

# LECO 3045

## GROWTH AND DISTRIBUTION

Spring 2021

Instructor: Ettore Gallo

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Class hours: Tuesday 2 - 3:40 PM and Thursday 2 - 3.40 PM

Office Hours: BYA, please send email to set up meeting –

Meeting ID: 972 3262 8919 - [link](#)

Password: 924606

### Course Description

Starting from the empirical development of income distribution and economic growth in major OECD countries, students will learn how distribution and growth issues are treated in different economic paradigms. First, the course develops a comprehensive overview of the main theoretical approaches, introducing students to Classical-Marxian, Neoclassical and Post-Keynesian theories of distribution and growth. In doing so, the role of effective demand is discussed in depth, as well as the effects of changes in the functional distribution of income on economic growth. In the second part of the course, students will be required to apply the theories learned in class to understand growth and distribution patterns in advanced capitalist economies over the last five decades.

### Learning Goals

Students will:

1. Learn important concepts and theories from classical political economy and macroeconomics;
2. Learn different economic models that deal with the relationship between growth and distribution;
3. Develop a critical assessment of these models;
4. Apply these theoretical models in understanding the different growth patterns in developed and developing countries;

### Grading and Assessment

The final grade for this course will be based on five elements: a **take-home final** exam (30% of your grade), **group assignments** which will be distributed during the semester (20% of your grade), group presentations on selected topics (20% of your grade), comments on other students' presentations and in-class group discussions (15% of your grade) and an assessment of your participation in class (15% of your grade).

Grading Scale:

100-95%	90-94%	86-89%	80-85%	75-79%	70-74%	65-69%	60-64%	0-60%
A	A-	B+	B	B-	C+	C	C-	F

## **Main Books**

Hein, E. (2014) *Distribution and Growth after Keynes*, Cheltenham: Edward Elgar Publishing Limited;

Blecker, R. A., & Setterfield, M. (2019). *Heterodox macroeconomics: models of demand, distribution and growth*. Edward Elgar Publishing.

## **The course will be online**

Synchronous class sessions using Zoom, with all students present, the class will meet twice a week, lectures will be recorded (but might be available only briefly after the lecture), students should have video “on” during sessions. Participation is an essential part of class and includes: keeping up with reading, contributing meaningfully to class discussions, active participation in group work, and attending synchronous sessions regularly and on time. Students are expected to keep up with class activities and requirements each week, maintaining a meaningful participation in online learning over the course of the semester.

## **Material for the class**

All course materials will be on Canvas, with lecture notes for specific classes sent out a day before the class. A basis of the lectures will be the Hein (2014) textbook, see above, reading of appropriate chapters (and some additional material mentioned) before the class is required.

## **For guidelines on academic honesty**

Please read the New School’s Academic Honesty and Integrity Policy. Note that plagiarism is a serious academic offense that will result in official investigation and possible disciplinary action:

See: [www.newschool.edu/WorkArea/DownloadAsset.aspx?id=81698](http://www.newschool.edu/WorkArea/DownloadAsset.aspx?id=81698)

## **Important Resources & Applicable Policy Statements**

In keeping with the university’s policy of providing equal access for students with disabilities, any student with a disability who needs academic accommodations is welcome to meet with me privately. All conversations concerning disabilities will be kept confidential. Students requesting any accommodations will also need to contact Student Disability Service (SDS):

See: <http://www.newschool.edustudentservices/disability-services/>.

SDS will conduct an intake and, if appropriate, the Director will provide an academic accommodation notification letter for you to bring to me. At that point, I will review the letter with you and discuss these accommodations in relation to this course.

