

Professor Ramón E. López

Economic Development: Post-Keynesian Approaches

1 Course Description

The main objective of this course is to study macroeconomic development using as a basis of analysis models that encompass a relaxation of many of the conventional and highly unrealistic foundations of orthodox economics. To do this we use a post-Keynesian perspective. Methodologically, we will assume restricted rationality and satisfying agents instead of hyper rational optimizing agents used by orthodox analyses; we will use holism and group actions where power plays a key role instead of individualism and atomism where power is inexistent as assumed by orthodox economics. We will explicitly consider non-competitive economic structures with market power and potential for regulation instead of unfettered competitive markets as used by the orthodox approach. The emphasis will be on explanation of observed economic development trends instead of using precise but highly unrealistic models providing predictions as orthodox economics does. Most importantly, the focus of the course will be on distributional issues and inequality more than merely aggregative economic growth as is conventionally done. Finally, the approach will analyze the development process in a context where economic forces interact with political and institutional processes highlighting the role of the specific historical environment over time.

This framework will be applied primarily to study the long run development patterns of Latin America with particular emphasis on the experience of Chile over the last five decades.

2 Students and Methodology

This course is available for all the students enrolled in the Postgraduate Programs of the Department of Economics, FEN.

The course will be organized as a workshop which will require an active participation of the students. Students will be required to make presentations and discussions of literature that will be assigned. Also, the students will have to write a paper along the course, related with the topics addressed in their assigned lectures.

3 Evaluations and Classes Schedule

The final grade will be obtained as follows:

- Class participation: 10%
- Lecture presentations: 10%
- One mid-term exam: 20%
- A major Term paper: 30%
- Final exam: 30%

Class attendance is compulsory. Students missing more than three lectures will be required to withdraw from the course unless proper justification is presented.

4 Themes

4.1 Basic concepts

- 4.1.1 What is post-Keynesian Economics? : Eichner and Kregel (1975)
- 4.1.2 Power and capital: Nitzan (1998); Norman (2008); Bowles and Gintis (1992); Bowles and Gintis (1992); López (2018).
- 4.1.3 Oligopoly, imperfect competition and power: Robinson (1962); Lecture Notes
- 4.1.4 Realism and reasonable rationality: Arestis (1996); Arestis and Sawyer (1993)
- 4.1.5 Disequilibria and instability: Palley (1996); Lavoie (2006)
- 4.1.6 Principle of effective demand: Jespersen (2009); Arestis and Sawyer (2010).
- 4.1.7 Investment and savings: Henry (1993); Palley (1996); Pasinetti (2007).
- 4.1.8 Fundamental uncertainty: Danby (2009); Pasinetti (2007)
- 4.1.9 Historical and irreversible time: Robinson (1978); Pasinetti (2007)

4.2 Applications

- 4.2.1 Animal Spirits: Akerlof and Schiller (2009); Robinson (1962); Krugman (2012)
- 4.2.2 Inequality and Economic growth: Bhaduri (2006); Pickety (2013); López (2018).
- 4.2.3 Inequality and underdevelopment: Easterly (2006); Stiglitz (1998).
- 4.2.4 Natural Resources, inequality and Economic Development: Sachs and Warner (2001); van der Ploeg (2011); López (2010)

4.3 Latin American Development

- 4.3.1 Main Historical trends in Latin America
- 4.3.2 Poverty and income inequality in Latin America
- 4.3.3 Natural resources, inequality and environmental dependence: López (2011)

4.4 Chile

- 4.4.1 Historical patterns of Inequality: Rodriguez (2014).
- 4.4.2 Recent trends: López, Figueroa y Gutierrez (2013).
- 4.4.3 Orthodox policies and economic development in Chile: López and Figueroa (2016); López (2014)
- 4.4.4 Wage-led versus profit-led growth in Chile: Villanueva (2018).
- 4.4.4 Power, inequality and underdevelopment in Chile: Lecture Notes
- 4.4.5 Natural resources, the environment and inequality in Chile: Lecture Notes

5 References

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