1. Celebrating pioneers*

Hassan Bougrine and Louis-Philippe Rochon

INTRODUCTION

The names of Marc Lavoie and Mario Seccareccia have been associated with one another for well over four decades, during which time they made important contributions to post-Keynesian economics in general, but have also been associated with an array of more specific topics, including the theory of the monetary circuit, economic growth, fiscal policy, monetary policy/theory and endogenous money, growth theory, and microeconomics, among others. Individually or together, they contributed a vast arsenal of both critical and constructive papers and books: close to 300 journal and book articles, as well as a number of books, authored and edited, including the Canadian version of the American micro–macro textbook by Baumol and Blinder (see Baumol et al., 2009a; 2009b).

Throughout their long and distinguished careers, their contributions have pushed post-Keynesian and heterodox economics in many interesting and fruitful directions, and they have influenced a number of scholars as well as students around the world. Steadfast in their criticism of neoclassical – or orthodox or mainstream – economic theory, as well as their rejection of mainstream policies, in particular fiscal austerity and fine-tuning monetary policy, Lavoie and Seccareccia have shared a vision of a more real-world view of economics, where institutions mattered.

But their meeting almost did not happen, as it was more coincidental than anything else.

They first met in Ottawa, in the spring of 1979. Seccareccia had arrived at the University of Ottawa the previous fall, in 1978, on a limited-term appointment, while completing his doctoral degree in economics at McGill University, under Professor Jack Weldon, which he received in 1983. Seccareccia's thesis was on 'Prices Changes and Movements in the

* This chapter also appears in the companion volume to this book, *Credit, Money and Crisis in Post-Keynesian Economics*, edited by Louis-Philippe Rochon and Hassan Bougrine, and published by Edward Elgar.

Composition of Output and Employment in Canada', which ended up being a two-volume, 717-page dissertation.

Lavoie arrived at the University of Ottawa the following year, in the fall of 1979, after having completed a doctorate at the Université de Paris-Sorbonne, where he studied with Bernard Ducros, and was exposed to the ideas of the French monetary circuit. It was during this time that he first met Alain Parguez, who was then giving some of Ducros's lectures. Parguez would later make regular trips to Ottawa and would be associated with them in one way or another through the next four decades. In fact, Lavoie was instrumental early on in bridging the circuit and post-Keynesian schools, in a series of articles from 1982 to 1990 (see Lavoie, 1982; 1984; 1985; 1986a; 1986b; 1987; 1990).

Prior to Paris, Lavoie had done an undergraduate degree in economics at Carleton University in Ottawa, from 1972 to 1976, where he was exposed to post-Keynesian economics in a seminar taught by Thomas Rymes, who would later edit a book on lecture notes taken by some of Keynes's students (see Rymes, 1990).

Like Seccareccia, Lavoie had also been hired on a two-year position at the University of Ottawa. But in 1981, four assistant professor positions opened up at the University of Ottawa, all tenure-track, at which time they both applied and were both offered positions.

IMPORTANT THEMES

For a meeting that was the result of pure historical luck, their relationship provided a number of important contributions. And while each has a distinct line of research, many of their contributions overlap, and in fact one can say there are a number of themes that have followed them through the last 40 years.

For instance, both defend the 'big tent' approach to post-Keynesian economics, preferring to see similarities rather than differences between the various strands of heterodox or post-Keynesian economics, and where differences exist, they argue these are often the result of emphasis rather than substance. In this sense, they both resisted the narrower definition of post-Keynesian economics provided, for instance, by Paul Davidson, who regarded a big tent as an 'incoherent analytical structure' (Davidson, 2003–2004, p. 247). In this sense, Lavoie and Seccareccia always sought to emphasize the unifying traits between post-Keynesians, Sraffians, Kaleckians and other heterodox approaches. Unsurprisingly, both have condemned in-fighting among the various strands of post-Keynesian/heterodox economics.

In the field of monetary economics, Lavoie and Seccareccia were among

the first to have popularized the idea that money is created *ex nihilo*, out of nothing, or by a stroke of the banker's pen. Indeed, along with Alain Parguez (1984) and Augusto Graziani (1990), they are pioneers of the circuitist school (Parguez and Seccareccia, 2000). In fact it was largely because of their contributions that we know of circuit theory, as they have sought to bridge the European circuit approach and the Western post-Keynesian approaches to money.

