

Preface

This book has been a long time in the making. My interest in methodological questions arose already in the early stages of my studies. I was captivated by the question: why was there such a wide gap between the macroeconomic reality that unfolded before our eyes and the theories and models that were presented in our lecture halls? There must have been something wrong with the method that macroeconomists were using. To the surprise of many established economists, unemployment, contrary to the many fine theories, began to rise throughout the 1970s – all the while inflation and the current account deficit also grew. The current macroeconomic theories simply could not explain reality.

I wrote my Master's thesis on macroeconomic method in 1974 under the skilled supervision of Professor Poul Nørgaard Rasmussen and Professor Niels Thygesen at Copenhagen University, who both directed my focus on this disturbing macroeconomic problem: that mainstream economic theory could not explain the macroeconomic development of stagnation and financial instability. There seemed to be an increasingly yawning gap between theory and reality.

Concurrent with my studies, I was employed as an intern for Statistics Denmark, where I took part in creating and running simulations with the macro-econometric model ADAM, under the guidance of Professor Ellen Andersen. I later continued this empirically guided research as an assistant in the Economic Advisory Council with inspiration from Professor Anders Ølgaard and head of office Arne Mikkelsen.

Since the beginning of my university career, it has been the Keynesian macroeconomic tradition that has been at the core of my research in an attempt to build a bridge between theory and reality. I have taken up a number of current socio-economic questions including unemployment, monetary union in the EU, and sustainable development, and attempted to use these to develop the post-Keynesian theory so that it could give more relevant answers to these current issues. Time and time again I ran into the same problem: the lack of a methodological basis upon which a more realistic understanding of these issues could be achieved. Therefore, my work on the role of methodology in forming macroeconomic conclusions that could be drawn upon a scientific basis took centre stage. The research being conducted within the framework of the Critical Realist

Workshop at Cambridge University, led by Dr Tony Lawson, was of great importance for this later work. I was able to develop my contact with this group through a number of visiting fellowships at Churchill College, arranged by the Carlsberg Fund. Furthermore, since 1988 I have been a member of the Post-Keynesian Economics Study Group, with, among others, Professor Victoria Chick (University College London) as an inspiring organizer. These stints at Cambridge and London have given me invaluable inspiration for my research.

Finally, I would like to highlight my tenure at Roskilde University from 1991, first as a lecturer and then as a professor of economics. Here, I found an interdisciplinary and cordial environment that has contributed to broadening the scope of my research, both within macroeconomics and, of equal importance, within scientific theory.

The writing of this book took more than two years. Regardless of the fact that the process must have been a challenge for my family, not in the least my wife Annette, they supported me immensely. In the final phase of the project, Rosa Haslund has been very helpful in completing the Danish manuscript. I would like to offer a heartfelt thank you to my family, colleagues and the students whose contribution enabled the Danish edition of this work to be completed more or less according to plan.

The process of getting the manuscript translated into English was a rather long one. Fortunately, I had good support in the beginning from Ben Hope and later on from Diarmuid Kennan. They have made a great effort to convert my not so simple Danish into proper English. I am also grateful to Palgrave Macmillan on behalf of the Royal Economic Society for permission to quote extensively from *The General Theory of Employment, Interest and Money* and to my Danish publisher, Wilfried Roloff at Danmarks Jurist- og Økonomforbunds Forlag, who helped me with the Danish dissertation and later encouraged me to get it published internationally. Finally, I should mention that my mentor Victoria Chick has been so encouraging in her willingness to discuss a number of these theoretical and linguistic difficulties, and indispensable in her unlimited effort to complete the book. I am very grateful for this personal support which has made the completion of this English edition of my book possible.