economics

I) The Two Problems Set by Smith

A) Why is there order when on initial observation it seems as if markets would lead to chaos?

1) Allocation is the central problem

2) The great analogy The economy is analogous to a village market. Barter paradigm The double coincidence of wants as the explanation of money

3) The line of descent: Smith, Ricardo, Mill, Marshall, Walras, Hicks, Samuelson, Arrow-Debreau

4) The three point research program of Walras

a) existence

b) uniqueness

c) stability

5) The existence theorem of Arrow Debreau stands up

6) Uniqueness and stability not proven

7) Complex dynamics leading to chaos or incoherence implying the need to intervene.

B) Why is England rich and Poland poor? or later Why do bussiness cycles occur?

1) Accumulation is the central problem

2) Dichotimization of money or finance is impossible once the economy is capitalist

analogy

3) The line of descent: Smith, Ricardo, Marx, Schumpeter, Keynes, Kalecki, Robinson, The Post Keynesians

II) The Initial Position: Macro-Economics as of 1968.

A) The IS-LM Version

B) Klein Type Econometric Models

C) The Neglect of Money

D) The Weak Investment Analysis

E) Uncertainty and Expectations

F) The Centrality of the Patinkin Effect

G) no Dynamics

III) The Long Run Extensions of Keynesian Modeling

AW HASEN VERSION $I \to Y$ in Domar - Harrod $I \to Y$ $\dot{K} \to \dot{Y}$ $I \to \Delta K \to \Delta$ cap $I \to N$

A) Harrod-Domar and Solow

B) Kaldor and Robinson

$\Pi \Rightarrow \Pi$ but $I \Rightarrow \Pi$ ... S

C) The Capital Controversey

D) The Rediscovery of Kalecki

Minsky late 50's

$I \to \Delta K$ $K \to Y$ $I \to$ Liab structure

Commission on Money and Credit early 60's

IV) From the CMC to the Fundamental Reappraisal of the Discount Mechanism late 1960's

V) Chapter 12 and chapter 17 of The General Theory

VI) The Rebuttal to Viner why would anyone ... function ... holding money

VII) The Fundamental Propositions of Post-Keynesian Economics

A) Restricted to Capitalism

2 price level

1) varieties of capitalism

2) markets in capital assets

3) financing of positions

4) centrality of banks institutions that specialize in finance.

B) Non neutrality of money

money is in some ways incidental to financing - what Schumpeter called credit

1) price level of capital assets

2) price level of output.

C) Market reactions to excess supply of labor can make excess supply greater

D) Endogeniety of money and finance

E) Institutions matter and "One cannot step into the same river twice" Herecletes.

Institutions

capitalism

Robert Barro

growth

commission

Alan Young