PSL Quarterly Review

vol. 76 n. 305 (June 2023)

Review article

Teaching heterodox macroeconomics: Some reflections from *Macroeconomics after Kalecki and Keynes* by Eckhard Hein

ETTORE GALLO and MARIA CRISTINA BARBIERI GOES

Abstract:

This contribution examines recent developments in post-Keynesian macroeconomics teaching through an analysis of five textbooks: Blecker and Setterfield (2019), Hein (2014; 2023), and Lavoie (2014; 2022). The focus is on Hein's latest book, Macroeconomics after Kalecki and Keynes (2023), which aims to provide a comprehensive and teachable post-Keynesian macroeconomic model, by covering topics such as effective demand, policy coordination, distribution and growth, finance-dominated capitalism, and ecological constraints. The review discusses Hein's textbook in a comparative way, highlighting points of strength and aspects that should be explored further, particularly (but not related to) the field of climate change and environmental constraints to growth. Overall, it is argued that Hein's book contributes to the literature on post-Keynesian economics and provides a valuable resource for undergraduate and graduate students in the field.

Gallo: University of Bari 'Aldo Moro', Italy,
email: ettore.gallo@uniba.it
Barbieri Goes: University of Bergamo, Italy,
email: mariacristina.barbierigoes@unibg.it

How to cite this article:
Gallo E., Barbieri Goes M.C. (2023), "Teaching heterodox macroeconomics: Some reflections from *Macroeconomics after Kalecki and Keynes* by Eckhard Hein", *PSL Quarterly Review*, 76 (305): 203-207.

DOI: https://doi.org/10.13133/2037-3643/18212

JEL codes:
E11, E12, B50, Q57

Keywords:
post-Keynesian economics, Keynes, Kalecki, teaching, heterodox approaches l

Journal homepage:
http: //www.pslquarterlyreview.info

In the last nine years the literature on post-Keynesian macroeconomics teaching has flourished with the publication of a handful of textbooks (Blecker and Setterfield, 2019; Hein, 2014, 2023; Lavoie, 2014, 2022). There is, of course, a great deal of overlap between them. However, each contribution has focused on different topics, some of which are the result of the evolution of post-Keynesian economics in recent years. For instance, after the publication of Hein (2014) and Lavoie (2014), the textbook by Blecker and Setterfield (2019) is the first one to dedicate an entire section to models in which long-run growth is driven by the autonomous components of demand, in line with the revived interest of the last few years in supermultiplier models. This is in fact a symptom of what Lavoie (2022) has called "cross-fertilization". While some Kaleckian authors adopted key features of the Sraffian Supermultiplier model (like the inclusion of non-capacity creating autonomous demand components, see e.g., Allain, 2015; Lavoie, 2016) into their model, authors working in the Sraffian tradition started to incorporate the study of the traverse and attempted to endogenize income distribution in their models (see e.g., Morlin and Pariboni, 2023). This is also reflected in the amendments made by Lavoie

(2022) in comparison with the previous edition of the textbook (Lavoie, 2014). The same applies to the latest book by Eckhard Hein, which will be more thoroughly discussed hereafter. As it will be clear soon, Hein (2023) serves a different, more teaching-oriented purpose compared to his previous *Growth and Distribution after Keynes* (Hein, 2014). Notwithstanding the different motivation, the new book also reflects this cross-fertilization phase of post-Keynesian economics teaching and research, by encompassing themes in autonomous demand-driven growth, feminist economics,[1] and ecological constraints to economic growth.

1. A division of labor among post-Keynesians

In the opening lines, Hein argues that the main aim of his new book is to provide "a comprehensible and teachable post-Keynesian macroeconomic model" (Hein, 2023, p. ix), a goal that is most certainly achieved.

Among the fundamental novelties with respect to the previous textbook published by Hein (2014), this new edition presents an updated version of the Hein and Stockhammer (2010, 2011) model. The amended model is the result of the constant upgrading of the lectures given by Hein at the Berlin School of Economics and Law and is presented in chapters 4-6 of his *Macroeconomics after Kalecki and Keynes*. Other chapters – most notably chapter 9 that will be later discussed – adopt and extend other theoretical frameworks based on articles previously published by the author.

Comparatively, in his previous textbook, Hein (2014) primarily focuses on the theories of distribution and growth from a post-Keynesian perspective examining the works of prominent economists such as Kaldor, Pasinetti, Thirlwall, Robinson, Kalecki, and Steindl, while connecting them with the more recent post-Keynesian literature on growth and distribution models. In doing so, Hein (2014) extends the Kaleckian models across various dimensions and addresses criticisms from Classical, Marxian, and Harrodian perspectives. In contrast, the most recent effort by the author serves a different purpose. Hein (2023) provides a comprehensive introduction to post-Keynesian economics, covering a wider range of topics including coordination of policies, long-run distribution and growth, finance-dominated capitalism, ecological constraints (contributing to the recently growing post-Keynesian literature on the topic), and future perspectives. While the issues presented are thematically similar, the scope of this new book, as previously mentioned, is the presentation of a teachable model encompassing all these issues. Moreover, in this new contribution, Hein also includes his research on the historical foundation of the post-Keynesian school based on the contributions by Marx, Keynes, and Kalecki, which is presented in chapter 2.

