This course develops the macrodynamics of a classical framework. It is the second half of a sequence, the first half GECO 6205 focusing on the microeconomics of a classical approach: the derivation of demand curves and price and income elasticities without any reference whatsoever to standard assumptions of utility, rationality (bounded or not), optimizing behavior, etc.; and the classical theory of real competition based on price-setting, cost-cutting firms that compete for market shares. The theoretical and empirical concerns of Keynes’ and Kalecki’s microfoundations are shown to be fully consistent with the classical framework of profit-driven real competition without any need to rely on notions of imperfect competition or monopoly power. The present course develops a classical approach to macroeconomics. It begins with a history of the rise and fall of modern macroeconomics, moving from pre-Keynesian theory to Keynes, Kalecki and Hicks, then to the subsequent prominence of various neoclassical arguments by Friedman, Phelps, Lucas and others, and the corresponding rise of Post Keynesian economics of Davidson, Godley, Taylor, Lavoie and others. Then it will move to the construction of a classical theory of effective demand in a growth context, grounded in the theory of real competition in which profitability plays a central role in regulating aggregated supply, aggregate demand and the levels and structures of interest rates. The theoretical and empirical relations between the real wages, the social structure and the degree of unemployment will be compared in classical, neoclassical and Post Keynesian approaches. A similar theoretical and empirical comparison will be undertaken for the relations between money, credit and inflation. The various elements will then be brought together to develop a classical analysis of the current world crisis.

Students will be required to do take an in-class final exam. A question set will be given out before the exam, from which I will pick 4-5 questions for the exam, of which students will be asked to answer any two. The primary text for the course is Shaikh, Anwar. 2016. *Capitalism: Competition, Conflict, Crises*. New York: Oxford University Press.

I. Rise and Fall of Modern Macroeconomics

A. Micro Foundations and Macro Properties


**B. Pre-Keynesian macroeconomics**

Shaikh, Anwar. 2016. *op. cit.*: Ch 12 Section II


**C. Keynes' breakthrough**

Shaikh, Anwar. 2016. *op. cit.*: Ch 12 Section JJJ


Snowdon and Vane, *op. cit.*: Ch 2 Sections 2.6-2.17, Ch 3


**D. The return of Neo-Walrasian economics**

Shaikh, Anwar. 2016. *op. cit.*: Ch 12 Section IV

Snowdon and Vane, *op. cit.*: Chs 4-7

Wapshott, *op. cit.*, Chs 15-17

**E. Kalecki**

Shaikh, Anwar. 2016. *op. cit.*: Ch 12 Section V


**F. Post Keynesian Economics**

Shaikh, Anwar. 2016. *op. cit.*: Ch 12 Section VI


II. Classical Macrodynamics

A. Keynes and Kalecki on Competition and Effective Demand
Shaikh, Anwar. 2016. *op. cit*: Ch 13 Section I-II.1

B. Kalecki and Keynes on Investment Finance
Shaikh, Anwar. 2016. *op. cit*: Ch 13 Sections II.2-II.3

C. Savings Rates, Capacity Utilization and Expectations
Shaikh, Anwar. 2016. *op. cit*: Ch 13 Sections II.4-II.6

D. Growth Dynamics
Shaikh, Anwar. 2016. *op. cit*: Ch 13 Sections II.7-II.12

E. Classical Macrodynamics
Shaikh, Anwar. 2016. *op. cit*: Ch 13 Sections III

III. Wages, Profits and Unemployment

A. Introduction
B. Wages and unemployment in economic theories
Shaikh, Anwar. 2016. *Capitalism: op. cit: Ch 14 Sections I-II
Tsoulfidis, Lefteris. 2010. *Competing Schools of Economic Thought*. Heidelberg: Springer: Ch 4 (Ricardo)

C. Dynamical interactions between the wage share, unemployment rate leading to a "normal" rate unemployment.
Shaikh, Anwar. 2016. *Capitalism: op. cit: Ch 14 Sections III-IV

D. The relation of the classical wage curve to the Phillips Curve and evidence
Shaikh, Anwar. 2016. *op. cit: Ch 14 Sections V-VII

IV. Inflation and Modern Money
A. Money, markets and the State
Shaikh, Anwar. 2016. *op. cit: Ch 15 Section I
B. Chartalism, neo-Chartalism and modern finance
Shaikh, Anwar. 2016. op. cit: Ch 15 Sections II-III

C. Classical Theory of Inflation
Shaikh, Anwar. 2016. op. cit: Ch 15 Sections IV-VII

D. Empirical Evidence on Inflation and comparison to NAIRU
Shaikh, Anwar. 2016. op. cit: Ch 15 Section VIII-IX

V. Growth, Profitability and Recurrent Crises
A. Recurrence of Economic Depressions
Shaikh, Anwar. 2016. op. cit: Ch 16 Sections I
B. Profitability in the postwar period in the United States
Shaikh, Anwar. 2016. *op. cit*: Ch 16 Section II

C. The Global Effects of the Current Crisis
Shaikh, Anwar. 2016. *op. cit*: Ch 16 Sections III
Milne, Seumas. 2013. "Cyprus risks deepening the eurozone crisis as austerity is failing across the continent. This is a tide that has to be turned." *The Guardian*, March 26.

D. Policy lessons and possibilities: Austerity Versus Stimulus
Shaikh, Anwar. 2016. *op. cit*: Ch 16 Section IV

E. On the Role of Economic Theory
Shaikh, Anwar. 2016. *Capitalism*: *op. cit*: Ch 16 Section V

VI. Further Implications and Applications of the Analysis

A. Modes of Criticism of Orthodox Economics
Shaikh, Anwar. 2016. *Capitalism*: *op. cit*: Ch 17 Section I
Basinstoke, Hampshire: Palgrave Macmillan: Introduction, 9-12

B. Distribution Patterns Created by Equalizing Tendencies
Shaikh, Anwar. 2016. *Capitalism*: *op. cit*: Ch 17 Section II

C. Wages, Taxes, Social Expenditures and the Net Social Wage
Shaikh, Anwar. 2016. *Capitalism*: *op. cit*: Ch 17 Section III

**D. Piketty and the Classical Theory of Distribution**
Shaikh, Anwar. 2016. *Capitalism: op. cit* : Ch 17 Sections IV

**E. Development and Underdevelopment**
Shaikh, Anwar. 2016. *Capitalism: op. cit* : Ch 17 Sections V