Moreover, they have contributed to our understanding of endogenous money, and have been clear that money is endogenous on two levels: (i) with respect to the relationship between banks and borrowers; and (ii) when it comes to the relationship between banks and the central bank.

With respect to the first relationship, they have always emphasized money as credit/debt, as a social relation that comes into existence once credit is issued and lends itself to destruction once debt is paid off. This understanding led to the development of the theory of endogenous money, which means that money is created within the system as private, creditworthy, economic agents present their financing needs to commercial banks. Here, the act of lending is a validation of the private sector's production plans. This has marked a clear break with the dominant view, according to which money was exogenously determined and vertically introduced into the system (see Moore, 1988).

The idea of endogenous money is also extended to the central bank, and its relationship with both banks and the government: in the monetary circuit theory, the central bank is viewed not only as the bank for all banks, but also as the government's bank. The central bank is the ultimate provider of liquidity to the banking system, but it does so by responding to the banking system's needs of liquidity: hence, central-bank money is also endogenous and responds to the needs of the banking system, as pioneered early on by Alfred Eichner (1979), whose own contributions were celebrated in Lavoie, Rochon and Seccareccia (2010).

The central bank can also finance all of the government's expenditures simply by advancing funds to the government, in return for government securities (Lavoie, 1992; Bougrine and Seccareccia, 2002). This finding is important because it dispels two prevailing myths: (i) the scarcity of public funds; and (ii) the negative effects of government debt and deficits (crowding out, etc.). Such understanding liberates the government from being subject to an artificial budget constraint and, therefore, allows it actively to intervene and fill the gap of underutilized capacity of society as a whole – that is, strive to achieve full employment.

A final element in Lavoie and Seccareccia's contribution to our understanding of endogenous money is the necessity to reject the existence of a natural rate of interest. As stated in the introduction, 'one also has to reject

the existence of a natural rate of interest in a monetized economy' (Lavoie, 2020). Indeed, to consider the central bank rate as truly exogenous, we must also insist that it is not a short run policy the aim of which is to ultimately end up at its natural value. Full employment can occur at any level of the rate of interest.

Indeed, the issue of full employment in particular has been a major preoccupation in Lavoie's and Seccareccia's scholarly activity throughout their careers (Lavoie, 1986b; Seccareccia, 1991; 2004). Together or individually, they have contributed great ideas, ranging from understanding the causes of unemployment to proposals of policy actions to achieve full employment. Indeed, both Lavoie and Seccareccia strongly reject the claims that unemployment is a supply-side problem and argue instead that the growing unemployment in modern economies has essentially resulted from a deliberate policy choice to avoid stimulating demand sufficiently via fiscal measures (Lavoie, 1986b; Seccareccia, 2013). This is why more recently they have resorted to putting pressure on policymakers to immediately start implementing activist fiscal and monetary policies with the aim of securing and maintaining full employment (Seccareccia and Lavoie, 2018).

Lavoie and Seccareccia have also had specific views on the rate of interest. First, they argued persistently that the rate of interest was not a market-determined price, by nebulous forces of supply and demand for money, but rather set and administered by the central bank, at whatever rate the central bank deemed appropriate given its economic goals. This was their commitment to the horizontalist cause. But there was more. They both shied away from the use of counter-cyclical monetary policies or the use of interest rates to fine-tune economic activity, claiming it was an inefficient policy tool, called by Rochon and Setterfield (2008) the 'parking it view' and renamed by Lavoie (2014), appropriately, as the income distributive rule. Second, they viewed interest rates as an income distributive variable, affecting the distribution of income between workers and rentiers. In that sense, they provided a very useful way of measuring this relationship, which they called the Pasinetti Index (Lavoie and Seccareccia, 1999; Seccareccia and Lavoie, 2016; see also Lavoie, 1996).

OUR OWN JOURNEYS WITH MARC AND MARIO

We were both students of Lavoie and Seccareccia. Over the years, we both enjoyed countless meetings and long conversations with them on a number of topics. They have both had a deep and profound influence on our views, and on how we see the world around us.

We decided to put together these two companion volumes, *Credit*,

Money and Crisis in Post-Keynesian Economics and *Economic Growth and Macroeconomic Stabilization Policies in Post-Keynesian Economics*, for very personal reasons, but also in recognition of their outstanding work and their contribution to the greater post-Keynesian community, both as individuals and as two scholars linked together over almost four decades.

