Preface

The Sixth International Post Keynesian Workshop was held in Knoxville, Tennessee from 22 to 28 June 2000. It was attended by 86 participants from 20 countries with the United States participants representing 27 universities, government agencies and think tanks. Except for Antarctica, all continents were represented – North America (Canada, the United States, Mexico), South America (Brazil), Europe (United Kingdom, France, Sweden, Portugal, Spain, Italy, Germany, Switzerland, Denmark), Asia (Japan, Indonesia), Africa (South Africa) and Australasia (Australia, New Zealand).

For six days these participants attended 21 sessions in which 67 papers were presented, discussed and debated. The participants were housed at the same (Hilton) hotel in Knoxville, and had all meals at the same restaurants together so that discussions were extended during the coffee breaks, breakfast, lunch, happy hour, dinner and even after dinner.

The workshop was extremely rewarding for all as it offered insight from participants from all corners of the globe. Although most of the participants came from academic institutions, there were also business people, government policy-makers, and economists from other institutions.

Of the 67 papers presented at the workshop, 12 interesting and provocative ones were selected for publication in this volume.

The first three papers discuss the development problem that Brazil has faced for the last two decades. Although Brazil is, by some measures, the seventh largest economy in the world, it has not been able to live up to its potential in recent decades. Luiz Carlos Bresser-Pereira discusses the problem of incompetence among policy-makers and their desire to build the confidence of international financial markets to help develop the economy of Brazil. As a former minister in the Sarney and Cardoso administrations of Brazil, as well as a renowned academic, Bresser-Pereira provides not only personal experience but also analytical skills to the discussion of why Latin American countries failed to extricate themselves from their international debt crises in the 1980s and instead ended up in a fiscal crisis.

Alfredo Saad-Filho and Lecio Morais attribute the fiscal crisis of the state in Brazil and the inability of Brazilian industry to meet its potential to a group of elite members of Brazilian society who accepted the neomonetarist views of the 'Washington consensus'.

Fernando Ferrari provides a critique of the proposed monetary union in Mercosur – the South American union of Argentina, Brazil, Paraguay and Uruguay.

Robert Blecker presents an excellent paper on globalization and the desire of most developing nations to achieve an export-led growth strategy. As opposed to mainstream neoclassical economics, which argues that long-run growth rates are always determined by the growth of supply-side factors such as labor force growth and efficiency improvements, Blecker looks at demand constraints on growth in an open economy system. Blecker demonstrates that balance of payments-constrainted growth (BPCG) models can imply a fallacy of composition by incorporating an adding-up constraint on many countries all having the same targeted export markets. Blecker's analysis emphasizes relative price effects – effects that are typically ignored in BPCG models. He provides an empirical analysis relevant to 15 countries and the European Union. Blecker demonstrates that optimistic scenarios for export-led growth in the next decade are unlikely. Instead, for political as well as economic reasons, the constraints on export-led growth are not likely to be relaxed in the near future. Blecker then suggests that developing countries should pursue more internally-oriented or regionally-focused development.

Juan Carlos Moreno Brid tests several versions of the BPCG models for the Mexican economy for the period 1966–99. He demonstrates that the balance of payments was the binding constraint on Mexico's long-term economic growth, while the terms of trade played no significant role in Mexico's economic growth rate during this period.

Penelope Hawkins explores how the liquidity preference of banks explains the differential financial provision among borrowers. The model Hawkins develops explains the possibility of an unsatisfied fringe of borrowers and how the size of that fringe varies with changes in bank liquidity preferences.

William Darity, Jr reports on research that he and his associates have been doing on the relationship inter-group disparity and levels of economic development. They utilize data from 13 countries, namely Australia, Belize, Brazil, Canada, India, Israel, Japan, Malaysia, New Zealand, South Africa, Trinidad, Tobago and the United States. Race, caste or ethnicity serve as the basis of group division and differences in economic outcomes. Darity's studies indicate that inter-group disparities are a global phenomenon. These disparities seem impervious to high rates of economic growth, lower levels of general inequality in the system, and improved social status of women. They are supported by labor market discrimination. The persistence of these disparities is inconsistent with neoclassical analysis, and measures to remedy them, such as affirmative action, afford greatest benefit to the most well-placed members of the subaltern group and are most strongly opposed by the less competitive members of the dominant group.

Basil Moore develops his thesis that lower interest rates stimulate both saving and investment using national income and product account concepts as well as flow-of-funds data. In his provocative paper Moore argues that both the loanable funds and the liquidity preference theories of the rate of interest and the Keynesian multiplier theory of income determination are fallacious.

Marc-André Pigeon and L. Randall Wray present a challenging analysis of the 'new economy'. They present an empirical analysis to demonstrate that recent US growth rates in the Clinton years have not been extraordinary. Output growth has not been significantly constrained by supply-side problems with the quality or quantity of factor inputs. Economic growth even during the past few years has been demand rather than supply-constrained. They suggest that US government surpluses in the last few years should lead us to expect a major recession in the near future.

In a similar vein, Mathew Forstater emphasizes that policy-makers must consider not only structural and technological change in developing full employment policies, but must pay significantly more attention to the problem of a lack of effective demand.

Jesus Felipe analyzes the relationship between unemployment and profitability in Spain since 1980. Spain's unemployment rate is at least twice that of the rest of the European Union and almost four times the rate in the United States. In the 1970s, on the other hand, Spain's unemployment rate was not significantly different from that of most other European countries. What accounts for the difference in the last two decades? That is the question that Felipe seeks to answer.

Hubert Hieke notes that Germans have argued for a reduction in the value-added tax for labor-intensive services in order to stimulate employment in Germany by increasing internal demand for the output of labor-intensive activities. Hieke provides empirical evidence to demonstrate that such a VAT tax reduction will not increase employment in these sectors.

These papers provide a challenging set of arguments and suggest the many problems facing decision-makers in their attempt at 'policy-making in the New Global Economy'.

Paul Davidson
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