# Course outline and readings

\* required reading

## **1 Introduction, measurement, stylized facts and trends of distribution, capital accumulation and growth**

*Literature:* \*Hein (2014, Chapter 1), Piketty (2015), Maddison (2001, Chapter 1)

## **2 Math refresher**

*Literature:* \*Blanchard (Appendix 2), Hein (2014, Appendix A)

## **3 Classical Theories of Distribution and Growth: The Classical-Marxian model**

*Literature:* \*Blecker and Setterfield (2019, Chapter 2), Foley, Michl and Tavani (2019, Chapter 6)

## **4 From Keynes to Harrod and Domar: considering the capacity effect of investment and an attempt at dynamic theory**

*Literature:* \*Hein (2014, Chapter 2), Domar (1946), Harrod (1939)

## **5 Neoclassical distribution and growth theories: old and new – and a critique**

*Literature:* \*Hein (2014, Chapter 3), Jones (2002, Chapter 2 and 8), Setterfield (2014), Solow (1956; 2000)

## **6 Post-Keynesian distribution and growth theories I: Kaldor, Pasinetti, Thirlwall and Robinson**

*Literature:* \*Hein (2014, Chapter 4), Kaldor (1955/56; 1957; 1966a; 1966b), Pasinetti (1974), Robinson (1962), Thirlwall (2002; 2011)

## **7 Post-Keynesian distribution and growth theories II: Kalecki and Steindl**

*Literature:* \*Hein (2014, Chapter 5), Kalecki (1954; 1971), Steindl (1952, 1979)

## **8 The basic Kaleckian distribution and growth models**

*Literature:* \*Hein (2014, Chapter 6), Blecker and Setterfield (2019, Chapter 4), Bhaduri/Marglin (1990), Dutt (1984; 1987), Kurz (1990; 1994), Rowthorn (1981)

## **9 Post-Keynesian distribution and growth theories III: Recent Developments – Sraffian and Neo-Kaleckian Supermultiplier models**

*Literature:* \*Freitas and Serrano (2015), \*Gallo (2019), \*Cesaratto (2015), Cesaratto et al. (2003), Allain (2015), Lavoie (2016)

## **10 Recap: Comparing the chains of causalities in different paradigms of distribution and growth**

*Literature:* \*Hein (2016)

## **11 Summing up: Distribution and Growth issues in the Great Crisis – The Great Recession and the Coronavirus Meltdown**

*Literature:* \*Gallo and Barbieri Goes (2021), Flaschel et al. (2021), TBD

## Students' presentations – Selected topics

### **1 The dynamics of the capital-income ratio and inequality in Piketty's approach**

*Literature:* Piketty (2014, Part One), Bernado/Martinez/Stockhammer (2014), Rowthorn (2014), RWER (2014)

### **2 Marxian theories of distribution, accumulation and crisis I: profit squeeze and social structure of accumulation**

*Literature:* Marx (1867, chapter 25), Devine (1987), Goodwin (1967), Gordon (1987), Gordon/Weisskopf/Bowles (1987), Levine (1988), McDonough/Reich/Kotz (2010), Marglin (1984a, chapter 3), Shaikh (1978)

### **3 Extending Kaleckian models I: saving out of wages and open economy issues**

*Literature:* Hein (2014, Chapter 7), Hein/Vogel (2008), Hartwig (2014), Onaran/Galanis (2012; 2013; 2014), Onaran/Obst (2016), Stockhammer (2015)

### **4 Extending Kaleckian models II: Personal income distribution**

*Literature:* Prante (2017), Belabed et al. (2013), Kapeller and Schütz (2014, 2015), Setterfield and Kim (2016), Zezza (2008), Barbieri Goes (2020)

### **5 Extending Kaleckian models III: technical progress**

*Literature:* Hein (2014, Chapter 8), Hein/Tarassow (2010)

### **6 Issues of stability – Marxian and Harrodian Critiques of Kaleckian models of distribution and growth**

*Literature:* Hein (2014, Chapter 11), Lavoie (2014, Chapter 6.4 and 6.5)

### **7 Financialisation and income distribution: theory and empirical evidence**

*Literature:* Hein (2014, Chapter 10.2, 2015), Alvarez (2015), Dünhaupt (2012; 2013), Epstein/Power (2003), Epstein/Jayadev (2005), Hein/Detzer (2015), Stockhammer (2009; 2013a; 2013b)