Rochon arrived at the University of Ottawa in 1982, where he first registered as a political science student, but switched to economics after taking a course with Anna Koutsoyiannis in the second year. Koutsoyiannis, who at the time taught micro and econometrics, was a ball of fire, and Rochon was convinced that an economics degree was better than a political science one. Even her microeconomics was in many ways heterodox or at least very critical. But Rochon always felt uncomfortable in economics overall, or, rather, with its neoclassical teachings. Things like ‘prices are determined by supply and demand’ always felt hollow, but Rochon never had the tools to critically analyse the conventional teachings. However, things changed dramatically when, in 1986, because of a lack of electives, Rochon ended up taking an obscure class, given by an obscure professor: *Post-Keynesian Theory: Money and Effective Demand*, taught by Marc Lavoie. As a side note, this course was the basis for Marc’s 1992 *Foundations of Post-Keynesian Economic Analysis*, as well as his 2006 book, *Introduction to Post-Keynesian Economics* (which Rochon translated into English). The course provided Rochon with the answers he was seeking, and the course just ‘made sense’. The following year, he took Seccareccia’s fourth year macro class, and it was at this time that he also met Alain Parguez. Needless to say, these two courses had a profound influence on Rochon, as was his meeting with Parguez, with whom he developed a life-long friendship. Rochon then ended up going to McGill University to work with Athanasios Asimakopoulos, a close colleague of Jack Weldon, and found his way eventually to the New School.

Bougrine arrived at the University of Ottawa in the fall of 1983 as a doctoral student. Since the list of required courses for the PhD program did not include any of the courses taught by either Lavoie or Seccareccia, Bougrine got to know them through the various economics seminars, which included Alain Parguez, Anwar Shaik and Michel Chossudovsky, among others. The discussions during these debates were insightful and illuminating. In 1988, Bougrine accepted a full-time position and moved to Sudbury, Ontario, but continued to visit the University of Ottawa on a regular basis. It was during these discussions that Seccareccia became the supervisor of Bougrine’s PhD thesis; and that also marked the beginning of a long-time professional collaboration.

The chapters included in these two books, *Credit, Money and Crisis in Post-Keynesian Economics* and *Economic Growth and Macroeconomic*

Stabilization Policies in Post-Keynesian Economics, are original contributions written by 34 distinguished economists who came to know Marc and Mario, either as students or as colleagues, and who appreciate their firm commitment to the development of a realistic theory of the economy and society as well as the institution of policies to improve the well-being of humans worldwide. Each book contains 17 chapters, including this one. We are confident that each chapter represents a serious addition to this realistic view and we hope that the reader will find it beneficial.

ACKNOWLEDGEMENTS

This chapter benefited greatly from a series of email exchanges between Rochon, Lavoie and Seccareccia, as well as being inspired by Lavoie (2013) and Seccareccia (2019).

REFERENCES

- Baumol, W., A. Blinder, M. Lavoie and M. Seccareccia (2009a), *Microeconomics: Principles and Policy*, 1st Canadian edn, Toronto: Nelson Education.
- Baumol, W., A. Blinder, M. Lavoie and M. Seccareccia (2009b), *Macroeconomics: Principles and Policy*, 1st Canadian edn, Toronto: Nelson Education.
- Bougrine, H. and M. Seccareccia (2002), 'Money, Taxes, Public Spending and the State within a Circuitist Perspective', *International Journal of Political Economy*, 32 (3), 58–79.
- Davidson, P. (2003–2004), 'Setting the Record Straight on A History of Post Keynesian Economics', *Journal of Post Keynesian Economics*, 26 (2), 245–272.
- Eichner, A.S. (1979), *A Guide to Post-Keynesian Economics*, London: Macmillan.
- Graziani, A. (1990), 'The Theory of the Monetary Circuit', *Economies et Sociétés*, 24 (6), 7–36.
- Lavoie, M. (1982), 'Les post-keynésiens et la monnaie endogène', *Actualité Économique*, 58 (1), 191–221.
- Lavoie, M. (1984), 'Un modèle post-keynésien d'économie monétaire fondé sur la théorie du circuit', *Economies et Sociétés*, 18 (2), 233–258.
- Lavoie, M. (1985), 'Credit and Money: The Dynamic Circuit, Overdraft Economies, and Post-Keynesian Economics', in M. Jarsulic (ed.), *Money and Macro Policy*, Hingham, MA: Kluwer Academic Publishers, pp.63–85.
- Lavoie, M. (1986a), 'L'endogenité de la monnaie chez Keynes', *Recherches économiques de Louvain*, 52 (1), 67–84.
- Lavoie, M. (1986b), 'Chômage keynésien et chômage classique: un prétexte aux politiques d'austérité', *Economie appliquée*, 39 (2), 203–238.
- Lavoie, M. (1987), 'Monnaie et production: une synthèse de la théorie du circuit', *Economies et Sociétés*, 9, 65–101.
- Lavoie, M. (1990), 'Le circuit dans la pensée post-keynésienne américaine', *Économie*, 6, 105–118.

