Index

account, money as unit of 172
accounting convention in budgets 143–5
aggregate demand 40, 47, 55, 213–15
  aggregate demand-aggregate supply theory 6, 9
asymmetric expectations 202
Australia
  budget deficits 279
  job guarantee approach in 280–92
Austrian economics 75
authoritarianism 54
authority 28
automatic stabilizers 137, 204–5, 312–13
  inflation and 303–7
  working of 304–7
balance of trade 110, 164, 231
Bank of England 185
banks 173
  central banks 59, 72, 193–4
  corruption in 237, 239
  creation of money and 173, 174, 179–80, 183–4
  assets and liabilities 192–6
  gold standard 186–92
  reserves 59, 150
Barro, Robert J. 288
Bator, Francis M. 55, 58
Bell, Stephanie 148
Bennett, Robert L. 271, 272
Bergman, Barbara 271, 272
Bergson, Abe 23
Bernstein, Peter 55
Beveridge Report 24
Bishapm, J. 288
Blinder, Alan S. 143
bonds, government 141, 149–51, 153, 167–8
Broder, David 152
budgets 198–201
  accounting convention 143–5
  attitudes to 169
  job guarantee approach and
  287–91
  limits 235, 236–7
  maximum 246–7
  model of tax-free economy 248–58
  structural 142
  fiat money and 145–9
  functional finance and 123, 145–9
  stabilization and 204–5
  surpluses 143, 148–9, 152–6, 198, 224–5
buffer stocks
  commodities 62
  labor 62, 205, 311, 319, 321
Bullock, M. 285
Burgess, John 292
Burns, Arthur 117, 119
Burstein, M. L. 215
Bush, George 120, 121
business cycles 74–7, 83–4
Cannan, Edwin 57
Cantor, Jeffrey A. 152
capacity utilization 7–8, 119, 134
capital
  flows of 237–40
  intensification 70, 79
  scarcity 75, 76–7
capital gains taxation 101
capital markets 8
  change from craft-based to mass production and 16–17
  in neo-Walrasian theory 12
capitalism 28–9, 31
Carter, Jimmy 120
Cavanaugh, Francis 55
central banks 59, 72, 193–4
Chamberlin, Ed 23
Index

Chartalist theory 57, 66, 180, 244, 245
Chiswick, Barry 272
Christiansen, Hans 291
circulation of money 67–71, 172–6
Clinton, Bill 152, 232
Colander, David 48, 120
Collins, Sheila 61
Colm, Gerhard 21, 33, 34
commodity buffer stocks 62
compensatory expenditure 86
competition 6, 8, 46
perfect 9
Connally, John 118, 120
corruption in banks 237, 239
credit money 71–4
creditworthiness 185, 245
crowding out hypothesis 142
Davies, Glyn 184
debt
government 59, 141, 166, 250–51
ratios 252–5, 265
substitution for taxation 256–7
private sector 155
deficits
budget see budgets, deficits
trade 110, 164, 231
deflation 39
Neisser’s quantity theory of money and 69–70, 74–5, 76
Deleplace, Ghislain 183
demand 8
aggregate see aggregate demand
demand-pull inflation 116, 129
fluctuations in 299
adjustment to 300–1
government management of 36, 55, 135, 245
growth and 219
for money 78
New Keynesian/New Classical (NK/NC) approach 4
democracy 55
discrimination 161
distribution 29
equity in 126–7
functional distribution of income 211–13
new historical compromise and 260–61
Domar, Evsay 25, 37
downsizing 331–3
Duesenberg, James 19, 201
Dunlop, John 132
Dwyer, Jacqueline 285
Eccles, Marriner 25
economic cycles 74–7, 83–4
economic growth see growth
economics, function of 29–30
education 325, 334
efficiency
full employment and 161, 163
marginal 76
Eisenhower, Dwight 117
Eissner, Robert 19, 38, 55, 132, 136, 204, 244
Ellis, Howard 66
employment see labour markets and employment
Engel Curves 11
entrepreneurialism 246
environmental concerns 331, 335
equality 246
new historical compromise and 260–61
equilibrium
general equilibrium model 6, 9, 17, 39
multiple equilibria 9, 43, 44–5, 46–7
Neisser’s quantity theory of money and 74–5
equity in distribution 126–7
European Monetary Union (EMU) 38, 121, 235–8
exchange rates, full employment and 285
expectations
asymmetric 202
currency markets and 238
inflation and 131, 202
rational 41–2, 44–5, 215
externalities 46
Feldstein, Marty 26, 272