### **8 Ecological constraints in post-Keynesian models of distribution and growth**

*Literature:* Douai/Mearman/Negru (2012), Foley (2012), Fontana/Sawyer (2013; 2014), Kronenberg (2010), Taylor/Rezai/Foley (2015)

## Timeline - Group assignments, students' presentations and final exam

Activity	General topic	Deadline
Assignment #1	Classical-Marxian theories of distribution and growth	Monday, March 1, 2021
Assignment #2	Harrod-Domar and neoclassical growth theories	Wednesday, March 24, 2021
Assignment #3	Post-Keynesian distribution and growth theories	Monday, April 19
Student's presentations	-	From Thursday, April 22 to Thursday, April 29
Take-home final exam	All course materials	Tuesday, May 11

## Literature for class and presentations

- Aghion, P., Howitt, P. (2009): *The Economics of Growth*, Cambridge, Mass: MIT Press.
- Allain, O. (2015): Tackling the instability of growth: A Kaleckian-Harrodian model with an autonomous expenditure component, *Cambridge Journal of Economics*, 39 (5): 1351-1371.
- Alvarez, I. (2015): Financialization, non-financial corporations and income inequality: the case of France, *Socio-Economic Review*, 13: 449-475.
- Barbieri Góes, M. C. (2020). Personal income distribution and progressive taxation in a neo-Kaleckian model: Insights from the Italian case. *Review of Political Economy*, 32(4), 615-639.
- Bernado, J.L., Martinez, F.L., Stockhammer, E. (2014): A post-Keynesian response to Piketty's "Fundamental Contradiction of Capitalism", Post Keynesian Economics Study Group, Working Paper 1411.
- Bhaduri, A., Marglin, S. (1990): Unemployment and the real wage: the economic basis for contesting political ideologies, *Cambridge Journal of Economics*, 14: 375-393.
- Blanchard, O. (2017) *Macroeconomics*, Boston: Pearson
- Blecker, R. A., & Setterfield, M. (2019). *Heterodox macroeconomics: models of demand, distribution and growth*. Edward Elgar Publishing.
- Cesaratto, S. (2015): Neo-Kaleckian and Sraffian controversies on the theory of accumulation, *Review of Political Economy*, 27 (2): 154-182.
- Cesaratto, S. (2015): Neo-Kaleckian and Sraffian controversies on the theory of accumulation, *Review of Political Economy*, 27 (2): 154-182.
- Cesaratto, S., Serrano, F., & Stirati, A. (2003). Technical change, effective demand and employment. *Review of political economy*, 15(1), 33-52.
- Devine, J.N. (1987): An introduction to radical theories of economic crises, in: Cherry, R. et al. (eds.), *The Imperiled Economy*, Book I, *Macroeconomics from a left perspective*, New York: URPE.
- Domar, E.D. (1946): Capital expansion, rate of growth and employment, *Econometrica*, 14: 137-147.
- Douai, A., Mearman, A., and Ioana Negru. (2012). Prospects for a heterodox economics of the environment and sustainability. *Cambridge Journal of Economics*. 36 (5): 1019-1032.
- Dünhaupt, P. (2012): Financialization and the rentier income share – evidence from the USA and Germany, *International Review of Applied Economics*, 26: 465-87.
- Dünhaupt, P. (2013): The effect of financialization on labor's share of income, IPE Working Paper 17/2013, Berlin: Berlin School of Economics and Law.
- Dutt, A.K. (1984): Stagnation, income distribution and monopoly power, *Cambridge Journal of Economics*, 8: 25-40.
- Dutt, A.K. (1987): Alternative closures again: a comment on 'Growth, distribution and inflation', *Cambridge Journal of Economics*, 11: 75-82.
- Epstein, G., Jayadev, A. (2005): The rise of rentier incomes in OECD countries: financialization, central bank policy and labor solidarity, in: Epstein, G.A. (ed.), *Financialisation and the World Economy*, Cheltenham: Edward Elgar.
- Epstein, G., Power, D. (2003): Rentier income and financial crises: an empirical examination of trends and cycles in some OECD countries, *Canadian Journal of Development Studies*, 24 (2): 229-248, also: University of Massachusetts, Amherst, Political Economy Research Institute, Working Paper Series, Number 57.

