

A History of Modern Macroeconomics: From Keynes to Piketty

DR. THOMAS MOSER AND DR. MARCEL SAVIOZ

1. General Information

There are two requirements to successfully complete this course: (1) pass the final exam, and (2) prepare a short presentation to *discuss* one of the papers listed in the agenda.

1.1. Exam

The textbook for the course is Brian Snowdon and Howard R. Vane (2005): *Modern Macroeconomics: Its Origins, Development, and Current State*, Edward Elgar. Any additional literature is listed below. Material listed under **essential reading** is relevant for the final exam. Under **further reading** we list additional material for those interested in specific topics. This material is purely optional.

1.2. Presentation

At academic conferences, there are usually two possibilities to actively participate: either you present your own paper, or you discuss someone else's paper. To practice this important skill, we ask students to sign up as discussants for one of the papers listed under **papers for discussion** and prepare a short presentation. If more than one person signs up for a particular paper, we will randomly select the person who will give the presentation at the beginning of the lesson. However, all should submit the presentation (written document or power point slides). **The presentation must not exceed 10 minutes and should include the following elements:**

- What question is the paper trying to answer? (-> research question of the paper)
- What is the answer that the paper provides? (-> main message of the paper)
- Why is this important? (-> positioning of the paper)
- Is the paper convincing? (-> Your own assessment/criticism of the paper)

2. Reading Material

2.1. Lecture 1: Is Studying the History of Economics a Waste of Time?

Essential Reading:

- Slides

Further Reading

An easy-to-read introduction to the history of economics is Robert L. Heilbroner's *The Worldly Philosophers: The Lives, Times And Ideas Of The Great Economic Thinkers*. A classic in the field is Joseph A. Schumpeter's monumental *History of Economic Analysis*, which was published posthumously in 1954. Mark Blaug's *Economic Theory in Retrospect* (5th edition 1996) deals with theoretical issues in depth. The book we use in our course, Brian Snowdon and Howard R. Vane (2005), *Modern Macroeconomics: Its Origins, Development, and Current State*, will cover most of the course material. Snowdon and Vane also have a separate book of interviews with macroeconomists entitled *Conversations With Leading Economists: Interpreting Modern Macroeconomics* (1999), as well as a collection of key readings in modern macroeconomics, entitled *A Macroeconomics Reader* (1997). Another more recent but also more advanced history of macroeconomics is Michel De Vroey (2016), *A History of Macroeconomics from Keynes to Lucas and Beyond*, Cambridge University Press.

2.2. Lecture 2: Is there Progress in Economics?

Essential Reading:

- Slides

Further Reading

A good general introduction to the Philosophy of Science is Peter Godfrey-Smith (2021), *Theory and Reality: An Introduction to the Philosophy of Science*, 2nd edition, University of Chicago Press. A recent new attempt at demarcation, concluding that Economics is not yet a science, is Lee McIntyre (2019), *The Scientific Attitude: Defending Science from Denial, Fraud, and Pseudoscience*, Cambridge, MA: The MIT Press. For a recent discussion of the points raised by McIntyre and the increasing use of open science standards in economics, see the Symposium on Statistical Significance in the *Journal of Economic Perspectives* 2021,

Vol. 34/3, and particularly the contribution of Edward Miguel: “Evidence on Research Transparency in Economics.”

As to philosophy of economics specifically, two somewhat older, but still good overview articles are Daniel M. Hausman (1989), “Economic Methodology in a Nutshell,” *Journal of Economic Perspectives*, Vol. 3/2, pp. 115-127; and Kevin D. Hoover (1995), “Why Does Methodology Matter for Economics?” *Economic Journal*, Vol. 105/430, pp. 715-734. Among the introductory philosophy of economics books, Mark Blaug (1992), *The Methodology of Economics: Or, How Economists Explain*, 2nd Edition 1992, Cambridge University Press, remains a classic. A more recent book is Julian Reiss (2013): *Philosophy of Economics: A Contemporary Introduction*, Routledge. A specific focus on macroeconomics is provided in Kevin D. Hoover (2001): *The Methodology of Empirical Macroeconomics*, Cambridge University Press. The classic on economics and rhetoric is Deidre McCloskey (1998), *The Rhetoric of Economics*, 2nd edition, University of Wisconsin Press. A good recent normative methodology proposal is Dani Rodrik (2015): *Economics rules: Why economics works, when it fails, and how to tell the difference*, Oxford: Oxford University Press.