fiat money 145–9, 165–6, 177, 179, 182–3, 233
fiduciary principle 179, 182
financial crises 47, 238–40
finanzwissenschaft 21
firms
change from craft-based to mass production and 16
in neo-Walrasian theory 10–11
fiscal policies 134–8, 325
European monetary integration and 236–7
see also budgets; taxation
Fish, Irving 66, 78
Fisher effect 8
Foley, Tom 120
Forstater, Mathew 61
Fox, Matthew 292
freedom 55
Freeman, C. 172
Friedman, Milton 40, 92, 118, 120, 130, 143, 281
full employment 60–63, 110, 112–13, 129, 274, 319, 322–3
functional finance and 61–3, 160–70
job guarantee approach 278–92
budget deficit and 287–91
development of 280–82
inflation and 282–7
other considerations 291–2
in United States of America 269
functional finance 33–4, 35–49, 116, 141
budgets and 123, 145–9
surpluses 152–6
demise of
in policy 37–8
in theory 38–43
full employment and 61–3, 160–70
instrumental analysis and 53–5
instrumental macroeconomics 52–63
labor markets and 266–76
systems approach 267–70
tax cuts 271–2
trade policy and 273–4
wage subsidies 272–3
limits 47
money and 55–60, 165–6, 168
multiple equilibria and 46–7
Neisser’s unorthodox quantity theory of money 66–79
new historical compromise and 260–61
prospects 86–8
retrospect 83–6
revival of theoretical role for 43–4
rules 36–7
discussion and 42–3
fourth rule 47–8
structure 123–5
systems theory and 269–70
taxation and 243–8
model of tax-free economy 248–58
new historical compromise and 260–61
reform proposals 258–60
three-branch model and 125–7
equity in distribution 126–7
paying for public services 125–6
trade policy and 273–4
transformational growth and 3–19
Gallbraith, Kenneth 269
Garegnani, Piero 17
general equilibrium model 6, 17, 39
neo-Walrasian theory 9
Germany 22–3
Finanzwissenschaft 22
hyperinflation 66
Glyn, Andrew 288, 289, 290
Godley, Wynne 155
gold standard 186–92
Goodhart, Charles 58, 194
Gordon, D. M. 217–18
Gordon, Robert 107–9, 132
Gordon, Wendell 61, 283
government and the state
bonds 141, 149–51, 153, 167–8
change from craft-based to mass production and 17
debt 59, 141, 166, 250–51
ratios 252–5, 265
substitution for taxation 256–7
demand management and 36, 55, 135, 245
expenditure 36, 56, 123, 153,
199–200, 244
sellers’ (supply-side) inflation and 121
finance 21–6
conventional views on 141–3,
320–21
see also budgets
interest rates and 36, 37
money and 57–8, 196–201
government and the state (cont.):
in neo-Walrasian theory 12
public works programs 62–3, 164–5, 270–71
employer of last resort (ELR) 299–313, 322–33, 335–7
responsibility 320–21
see also functional finance; social security; taxation
Graham, Benjamin 62, 281, 282
Greenspan, Alan 94, 111, 116, 120, 134, 155, 238
Gresham’s Law 183
growth 211–21
business cycles 74–7
endogenous technical progress and 219–20
intensive 70, 71
model of 215–17
interpretation of results 217–19
wages and 216
Haberler, Prof. 23, 24–5
Hagemann, H. 219
Hahn, Frank 10, 72
Hansen, Alvin 19, 22, 24, 83–6, 266
Harris, Seymour 24, 25
Hart, A. G. 62
Harvey, Philip 61, 205
Hawtrey, Ralph 78
Hart, A. G. 62
Heilbroner, Robert 26–31, 55
Heller, Walter 117, 120
Hicks, John 24, 25, 185
Higgins, Ben 23
horizontalism 215
households
change from craft-based to mass production and 16
in neo-Walrasian theory 11
human capital 87–8
education 325, 334
Hwang, Sang-In 104
hyperinflation 66
identification problem 202
income
functional distribution of 211–13
incomes policy 48, 118
taxation 258–9
indexation 321, 322
individuals 3
institutions and 5–6
inflation 8, 39, 89, 92, 129, 321–2
automatic stabilizers and 303–7
demand-pull 116, 129
evolution of theory of 129–34
expectations and 131, 202
government management of economy and 36, 37, 38
hyperinflation 66
indexation and 321, 322
job guarantee approach and 282–7
NAIBER and inflation control 283–7