- Flaschel, P., Galanis G., Tavani, D. and Veneziani, R. (2021), *Pandemics and Aggregate Demand: A Framework for Policy Analysis*, unpublished draft
- Foley, D. (2012): Dilemmas of economic growth, *Eastern Economic Journal*, 38: 283-295.
- Foley, D. K., Michl, T. R., and Tavani, D. (2019). *Growth and Distribution*, Second Edition, Cambridge, MA: Harvard University Press
- Fontana, G., Sawyer, M. (2013): Post-Keynesian and Kaleckian thoughts on ecological macroeconomics, *European Journal of Economics and Economic Policies: Intervention*, 10: 256-267.
- Fontana, G., Sawyer, M. (2014): *The Macroeconomics and Financial System Requirements for a Sustainable Future*, FESSUD Working Paper Series No 53, University of Leeds.
- Freitas, F., Serrano, F. (2015): Growth rate and level effects, the stability of the adjustment of capacity to demand and the Sraffian Supermultiplier, *Review of Political Economy*, 27 (3): 258-281.
- Gallo, E. (2019), *Investment, Autonomous Demand and Long Run Capacity Utilization: An Empirical Test for the Euro Area*, Working Papers 1904, New School for Social Research, Department of Economics.
- Gallo, E., Barbieri-Goes, M. C., (2021). *Infection IS the cycle: Unemployment, output and economic policies in the COVID-19 pandemic*. *Review of Political Economy* forthcoming.
- Goodwin, R. (1967): A growth cycle, in: Feinstein, C.H. (ed.), *Socialism, Capitalism and Economic Growth*, Cambridge: Cambridge University Press.
- Gordon, D.M. (1987): Distribution theories: Marxian, in: Eatwell, J., Milgate, M., Newman, P. (eds.), *The New Palgrave. A Dictionary of Economics*, Vol. 1, London, New York, Tokyo: Palgrave Macmillan.
- Gordon, D.M., Weisskopf, T.E., Bowles, S. (1987): Power accumulation and crisis: the rise and demise of the postwar social structure of accumulation, in: Cherry, R. et al. (eds.): *The Imperiled Economy, Book I, Macroeconomics from a left perspective*, New York: URPE.
- Harrod, R.F. (1939): An essay in dynamic theory, *The Economic Journal*, 49: 14-33.
- Hartwig, J. (2014): Testing the Bhaduri–Marglin model with OECD panel data, *International Review of Applied Economics*, 28 (4): 419-435.
- Hein, E. (2014) *Distribution and Growth after Keynes*, Cheltenham: Edward Elgar Publishing Limited;
- Hein, E. (2016): The Bhaduri/Marglin post-Kaleckian model in the history of distribution and growth theories – an assessment by means of model closures, *Review of Keynesian Economics*, 5(2): 218–238.
- Hein, E., Tarassow, A. (2010): Distribution, aggregate demand and productivity growth – theory and empirical results for six OECD countries based on a post-Kaleckian model, *Cambridge Journal of Economics*, 34: 727-754.
- Hein, E., Vogel, L. (2008): Distribution and growth reconsidered – empirical results for six OECD countries, *Cambridge Journal of Economics*, 32: 479-511.
- Jones, C. I. (2002) *Introduction to Economic Growth*, 2nd Edition, New York: W.W. Norton & Company
- Kaldor, N. (1955/56): Alternative theories of distribution, *The Review of Economic Studies*, 23: 83-100.
- Kaldor, N. (1957): A model of economic growth, *The Economic Journal*, 67: 591-624.