In comparison with Blecker and Setterfied (2019), Hein's (2023) textbook is more teaching-oriented in scope, while also covering a wider range of topics. Blecker and Setterfield (2019) provide an extensive review of state-of-the-art heterodox macroeconomic models, dealing not only with post-Keynesian economics but also with other heterodox traditions. The focus of the authors is specifically on theories of growth and distribution, presenting core models rooted in the Classical-Marxian, Neo-Keynesian and Neo-Kaleckian tradition, and then dealing with extended models of distributional, conflict and cyclical dynamics grounded in the

[1] In particular, Hein (2023) aims at integrating in section 4.7 a gender wage gap into the baseline closed and open-economy models of chapter 4, specifically focusing on short-run level effects of closing the gender wage gap.

works of Nicholas Kaldor and Richard Goodwin. Conversely, while strictly focusing on post-Keynesian and particularly Kaleckian theories, Hein (2023) further includes more extensive discussions on effective demand, macroeconomic models with conflict inflation, coordinated macroeconomic policy, and the impact of ecological constraints. In this sense, Hein (2023) provides a detailed exploration of post-Keynesian economics and its implications for different aspects of the economy presenting a teachable model which is gradually upgraded and added in complexity, in particular with the inclusion of ecological constraints in chapter 9.

Finally, in a comparison with Lavoie (2014, 2022), it is evident that *Macroeconomics after Kalecki and Keynes* serves a different purpose. Whereas the scope of Lavoie (2014, 2022) in both editions is to provide an overview of the different research areas within post-Keynesian economics, the scope of Hein (2023) is much more on presenting to students a macroeconomic model developed by the author, further showing how it can be enriched through the inclusion of different issues and policy challenges. In this respect, ecological constraints emerge as a main novelty also vis-à-vis Lavoie (2014) – but not Lavoie (2022) where an overview of the relation between post-Keynesian and ecological economics is presented in the concluding remarks. We will focus more on this topic in the next section.

Summing up, Lavoie (2014, 2022) constitutes a sort of *encyclopedia* of post-Keynesian economics, a source of knowledge that – through the recent update – presents an extensive description of everything post-Keynesian economists have researched in the past and are researching today. But if Lavoie (2014, 2022) is the *Bible* of the post-Keynesian economist, Hein (2023) would be the *Gospel according to Matthew,* aiming at presenting in a straightforward and yet extensive way the (Kaleckian) *New Testament* to undergraduate and graduate students.

2. Facing ecological constraints

Where the new textbook by Hein clearly differs from previous contributions (including his own 2014 book) is in the analysis of the macroeconomic consequences of ecological constraints – in chapter 9. For the sake of the discussion, in the remainder of this review we focus on this chapter. Hein (2023) starts by discussing the long-lasting ties between ecological economics and post-Keynesian macro-dynamics, then he sets up the ground for a discussion of green growth, zero-growth, and degrowth strategies by starting with an amended version of the Kaya identity.[2] The author clearly states the conditions for a sustainable and stable green growth scenario, i.e., scaling up in green investment to promote technological change that allows absolute decoupling between emissions and output.

Given these premises, one would expect that the main concern of a (post-)Keynesian economist would be the theoretical and empirical investigation of the dynamic conditions under which the goal of green growth could be achieved or, conversely, could fail. However – and quite surprisingly – Hein takes a different road, discussing long-run macroeconomic stability issues and policy implications of a zero-growth scenario. To do so, the author presents a long-run Kaleckian distribution and growth model driven by the autonomous components of demand, in line with a previous co-authored contribution (Hein and Jimenez, 2022). The

[2] The Kaya identity is a widely used mathematical formula in ecological studies. It decomposes total carbon emissions to account for its main human-induced drivers, namely population, GDP per capita, energy intensity of GDP, and emission intensity of energy.

dynamic model presented is built on a closed economy one-good setting; stock-flow relations are carefully tracked in the transaction flow and balance sheet matrices. The model predicts that, given some specific conditions in the parameter space (especially regarding the value of the normal profit rate, the rate of interest, and the propensities to consume), a zero-growth scenario could be stable; in other terms, "there is no growth imperative in a monetary production economy" (Hein, 2023, p. 301).

While the model, its assumptions and implications are presented with the usual rigor that characterizes Hein's works, few critical issues are left hanging in the background. First, an analysis of the model's timescale is missing. This is, we believe, particularly critical for the study of the economics of climate change, especially given the pressing needs to abate emissions as quickly as possible to minimize global warming. The aspect is particularly relevant in the context of long-run autonomous demand-led growth models, which have been proven to be particularly slow in converging from one steady-state position to another (Allain, 2022; Gallo, 2022). In other terms, the timescale of this class of models, in their movements from one equilibrium configuration to another, is incompatible with the pressing goals set by the Paris Agreement.

