

Money, interest, and stagnation - dynamic theory and Keynesian economics

Clarendon Press - Essay on Keynesian Economics: Top 6 Essays

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Tags: #Keynes' #Liquidity #Preference
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Post

For, by definition, there cannot be a state of long-run unemployment equilibrium in the sense that nothing in the system tends to change as long as wages are rigid. The coexistence of recession and inflation presented an apparent dilemma in terms of remedies along Keynesian lines. The journal is dedicated to the development of Keynesian theory and policy.

Post

Keynesians viewed monetary policy as a necessary complement to fiscal policy.

Major Theories in Macroeconomics

An example may be the link between microeconomic assumptions like competition, pricing and firm behaviour and macroeconomic theory like the determination of functional income distribution, which is the distribution of the

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GDP to wages and profits.

The Misesian Case Against Keynes

Elsevier Handbook of monetary economics.

Most Cited Keynesian Economics Publications

That concerns us in our dual identities as professional economists and citizens, and it is this concern that motivates the founding of the journal. Capital Controversy, Post Keynesian Economics and A credit-investment-income mechanism is thereby established and investment demand creates corresponding saving.

Keynesian vs. Neo

Current Debates and Analyses There are different areas of debates and analyses that PK research has concentrated on. However, Keynes never explains the dynamic market forces that bring this about.

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The fallacy of the natural rate of interest and zero lower bound economics: why negative interest rates may not remedy Keynesian unemployment

Thomas J. Palley
Independent analyst, Washington, DC, USA

This paper provides a critique of two key-based DLR theories, which have become the dominant economics which underpins macroeconomic decisions in central and market economies. The first DLR theory, based on the Fisher effect, claims that negative interest rates will stimulate economic recovery by reducing real interest rates and thereby encouraging investment. The second DLR theory, based on the Lucas critique, claims that negative interest rates will encourage consumers to spend more. Consequently, there may be no natural rate of interest.

Keywords: zero lower bound (ZLB), natural rate of interest, non-reproduced assets, investment, consumption, Lucas critique

JEL codes: E0, E10, E12, E20, E21, E22

1. THE SEARCH FOR AN EXPLANATION OF STAGNATION: THE RISE OF ZLB ECONOMICS

Having been surprised by the global financial crisis of 2008 and the lack of recovery, mainstream economists have sought to explain the slow recovery after the 2008 financial crisis by the theory of capital flight. This theory claims that the slow recovery is a response to reserve currencies and fiscal stimulus, as reflected in rapid bond yields and low inflation rates, which are seen as a signal of a lack of confidence in the future of the economy.¹ That expectation has given way to an expectation of a long-term economic decline, as reflected in the 2010 forecast of the International Monetary Fund (IMF) for the US economy.² The search for an explanation of stagnation has led to a search for a theoretical explanation. That search has now converged on the zero lower bound (ZLB) theory of interest rates, which claims that the economy is stuck at the bottom of the market for employment, saving and investment. As a result,

¹ For example, see the speech of the Chairman of the Federal Reserve, Ben Bernanke, at a 15 March 2009 television interview on CBS News' *Face the Nation*, which was later reproduced in a conference speech by the Boston College School of Law on 22 May 2009.

² For example, see the speech of the Chairman of the Federal Reserve, Ben Bernanke, at a 15 March 2009 television interview on CBS News' *Face the Nation*, which was later reproduced in a conference speech by the Boston College School of Law on 22 May 2009.

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