

## **Economics Summer Programme**

### **Girton College, University of Cambridge**

#### **A Global History of Contending Economic Thoughts and Economic Paradigms**

Like many other courses in economics this course consists of microeconomic and macroeconomic components. However, it takes a unique approach in that the microeconomic component is based on a selection of Nobel prize winners while one of the macroeconomic components takes a historical perspective. This combination of microeconomics and macroeconomics should make this a course of equal interest, both to those with a knowledge of economics and those with little or no background.

The following three parts of the course will each comprise 10.5 hours of lectures and 4.5 hours of seminars, making 15 hours of contact time per part:

- **Macroeconomics and its Economic, Political and Social Factors**
- **The Nobel Prize Winners**
- **Distributional Macroeconomics**

**Contact Hours:** 45 hours.

**Assessment:** Presentations, Final Papers & Participation.

#### **Macroeconomics and its Economic, Political and Social factors**

In 1980, Cambridge Economist Joan Robinson wrote an [pessimistic] essay advocating that theories and models in the economic textbooks needed a thorough spring cleaning. Notions such as 'equilibrium in the long run' were encouraged to be discarded and micro and macro were argued to be two quite different pictures that cannot be combined. Considering Robinson's remarks rather glaring relevance to contemporary macroeconomics, this course provides students with fundamental insights within macroeconomic theory by emphasising its historical development. It expands on the critique of main macroeconomic theories and on issues regarding policy prescriptions. Finally, the course also explores the current content of textbooks on macroeconomics and their shortfalls.

##### **Lecture 1 - Introduction: Keynesian Revolution**

- Overview of macroeconomics before the 1930s, Classical Dichotomies and the Great Depression.
- Keynesian Revolution; Keynes' key concepts in opposition to the classical model.

##### **Lecture 2 - The End of a Revolution**

- The 1970s economic crisis, the rise of Monetarism and New Classical Economics.
- Rational expectation and methodological individualism.

##### **Lecture 3 - Dismal Macroeconomics**

- Real Business Cycle Theory and New Consensus Macroeconomics.

#### **Lecture 4 - Mankiw's Macroeconomics**

- Key concepts currently taught within macroeconomics courses.
- Understanding the Economy = positive question versus Policy Prescription = normative question.
- Macroeconomics modeling and policy prescriptions.

#### **Lecture 5/6 - Growth Theories: Solow's heavy legacy**

- Overview of Old and New Theories of growth.
- Quantitative methodology in development analysis.

#### **Lecture 7/8 - Current critiques of macroeconomics**

- Current critiques of macroeconomics.
- Financial Crises and Macroeconomic Policy: observations of the 2007 - 2008 Financial Crisis.

#### **Lecture 9 - Macroeconomics and the Covid19 Pandemic**

- Macroeconomic approaches to the pandemic.
- Limits and critique to economics approach to the pandemic.

#### **Lecture 10/11 (Seminar) - Economic Growth and Development: an alternative view**

- Keynesian growth theory (Harrodian, Kaleckian and Kaldorian).
- Contrast supply-led, neoclassical growth with demand-led, Keynesian growth.

#### **Lecture 12/13 (Seminar) - Joan Robinson's Spring Cleaning**

- Discussion of Joan Robinson's Spring Cleaning: its relevance and limits for today's Macroeconomics.

### **The Nobel Prize Winners**

- This part of the course provides students with fundamental insights into microeconomic analysis by studying a selection of Nobel Prize winners in economics.
- Each lecture outlines one or two theoretical insights that have been developed by the Nobel Prize winners.
- The course also provides some background into the Nobel Prize winners themselves (including their life story, motivations, and their times).

#### **Lecture 1 - Introduction**

- Introduction to the Nobel Prize for economics and how to approach their economic models.

#### **Lecture 2 – Ronald Coase**

- Coase on his contribution in terms managing externalities and public goods.

#### **Lecture 3 – Becker**

- The Economic Analysis of the Law.

**Lecture 4 - George Akerlof**

- Asymmetric information (the market for lemons) and subsequent literature.

**Lecture 5 - Robert Spence**

- Signalling theory with a focus on education levels.

**Lecture 6 - Kenneth Arrow**

- Collective choice and the Impossibility Theorem.

**Lecture 7 - Douglas North**

- Institutional analysis, with a particular focus on the empirical literature that his contribution has spurred.

**Lecture 8 - Elinor Ostrom**

- Ostrom on non-state institutions.

**Lecture 9: Finn Kydland and Edward Prescott**

- Their concept of time inconsistency for policy makers.

**Lecture 10 - The Behaviouralists: Kahneman and Thaler**

- Conclusions.

## **Distributional Macroeconomics**

This course introduces students to the key theories of income distribution within the context of macroeconomics. This allows the student to derive basic distributional insights from macroeconomic accounting identities. The course explicitly introduces the bi-directional causality between changes in the macroeconomy, and income inequality. Moreover, students learn how to derive Piketty's Fundamental Law of Capitalism ( $r > g$ ) from a simple macro model.

**Topics**

- 1- Theories of Income Distribution and Stylised Facts.
- 2- Macroeconomic Accounting and Income Distribution: Closed Economy.
- 3- Macroeconomic Accounting and Income Distribution: Open Economy.
- 4- Piketty's Fundamental Law of Capitalism ( $r > g$ ) in a Macroeconomic Model.

**Learning Outcomes**

On successful completion, you will be able to:

- 1- Obtain and analyse data on income distribution.
- 2- Explain and assess various theories of income distribution.
- 3- Identify and explain the nexus between key macroeconomic aggregates and income inequality.

### **Lecture 1 - Introduction: Theories of Income Distribution**

- Overview of Neoclassical, Cambridge and Marxian theories of income distribution.
- A survey of the key debate on growth vs. distribution.

### **Lecture 2 – Stylised Facts**

- Overview of income inequality in advanced and developing countries since World War II.
- Income inequality in the Gilded Age.

### **Lecture 3 – Macroeconomic Accounting and Income Distribution: Closed Economy**

- Basic introduction to national income accounting in the case of a closed economy.
- Accounting identities are used to derive the Cambridge Equation of growth and distribution, and Kalecki's Profit Equation.

### **Lecture 4 - Macroeconomic Accounting and Income Distribution: Open Economy**

- Formally derives the key determinants of income inequality in the open economy.
- External imbalances are analysed as inter-country (inter-capitalist) distributional conflict.

### **Lecture 5 - Empirical Evidence: Europe**

- Theoretical models are taken to data.
- A systematic survey of the evidence for how lower income inequality affects economic growth in Europe.

### **Lecture 6 – Empirical Evidence: USA and Developing Economies**

- Explores whether a higher profit share or higher income inequality accelerates growth in the USA.
- Evaluates to what extent the growth-inequality tradeoff exists in developing economies.

### **Lecture 7 – Piketty's Fundamental Law of Capitalism**

- Derives Piketty's Law of Capitalism:  $r > g$ .
- Compares and contrast the Cambridge Equation with Piketty's Law of Capitalism.

### **Lecture 8 – Distributive Cycles and Crises**

- Models a simple Goodwin cycle and extensions.
- Critically evaluates empirical evidence of Goodwin Cycles.

### **Lecture 9 – Key Debates I**

- Functional vs. Personal Distribution of Income.
- Inequality within and between countries.