A book that takes a critical look at research practices is Stuart Ritchie (2020), *Science Fictions: How Fraud, Bias, Negligence, and Hype Undermine the Search for Truth*, Metropolitan Books. The story of the scientific expedition to test Einstein’s theory of relativity is told in Daniel Kennefick (2019), *No Shadow of a Doubt: The 1919 Eclipse That Confirmed Einstein's Theory of Relativity*, Princeton University Press. Two very readable books about the Vienna Circle and Logical Positivism are David Edmonds (2020), *The Murder of Professor Schlick: The Rise and Fall of the Vienna Circle*, Princeton University Press, and Karl Sigmund (2017), *Exact Thinking in Demented Times: The Vienna Circle and the Epic Quest for the Foundations of Science*, Basic Books. The story of the motivation and making of Thomas Kuhn’s theory is told in George A. Reisch (2020), *The Politics of Paradigms*, State University of New York Press.

2.3. Lecture 3: Keynes and the Keynesian Revolution

Essential Reading

- **Chapter 2 in Snowdon and Vane (2005).**
- **Slides**

Further Reading

The definitive biography of Keynes is Robert Skidelsky’s three-volume work *John Maynard Keynes: Hopes Betrayed, 1883-1920* (Vol. 1), *John Maynard Keynes: The Economist as Savior, 1920-1937* (Vol. 2), and *John Maynard Keynes: Fighting for Freedom, 1937-1946*

(Vol. 3). Those who prefer a shorter version can turn to Zachary D. Carter (2020): *The Price of Peace: Money, Democracy, and the Life of John Maynard Keynes*.

Peter Clarke (1989): *The Keynesian Revolution in the Making, 1924–1936*, tells the story of Keynes' participation in the British policy discourse and the development of his theoretical arguments in the run-up to the General Theory.

Richard Kahn, one of Keynes' close collaborators in writing the *General Theory*, tells his side of the story in Richard F. Kahn (1984): *The Making of Keynes' General Theory*, Cambridge University Press. Joan Robinson, another of Keynes's close collaborators wrote what should be considered the first Keynesian Textbook, namely Joan Robinson (1937): *Introduction to the Theory of Employment*, London: MacMillan and Co.

In the *General Theory*, Keynes' colleague at Cambridge, Arthur C. Pigou, had to stand in as a representative for the classical view criticized by Keynes. No wonder, then, that Pigou also lashed out in his review of the General Theory. See Arthur C. Pigou (1936): "Mr. J. M. Keynes' General Theory of Employment, Interest and Money," *Economica*, Vol. 3/10, pp. 115-132. Thirteen years later, at the age of 72, however, Pigou showed greatness by revising his judgment in a lecture at Cambridge before students and faculty members. Those who attended were deeply moved. As Austin Robinson has put it in his obituary for Pigou: "It was the very noble act of a man who put truth beyond vanity and another's reputation beyond his own." The lecture was published as Arthur C. Pigou (1950): *Keynes's General Theory: A Retrospective View*. A rather balanced contemporary review of the General Theory was provided by Jacob Viner (1936): "Mr. Keynes on the Causes of Unemployment," *The Quarterly Journal of Economics*, Vol. 51/1, pp. 147-167.

2.4. Lecture 4: The Neoclassical Synthesis and the Keynesians

Essential Reading

- **Chapter 3 in Snowdon and Vane (2005), without 3.5. (IS-LM open economy)**
- **Slides**

Further Reading

While the reintegration of Keynes' General Theory into a neoclassical framework started with John R. Hicks IS/LM model in Hicks (1937), it was Paul Samuelson who completed and popularized the "neoclassical synthesis" in his influential and extremely successful textbook *Economics*, the first edition of which was published in 1948. Keynesian Economics was first actively fought and accused of Communism by conservatives in the United States. This was to the detriment of Lorie Tarshis, who wrote the first Keynesian textbook for American students

(*Elements of Economics*, 1947) and against which a campaign was inaugurated. Paul Samuelson talks about this in Paul A. Samuelson (1997), “Credo of a Lucky Textbook Author,” *Journal of Economic Perspectives*, Vol. 11/2, pp. 153-160. Very influential, particularly in the U.S. was also Alvin Hansen (1953), *A Guide to Keynes*, a small book which seeks to explain Keynes's General Theory chapter by chapter. It was his version of the IS-LM Model that became the main model of Keynesianism.

