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## Apology for Being

Hyman P. Minsky Ph.D.

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The Jerome Levy Economics Institute of Bard College

Workshop

Macroeconomic Theory in the Light of Current Concerns

Convene

Sunday July 28 for dinner

Scatter Friday August 2 after lunch

Participants

Peter Albin	Paul Andreassen	John Caskey
Richard Day	Gary Dymski	Piero Ferri
Ed Greenberg	Jan Kregel	Ara Mentcherian
Hyman Minsky	Ronnie Philips	Ed Nell
Miland Rao	Charles Whalen	Nancy Wulwick
	Randy Wray	

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Apology for being.

When I began thinking about this workshop I thought of gathering a mess of New Keynesians and several Post Keynesians, (Post Keynesians in my sense of the term: Before I was assimilated into the camp of the post Keynesians I referred to my work as Financial Keynesianism) and letting them have a go at determining where they stood one with respect to the other. As it worked out I ended up filling the slots with mainly dissidents who may or may not all be Post Keynesians. The only thing we have in common is that I find pleasure in the work, as far as I understand it, of all who are here.

M2 Hens

This does not mean that I have given up on the idea of applying some of the resources of the Institute to open up a dialogue within the discipline. It does mean that this week can be treated as a caucus, in which we explore whether there is a common strand in our way of thinking of Macroeconomic problems and try to make this common strand precise, and a preparatory session, looking to further workshops at which the dialogue I originally wanted is carried on.

The Jerome Levy Economics Institute is a policy oriented research institute which recognizes the validity of the

famous last sentence of Keynes' General Theory: "But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil." and the remark earlier in the same paragraph that "...The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else."

I like a phrase that Peter Albin used to summarize what remains from the rational expectations revolution: "The agents in the model have a model of the model." This model of the model guides or inspires the actions of the agents. Policy makers, policy analysts and legislators are agents in the model and their views as to how the economy functions, the model of the model they subscribe to, affects what they do, write, argue and vote. It follows that economic policy is not independent of the economic theory that underlies the principles that guide the behavior of the players in the policy making game.

I need not labor the dominance of neo-classical theory in the United States' community of economists. These views have oozed out of the community of economists so that economic policy proposals are often based upon an unthinking acceptance of propositions drawn from some variant of neo classical theory. If one believes that the standard theory does not capture and help us understand significant aspects

of the economy then one will hold that policy measures based upon the validity of neo classical theory are apt to be inept. There are crises of performance as well as crises of liability validation in today's economy. It seems clear that the conventional wisdom does not seem up to devising measures to improve the performance of the economy and the financial system.

One perspective that underlies the work of this workshop is that to move policy it is necessary to move the discipline. To move the discipline we have to communicate with the dominant practitioners even as we change the agenda.

HPM

POST KEYNES AND NEW KEYNES:

THE SIMILARITIES AND DIFFERENCE BETWEEN THE ANIMALS AND DOES A SYSTEM WITH CAPITALIST FINANCE GENERATE CONDITIONS CONDUCIVE TO CHAOS, AND

WHAT IS THE APPROPRIATE DEGREE OF COMPLEXITY FOR ECONOMIC MODEL BUILDING, FOR THEORIZING: SHOULD THE "PRIORS". BE EQUILIBRIUM SEEKING, NICE GROWTH, CHAOS INDUCING OR EVOLUTIONARY.

AES ONCE REMARKED THAT "THESE ARE THE CONCLUSIONS FROM WHICH I DEDUCE MY FACTS" ECONOMISTS, WHO TYPICALLY DONT WORK WITH FACTS, WOULD REPHRASE THE ABOVE TO "THIS IS THE ANALYTICAL CONCLUSION WHICH DETERMINES MY ANALYTICAL FRAMEWORK."

According to Israel and Ingrou Debreau did not get into the research on stability of general equilibrium because he believed that the basic assumptions of GE theory did not impose sufficient structure on the relations to resolve the problem. If the precision of the assumptions guide what can or cannot be demonstrated then in macroeconomics we may be down to a shouting match in which spats around "my assumption dominates your assumption" takes over. Has it already happoned.?

Workshop Schedule

The following can be adjusted. If you holler we will negotiate.

July 28, Sunday Convene

AM sessions 9:30-12:00 and PM sessions 2:30-5:00 with a coffee/coke break.

July 29 Monday AM

Minsky: To move the world we first have to move the discipline. A Personal Statement: Post Keynesian Economics and the Current State of Macroeconomic Theory

Caskey

The question of price flexibility and rigidity: modelling and simulation

Paper: Caskey and Fazzari, Debt, Price Flexability and Aggregate Stability.

Monday: PM

Day ?/?

Andreassen

My Program at the Levy  
Institute

July 30 Tuesday AM

Albin

Degrees of Complexity:  
Parallel Constructions and  
Complexity in Macro-Economic  
Modeling.

Tuesday PM

Dymski

Economic Theory and Reform of  
The Monetary/Financial System:  
What Model of the Model Guides  
Reform.

Rao

Money in Neo-Ricardian Models.  
and My program at the Levy  
Institute

July 31 Wednesday AM

Greenberg and Ferri

Macroeconomic Dynamics

Greenberg:



General Principles

Ferri:

Labor market Dynamics

Wednesday PM

An excursion to ???????

Aug 1 Thursday AM

Wray

New Keynesian and Post  
Keynesian Approaches to Credit  
Rationing: Interest Rates and  
the Rate of Growth of the  
Money Supply.

Wulwick:

What does it take to Derive a  
Phillips Curve from an  
Aggregate Supply Curve?

Thursday PM

Nell

Financial Relations and the  
Significance of the Kaleckian  
Model

Thursday PM

Philips

My Program at The Levy  
Institute

Aug 2      Friday      AM

            Kregal

A Summing Up: What remains of  
the Post Keynesian attack of  
20 years ago .

            Minsky

Does the World End With a Bang  
or a Whimper?

Lunch at Blithewood

Adjourn 2:00 to 2:30 PM.

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Charles Whalen            Unassigned    My research program.

Ara Mentcherian          Unassigned.   My research program.