unemployment and inflation control 282–3
market anti-inflation plans (MAPs) 48, 59
natural rate of 117
Neisser’s quantity theory of money and 72–3
in neo-Walrasian theory 14
New Keynesian/New Classical (NK/NC) approach 4
non-accelerating inflation buffer employment ratio (NAIBER) 279, 283–7
Phillips Curve 89, 91, 112–13, 129–30, 131, 201–4, 284
sellers’ (supply-side) 47–8, 116–21, 245
taxation and 245
wages and 130, 132
institutional economics 266
institutions 3, 5–6
in neo-Walrasian theory 10–13
instrumental macroeconomics 52–63
interest rates 135–6, 211–21
bonds and 149–51
budget deficits and 154
gold standard and 187, 188–92
government management of economy and 36, 37
growth and 218
job guarantee approach and 290–91
money and 184, 195–6
International Labour Office 287
international trade
balance of trade 110, 164, 231
functional finance and trade policy 273–4
investment
demand variation and 299
public 225
Japan, budget deficits in 102, 155
job guarantee approach 278–92
budget deficit and 287–91
development of 280–82
inflation and 282–7
NAIBER and inflation control 283–7
unemployment and inflation control 282–3
other considerations 291–2
Johnson, George E. 271
Johnson, Lyndon B. 117–18
Kaldor, Nicholas 12, 62, 214
Kalecki, Michal 283, 286, 287
Kasman, Bruce 291
Kennedy, John F. 117
Kent, Christopher 285
Keynesian economics 37, 39–40, 124, 134, 141, 201, 219, 322–3
Klein, Laurence 269
Knapp, G. F. 57, 66, 244
Kosabud, Richard 269
Krugman, Paul 120, 160
Kurihara, Kenneth 58
Kurz, H. 17
Kydland, Fynn 42, 45
labor markets and employment
change from craft-based to mass production 16
employer of last resort (ELR) and stabilization 299–313, 322–33, 335–7
adjustment to demand fluctuations 300–301
automatic stabilizers covering inflation 303–7
comparison of unemployment insurance with ELR 307–8
implications for currency 308–10
labor market instability and 301–3
money wages and 310–12
functional finance and 266–76
public works program 270–71
systems approach 267–70
tax cuts 271–2
trade policy and 273–4
wage subsidies 272–3
labor buffer stock 62, 205, 311, 319, 321
loose labour markets 319, 321
in neo-Walrasian theory 12, 14
neo-Walrasian theory and 12
New Keynesian/New Classical (NK/NC) approach 4
public works program 62–3, 164–5, 270–71
textbook approach 6
difficulties with 7
unstable 301–3
wage subsidies and 272–3
see also full employment;
unemployment; wages
labor productivity 75–6, 161, 217, 330
Laihman, D. 17
Laidler, David 78
Lavoie, Marc 173, 215, 302
learning 11
Leijonhufvud, Axel 47
life cycle theory 11
Lindahl, Erik 21, 67
Lloyd, A. G. 280
Lovins, Amory 292
Lowe, Adolph 33, 34, 52, 53, 54, 60–61, 63, 266
MacInnes, Fynn 24–5
macroequilibrium rate of unemployment (MRU) 283
Malthus, Thomas 30
Mankiw, N. G. 4
marginal efficiency 76
marginal utility theory 66
market anti-inflation plans (MAPs) 48, 59
Marschak, Jakob 66
Marshall, Alfred 14, 15, 22
Marx, Karl 27, 28, 30, 299
merchants, money and 174–6
methodological individualism 5
Metzler, Lloyd 23
Michie, Jonathan 202
micro foundations of macroeconomics 3, 40–41
Mill, John Stuart 21, 22, 27
Minsky, Hyman 62, 144
Mitchell, William F. 62, 278, 279, 280, 282, 283, 286, 290, 291, 292
model-consistent expectations 41
Moggridge, D. E. 116
Mondale, Walter 120
monetarism 118, 202
monetary integration in European Union (EU) 38, 121, 235–8
monetary policies 102–4, 134–8
money
banks and 173, 174, 179–80, 183–4
assets and liabilities 192–6
gold standard 186–92
change from craft-based to mass production and 16
Chartalist theory 57, 66, 180, 244, 245
circulation of 67–71, 171, 172–6
demand for 78
different kinds of 176–8
fiat money 145–9, 165–6, 177, 179, 182–3, 233
employer of last resort (ELR) program and 308–10
functional finance and 55–60, 165–6, 168
gold standard 186–92