A nice overview of Keynesianism and the differences to New Keynesians is provided by one of the leading Keynesians: James Tobin (1993), “Price flexibility and output stability: an old Keynesian view,” *Journal of Economic Perspectives*, Vol. 7, pp 45-65.

Roger E. Backhouse is currently working on what is likely to become the definitive biography of Paul Samuelson. So far, only the first Volume has been published: Roger E. Backhouse (2017), *Founder of Modern Economics: Paul A. Samuelson; Volume 1: Becoming Samuelson, 1915-1948*, Oxford University Press.

2.5. Lecture 5: Post-Keynesians, Minsky and Neo-Keynesians

Essential Reading

- **Slides**

Further Reading

Post-Keynesianism is covered in Chapter 8 in Snowdon and Vane (2005), written by Paul Davidson, a prominent US Post-Keynesian. Joan Robinson's (1936) *Essays in the Theory of Employment* are sometimes considered the first Post-Keynesian writings. Two relatively recent books about Joan Robinson are G. C. Harcourt and Prue Kerr (2009), *Joan Robinson*, Palgrave Macmillan, and Nahid Aslanbeigui and Guy Oakes (2009), *The Provocative Joan Robinson: The Making of a Cambridge Economist*, Duke University Press. Joan Robinson and John Eatwell (1972), *An Introduction to Modern Economics*, was Joan Robinson's attempt to write a Post-Keynesian introductory textbook to rival Paul Samuelson's influential and successful “Neoclassical” textbook *Economics*. She did not succeed, however.

The first to use the term “post-Keynesian” in order to refer to a distinct school of economic thought were Eichner and Kregel (1975), “An Essay on Post-Keynesian Theory: A New Paradigm in Economics,” *Journal of Economic Literature*, Vol. 13, pp. 1293–1314. A widely used Post-Keynesian Textbook was Victoria Chick (1983), *Macroeconomics After Keynes*, Cambridge, Massachusetts: MIT Press. A book on methodology by a Post-Keynesian economist is Sheila C. Dow (1996), *The Methodology of Macroeconomic Thought: A Conceptual Analysis of Schools of Thought in Economics*, Edward Elgar. A history of Post-Keynesian Economics is provided by John E. King (2002), *A History of Post Keynesian*

Economics Since 1936, Edward Elgar. There are two journals dedicated to Post-Keynesian economics, namely the *Cambridge Journal of Economics* and *Journal of Post Keynesian Economics*.

Hyman P. Minsky is considered a Post-Keynesian, but his main focus was on financial markets, financial innovation, and financial instability. While largely ignored during his lifetime, his financial instability-hypothesis became widely discussed during the financial crisis of 2008, when also the term “Minsky Moment” was coined. Minsky gave his interpretation of Keynes in Hyman P. Minsky (1975), *John Maynard Keynes*, McGraw-Hill, and his financial instability-hypothesis is summarized in a readable form in Hyman P. Minsky (1982), *Can “It” Happen Again ?*, with “It” meaning the great depression. His financial theory led him to oppose the financial market deregulations of the 1980s and 1990s. Very much influenced by Minsky’s theory is Charles Kindleberger (1978), *Manias, Panics, and Crashes: A History of Financial Crises*, Macmillan.

The term “Neo-Keynesians” is not well established and the respective contributions are sometimes subsumed under the term “Disequilibrium Theory” or “Non-Walrasian Theory.” The relevant chapter in Snowdon and Vane (2005) is Chapter 2.12.3 (The modified general equilibrium approach). Michel De Vroey (2016) has two more substantive chapters on the subject (Chapter 6: “Leijonhufvud and Clower” and Chapter 7: “Non-Walrasian Equilibrium Modelling”). A history of the relevant contributions and their influence on modern macroeconomics is provided by Roger E. Backhouse and Mauro Boianovsky (2013), *Transforming Modern Macroeconomics: Exploring Disequilibrium Microfoundations, 1956-2003*, Cambridge UP. A sort of pre-history of Non-Walrasian Modelling, ranging from Adam Smith to Alfred Marshall, is provided by Takashi Negishi (1985), *Economic Theories in a Non-Walrasian Tradition*, Cambridge UP.