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- Kaldor, N. (1966b): Marginal productivity and the macroeconomic theories of distribution, *Review of Economic Studies*, 33: 309-319, reprinted in: Kaldor, N., Collected Economic Essays, Volume 5, Further Essays on Economic Theory, London: Duckworth, 1978.
- Kalecki, M. (1954): *Theory of Economic Dynamics*, London: George Allen and Unwin.
- Kalecki, M. (1971): *Selected Essays on the Dynamics of the Capitalist Economy, 1933-1970*, Cambridge: Cambridge University Press.
- Kapeller, J. and B. Schütz (2014): Debt, Boom, Bust: A Theory of Minsky-Veblen Cycles, *Journal of Post Keynesian Economics*, 36.4: 781-814.
- Kapeller, J. and B. Schütz (2015): Conspicuous Consumption, Inequality and Debt: The Nature of Consumption-driven Profit-led Regimes, *Metroeconomica*, 66.1: 51-70.
- Kronenberg, T. (2010): Finding common ground between ecological economics and post-Keynesian economics. *Ecological Economics*, 69 (January):1488-1494.
- Kurz, H.D. (1990): Technical change, growth and distribution: a steady-state approach to 'unsteady' growth, in: Kurz, H.D., *Capital, Distribution and Effective Demand*, Cambridge, UK: Polity Press.
- Kurz, H.D. (1994): Growth and distribution, *Review of Political Economy*, 6: 393-420.
- Lavoie, M. (2014): *Post-Keynesian Economics: New Foundations*, Cheltenham: Edward Elgar.
- Lavoie, M. (2016): Convergence towards the normal rate of capacity utilization in neo-Kaleckian models: the role of non-capacity creating autonomous expenditures, *Metroeconomica*, 67 (1): 172-201.
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- Marglin, S.A. (1984a): *Growth, Distribution and Prices*, Cambridge/Mass.: Harvard University Press.
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- McDonough, T., Reich, M., Kotz, D.M. (eds.) (2010): *Contemporary Capitalism and Its Crises. Social Structure of Accumulation Theory for the 21st Century*, Cambridge: Cambridge University Press.
- Onaran, Ö., Galanis, G. (2012): Is aggregate demand wage- or profit-led? National and global effects, *Conditions of Work and Employment Series No. 31*, Geneva: ILO.
- Onaran, Ö., Galanis, G. (2013): Is aggregate demand wage-led or profit-led? A global model, in: Lavoie, M. Stockhammer, E. (eds), *Wage-led Growth: An Equitable Strategy for Economic Recovery*, Basingstoke: Palgrave Macmillan.
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- Piketty, T. (2015). Putting distribution back at the center of economics: Reflections on capital in the twenty-first century. *Journal of Economic Perspectives*, 29(1), 67-88.
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- RWER (2014): *Real World Economics Review*, No. 69, 2014, Special Issue on Piketty’s Capital.
- Setterfield, M. (2014) Neoclassical Growth Theory and Heterodox Growth Theory: Opportunities for (And Obstacles to) Greater Engagement. *Eastern Economic Journal*, vol. 34, pp. 366-368
- Setterfield, M. (ed.) (2002): *The Economics of Demand-led Growth*, Cheltenham: Edward Elgar.
- Setterfield, M. (ed.) (2010): *Handbook of Alternative Theories of Economic Growth*, Cheltenham: Edward Elgar.
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- Shaikh, A. (1978): *An Introduction to the History of Crisis Theories in U.S. Capitalism in Crisis*, U.R.P.E., New York
- Solow, R.M. (2000): The neoclassical theory of growth and distribution, Banca Nazionale del Lavoro Quarterly Review, No. 215, 53: 349-381.
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- Steindl, J. (1979): Stagnation theory and stagnation policy, *Cambridge Journal of Economics*, 3, 1-14, reprinted in: Steindl, J., *Economic Papers, 1941-88*, Basingstoke: Macmillan, 1990.
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- Stockhammer, E. (2013a): Why have wage shares fallen? An analysis of the determinants of functional income distribution, in: Lavoie, M., Stockhammer, E. (eds.), *Wage-led Growth: An Equitable Strategy for Economic Recovery*, Basingstoke: Palgrave Macmillan.
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- Thirlwall, A.P. (2002): *The Nature of Economic Growth*, Cheltenham: Edward Elgar.
- Thirlwall, A.P. (2011): Balance of payments constrained growth models: history and overview, *PSL Quarterly Review*, 64: 307-351.
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