Even though the condition – assumed in the model – of zero-trend growth expectations in the long run would prevail *in the current period*, the traverse to the new equilibrium configuration could be so long in historical time to be economically meaningless. If the model takes, say, 50 years to converge from a steady-state position characterized by a positive trend rate of growth of the economy to another, characterized by zero-growth, then the major source of concern should be the movement between these two positions rather than the final end point, which is also unlikely to prevail at any time in the future given that the parameter configuration might change over the traverse path. As argued by Gallo and Setterfield (2023), disequilibrium dynamics over the traverse should thus become the main source of concerns for authors dealing with autonomous demand-led models.

Second, and probably more important, while the author stresses that the model presented assumes constant conditions of production, it does not problematize the assumption in light of the long-run framework under scrutiny; as mentioned earlier, deterministic technological progress 'greening' the capital stock – and thus the capital-output ratio – would have major implications not only for macroeconomic stability of the model, but also for policy, teaching, and future research. It goes without saying that we recognize that incorporating the concepts of time and technological progress would significantly increase the complexity of the model presented. But these aspects could at least be discussed in the author's future works, possibly aimed at a different and more advanced readership.

3. Concluding remarks

In this contribution we analyzed some recent developments in the teaching of post-Keynesian macroeconomics, specifically examining five textbooks: Blecker and Setterfield (2019), Hein (2014, 2023), and Lavoie (2014, 2022). Hein (2023) stands out for its aim to provide a comprehensive and teachable post-Keynesian macroeconomic model, encompassing a wide range of topics such as effective demand, coordination of policies, distribution and growth, finance-dominated capitalism, and ecological constraints. We emphasize the unique aspect of Hein's *Macroeconomics after Kalecki and Keynes*, which is the inclusion of a whole

chapter dedicated to the macroeconomic consequences of ecological constraints. In this regard, while we recognize the rigor and implications of Hein's model, we point out the need for further analysis of the timescale and technological progress within the context of addressing climate change. In this sense, we acknowledge that the treatment of time and technological progress would substantially add complexity to the model, and might thus be appropriately left for future contributions by the author, possibly aimed at a different and more mature audience.

References

Allain O. (2015), "Tackling the instability of growth: a Kaleckian-Harrodian model with an autonomous expenditure component", *Cambridge Journal of Economics*, 39 (5), pp. 1351-1371.

Allain O. (2022), "A supermultiplier model with two non-capacity-generating semi-autonomous demand components", *Structural Change and Economic Dynamics*, 63, pp. 91-103.

Blecker R.A. and Setterfield M. (2019), *Heterodox macroeconomics: Models of demand, distribution and growth*, Cheltenham (UK) and Northampton (MA, USA): Edward Elgar Publishing.

Gallo E. (2022), "When is the long run?—Historical time and adjustment periods in demand-led growth models", *Metroeconomica*, 73 (4), pp. 1155-1178.

Gallo E. and Setterfield M. (2023), "Joan Robinson's historical time and the current state of Post-Keynesian growth theory", *Cambridge Journal of Economics*, https://doi.org/10.1093/cje/bead028.

Hein E. (2014), *Distribution and Growth after Keynes: A Post-Keynesian Guide*, Cheltenham (UK) and Northampton (MA, USA): Edward Elgar.

Hein E. (2023), *Macroeconomics after Keynes and Kalecki*, Cheltenham (UK) and Northampton (MA, USA): Edward Elgar.

Hein E. and Jimenez V. (2022), "The macroeconomic implications of zero growth: a post-Keynesian approach", *European Journal of Economics and Economic Policies: Intervention*, 19 (1), pp. 41-60.

Hein E. and Stockhammer E. (2010), "Macroeconomic policy mix, employment and inflation in a Post-Keynesian alternative to the New Consensus model", *Review of Political Economy*, 22 (3), pp. 317-354.

Hein E. and Stockhammer E. (2011), "A post-Keynesian macroeconomic model of inflation, distribution and employment", in Hein E. and Stockhammer E. (eds.), *A Modern Guide to Keynesian Macroeconomics and Economic Policies* (pp. 112-136), Cheltenham (UK) and Northampton (MA, USA): Edward Elgar Publishing.

Lavoie M. (2014), *Post-Keynesian Economics: New Foundations*, 1st edition, Cheltenham (UK) and Northampton (MA, USA): Edward Elgar.

Lavoie M. (2016), "Convergence Towards the Normal Rate of Capacity Utilization in Neo-Kaleckian Models: The Role of Non-Capacity Creating Autonomous Expenditures", *Metroeconomica*, 67(1), pp. 172-201.

Lavoie M. (2022), *Post-Keynesian Economics: New Foundations*, 2nd edition, Cheltenham (UK) and Northampton (MA, USA): Edward Elgar.

Morlin G.S. and Pariboni R. (2023), "Conflict inflation and autonomous demand: a supermultiplier model with endogenous distribution", *Quaderni del Dipartimento di Economia Politica e Statistica – Università di Siena*, n. 902, Siena: Università di Siena.