government and 57–8, 196–201
macroeconomics and 4–5
monetary base 102–3
Neisser’s unorthodox quantity theory 66–79
business cycles and structural unemployment 74–7, 78
credit money in structure of production 71–4
value and circuit of money 67–71
in neo-Walrasian theory 10, 14
reserves 194–6, 197
scarcity of 169
textbook approach 8
transformational growth and evolution of monetary system 184–96
value of 66, 67–71, 172–84
conventional 179–80, 182–3
fiduciary principle 179, 182
giving value to money 180–84, 233
intrinsic 178–9
Moore, B. J. 215
Mosler, Warren 58, 59, 61, 62, 148, 289, 319
multiple equilibria 9, 43, 44–5, 46–7
Musgrave, Richard 19, 21–6, 126
Muth, John 41
Myrdal, Gunnar 67
Neisser, Hans 33, 34, 66–79
Nell, Edward J. 13, 14, 15, 17, 26, 173, 176, 183, 184, 211, 213, 299, 302, 303
neo-Keynesian economics 39–40, 42
neo-Walrasian theory 9–18, 43
appeal to realism and market imperfection 13–14
implications of change from craft-based to mass production 15–18
institutions in 10–13
true role 14–15
New Classical economics 41–2, 43
Index

New Keynesian/New Classical (NK/NC) approach 4, 43
Nixon, Richard 117, 118, 119
non-accelerating inflation buffer employment ratio (NAIBER) 279, 283–7
non-accelerating inflation rate of employment (NAIRU) see natural (non-accelerating inflation) rate of unemployment (NAIRU)
North American Free Trade Agreement (NAFTA) 274
Ohlin, Bertil 67
oil crises 119
O’Neill, June 272
Organization of Petroleum Exporting Countries (OPEC) 119
Ormerod, Paul 279
output 211–13
business cycles 74–7
in neo-Walrasian theory 14
New Keynesian/New Classical (NK/NC) approach 4
textbook approach 6
overproduction 76
oversaving 75
Papadimitriou, Dimitri 62
Parguez, A. 212
Parish, R. M. 280
Pasinetti, L. 214
paying for public services 125–6
pension schemes 87
perfect competition 9
permanent income theory 11, 101
Phelps, E. S. 40, 281
Phillips Curve 89, 91, 112–13, 129–30, 131, 201–4, 284
Pierson, John H. G. 61
Pigott, Charles 291
Pigou, A. 21, 22, 125
political economy 27, 30, 319
post Keynesian economics 215, 282–3
pragmatism 320
Prescott, E. C. 42, 45
prices
marginal utility theory and 66
quantity of money and 176–7
stability of 39, 48, 61–3, 129
textbook approach 6
theory of 17
see also inflation
production 29, 211–13, 267
change from craft-based to mass production 15–18
credit money in structure of 71–4
overproduction 76
technology of 11–12
productivity
labor 75–6, 161, 217, 330
technology and 219
profit 17, 46, 118, 119, 218, 219
public choice theory 12
public finance 21–6
conventional views on 141–3, 162
see also budgets
public goods 22
public sector 251–2
public works program 62–3, 164–5, 270–71
employer of last resort (ELR) 299–313, 322–33, 335–7
quantity theory of money 66–79
business cycles and structural unemployment 74–7, 78
credit money in structure of production 71–4
value and circuit of money 67–71
rational expectations 41–2, 44–5, 215
Rawls, John 26, 127
Reagan, Ronald 120, 121, 154, 232
reproduction, theory of 17–18
reserves
banks 59, 150
money 194–6, 197
Ricardo, David 27, 30, 299
Robbins, Lionel 23
Robinson, Joan 23, 217, 218
Rochon, L.-P. 212, 215
Rodrigues, Anthony P. 291
Romer, D. 4
Roosevelt, F. D. 23
Rostenkowski, Dan 320–21
Rowthorn, R. 302
Rubin, Robert 102
Russia 121
Index

Sachs, Jeffrey 160
Salvadori, N. 17
Samuelson, Paul 22, 23, 25
saving 102, 137, 235
employer of last resort (ELR) program and 315–16
oversaving 76
undersaving 75
Sawyer, M. C. 282–3
Say’s Law 67, 75, 76, 78
scarcity 168–9
Schultze, Charles 102, 119
Schumpeter, Joseph 21, 22, 30, 43, 66, 72
seigniorage 145
Seiter, S. 219
sellers’ (supply-side) inflation 47–8, 116–21, 245
Simons, Henry 25
Slichter, Sumner H. 117, 121, 130
Smith, Adam 21, 27, 30, 57
Smithin, J. 211, 212, 214, 215, 219
social security 24, 84, 118