- Lavoie, M. (1992), *Foundations of Post-Keynesian Economic Analysis*, Aldershot, UK and Brookfield, VT: Edward Elgar Publishing.
- Lavoie, M. (1996), 'Monetary Policy in an Economy with Endogenous Credit Money', in G. Deleplace and E. Nell (eds), *Money in Motion*, London: Macmillan, pp. 532–545.
- Lavoie, M. (2006), *Introduction to Post-Keynesian Economics*, London: Palgrave Macmillan.
- Lavoie, M. (2013), 'Teaching Post-Keynesian Economics in a Mainstream Department', in J. Jespersen and M.O. Madsen (eds), *Teaching Post Keynesian Economics*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing, pp. 12–33.
- Lavoie, M. (2014), *Post-Keynesian Economics: New Foundations*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing.
- Lavoie, M. (2020), 'Introduction', in *Post-Keynesian Monetary Theory: Selected Essays*, Cheltenham, UK and Northampton, MA: Edward Elgar Publishing.
- Lavoie, M. and M. Seccareccia (1999), 'Interest Rate: Fair', in P. O'Hara (ed.), *Encyclopedia of Political Economy*, vol. 1, London: Routledge, pp. 543–545.
- Lavoie, M., L.-P. Rochon and M. Seccareccia (2010), *Money and Macroeconomic Issues: Essays in the Eichnerian Tradition*, London: Routledge.
- Moore, B. (1988), *Horizontalists and Verticalists: The Macroeconomics of Credit Money*, Cambridge, UK: Cambridge University Press.
- Parguez, A. (1984), 'La dynamique de la monnaie', *Economies et Sociétés, Monnaie et Production*, 1 (4), 83–118.
- Parguez, A. and M. Seccareccia (2000), 'The Credit Theory of Money: The Monetary Circuit Approach', in J. Smithin (ed.), *What is Money?*, London and New York: Routledge, pp. 101–123.
- Rochon, L.-P. and M. Setterfield (2008), 'The Political Economy of Interest Rate Setting, Inflation, and Income Distribution', *International Journal of Political Economy*, 37 (2), 2–25.
- Rymes, T.K. (1990), *Keynes's Lectures 1932–1935: Notes of a Representative Student*, Ann Arbor, MI: University of Michigan Press.
- Seccareccia, M. (1991), 'An Alternative to Labour-Market Orthodoxy: The Post-Keynesian/Institutionalist Policy View', *Review of Political Economy*, 3, 43–61.
- Seccareccia, M. (2004), 'What Type of Full Employment? A Critical Evaluation of Government as the Employer of Last Resort Policy Proposal', *Investigación Económica*, 63 (247), 15–43.
- Seccareccia, M. (2013), 'Budgetary Deficits and Overhanging Public Debt: Obstacles or Instruments to Full Employment? A Kaleckian/Institutionalist Perspective', *Journal of Economic Issues*, 47 (2), 437–443.
- Seccareccia, M. (2019), 'My Contact with Marc Lavoie Since [sic] Forty Years', remarks given at the AFEP conference, Lille, July.
- Seccareccia, M. and M. Lavoie (2016), 'Income Distribution, Rentiers, and Their Role in a Capitalist Economy: A Keynes–Pasinetti Perspective', *International Journal of Political Economy*, 45 (3), 200–223.
- Seccareccia, M., M. Lavoie, et al. (2018), 'Letter Addressed to the Honourable Bill Morneau, Federal Minister of Finance of the Government of Canada', available at: <http://www.progressive-economics.ca/2018/06/04/the-bank-of-canada-should-target-full-employment-and-inflation/>.