budget surpluses and 152, 224, 225
conventional views of government finance and 142–3
crisis of welfare state 86–8
unemployment benefits 137
socialism 29, 31
society, economy and 27, 28
Sraffa, Piero 212, 218
Stabile, Donald R. 152
stabilization
automatic stabilizers 137, 204–5, 312–13
inflation and 303–7
working of 304–7
functional finance and stabilization policy 123–8
short-run stabilization by employer of last resort 299–313, 322–33, 335–7
adjustment to demand fluctuations 300–301
automatic stabilizers covering inflation 303–7
comparison of unemployment insurance with ELR 307–8
implications for currency 308–10
labor market instability and 301–3
money wages and 310–12
stagflation 118, 120–1, 245
stagnation 84–5
Stein, Herbert 172
Stiglitz, Joseph 160
structural analysis 60
structural unemployment 74–7, 78
Summers, Lawrence 143, 152
Sweden 330–31
Sweezy, Paul 22, 27
Switzerland 239
systems theory 44, 267–70
taxation 25–6, 199, 230
capital gains 101
conventional views on 141
employer of last resort (ELR) program and 315–16
employment and 271–2
functional finance and 243–8
model of tax-free economy 248–58
new historical compromise 260–61
reform proposals 258–60
government management of economy and 36, 37, 56–7
human capital and 87
incomes policy and 48
money and 183, 233
purposes of 57, 116, 123, 149, 166–7, 243–8
sellers’ (supply-side) inflation and 121
three-branch model and 126, 127
in United States of America 117–18, 120, 133–4, 136–7, 147
technology 11–12
business cycles and 83–4
change from craft-based to mass production and 16
change in 266–7
full employment and 163–4
growth and 219–20
productivity and 219
returns to 171–2
sufficient technical progress 71, 75–6
Tennessee Valley Authority 85
Thatcher, Margaret 3, 5
Index

Thayer, Frederick C. 153
three-branch model and functional finance 125–7
equity in distribution 126–7
paying for public services 125–6
time inconsistency 43, 45–6
Tobin, James 58, 234–5
trade see international trade
transaction costs 10–11, 13
transformational growth 26
evolution of monetary system and 184–96
functional finance and 3–19
open session on 319–37
Triffin, Robert 23
Turgeon, Lynn 243, 245
Ullman, Al 120
undersaving 75
unemployment 7, 55, 274, 278
costs of 161
definitions of 323
government management of economy and 36, 37, 38, 47
hysteresis 77
inefficiency and 163
insurance 307–8
macroequilibrium rate (MRU) 283
natural (non-accelerating inflation) rate (NAIRU) 40, 59, 89, 91–106,
107–15, 129–34, 202–4, 279,
282–7
Phillips Curve 89, 91, 112–13,
129–30, 131, 201–4, 284
scarcity and 168–9
structural unemployment 74–7, 78
trade deficit and 110
welfare benefits and 137
United States of America
budgets
deficits 99–106, 121
surpluses 143, 152–6, 224–5
CETA program 319, 324, 325, 329,
330, 333
Federal Reserve Bank 8, 193–4
full employment in 269
incomes policy 118
inflation in 322
public works programs 271–2
social security in 84, 118, 224, 225
taxation in 117–18, 120, 133–4,
136–7, 147
Tennessee Valley Authority 85
trade policy 273–4
wage subsidies 272–3
utility, marginal utility theory 66
value of money 66, 67–71, 172–84
conventional 179–80, 182–3
fiduciary principle 179, 182
giving value to money 180–84, 233
intrinsic 178–9
Veblen, Thorstein 27
Verdoorn’s Law 12, 219
Vickrey, William 38, 99, 127, 244, 259,
285
Volcker, Paul 120
wages 7, 8, 118, 319
differentials in 161
employer of last resort (ELR) and stabilization and 302–3, 310–12
growth and 216
inflation and 130, 132
subsidies and employment 272–3
Wallich, Henry 23, 120
Walras, Leon 14, 16
Walters, Allen 41
Watts, Martin 292
Weizsacker, Ernst von 292
White, Harry Dexter 120
Wicksell, Knut 21, 25, 66–7, 73, 126
Williams, John 23
Woodbury, Levi 152
Wray, L. Randall 58, 62, 148, 152, 244,
289
Wulwick, Nancy 202
Yellen, Janet 143, 152