2.6. Lecture 6: The Early Competitor of Keynesianism: Austrian Economics

Essential Reading

- Slides

Further Reading

The Austrian school is covered in Chapter 9 in Snowdon and Vane (2005), written by Roger W. Garrison. A survey of Austrian economics is also provided by Ludwig M. Lachmann (1976), “From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society,” *Journal of Economic Literature*, Vol. 14/1, pp. 54-62. Two essays on a comparison between Austrian and Neoclassical Economics are Sherwin Rosen (1997), “Austrian and Neoclassical

Economics: Any Gains From Trade?” *Journal of Economic Perspectives*, Vol. 11/4, pp. 139-152, and Leland R. Yeager (1997), “Austrian Economics, Neoclassicism, and the Market Test,” *Journal of Economic Perspectives*, Vol. 11/4, pp. 153-165.

Janek Wasserman (2019), *The Marginal Revolutionaries: How Austrian Economists Fought the War of Ideas*, Yale UP, gives an account of the history of the Austrian School from the early days to the present, albeit more focused on the persons involved than on theory. A history of Austrian Economics in the United States is provided by Karen Vaughn (1994), *Austrian Economics in America: The Migration of a Tradition*, Cambridge UP. On Hayek specifically see Alan Ebenstein (2001), *Friedrich Hayek: A Biography*, Palgrave, and y Bruce Caldwell and Hansjörg Klausinger (2022), *Hayek: A Life, 1899–1950*, which is the first volume of a new Hayek biography. For a popular account of Keynes versus Hayek see Nicholas Wapshott (2012), *Keynes Hayek: The Clash that Defined Modern Economics*, Norton & Company.

Nowadays, Austrian economics is largely disseminated through material provided on the internet, mainly through the work of Think Tanks such as the *Ludwig von Mises Institute*, the *Liberty Fund*, the *Cato Institute*, and the *Mercatus Center* at George Mason University. There are also Journals dedicated to Austrian Economics, namely the *Review of Austrian Economics* and the *Quarterly Journal of Austrian Economics*. Austrian economics is especially popular with Bitcoiners.

2.7. Lecture 7: The Monetarist Counterrevolution

Essential Reading

- **Chapter 4 in Snowdon and Vane (2005), without 4.4.**
- **Slides**

Further Reading

The most comprehensive study of Milton Friedman’s contribution to monetarism is Edward Nelson (2020), *Milton Friedman and Economic Debate in the United States, 1932-1972*, University of Chicago Press, Volume I and II. The most recent biography is y Jennifer Burns’ (2023) *Milton Friedman: The Last Conservative*. A recent history written for a general audience on Friedman's influential free market views is Nicholas Wapshott (2021), *Samuelson Friedman: The Battle Over the Free Market*, Norton & Company. For the contribution of the Swiss economists Karl Brunner’s to monetarism see Thomas Moser and Marcel Savioz (2022), *Karl Brunner and Monetarism*, MIT Press.

Milton Friedman's 1967 Presidential address, published in 1968 and listed under papers for discussion is considered to be one of the most important papers ever published in macroeconomics. In 2018 the *Journal of Economic Perspectives* (Vol. 32/1) devoted a symposium to the paper on its 50th anniversary. The symposium has papers by Gregory Mankiw and Ricardo Reis (2018), "Friedman's Presidential Address in the Evolution of Macroeconomic Thought," *Journal of Economic Perspectives*, Vol. 32 (1), pp. 81-96 and Robert E. Hall and Thomas J. Sargent (2018), "Short-Run and Long-Run Effects of Milton Friedman's Presidential Address," *Journal of Economic Perspectives*, Vol. 32 (1), pp. 121-134. Interesting as an historical document is also Robert J. Gordon (1975), *Milton Friedman's Monetary Framework: A Debate with His Critics*, University of Chicago Press, which contains Milton Friedman's attempt to present a formal model of his theory, together with critical reviews from Karl Brunner and Allan H. Meltzer, James Tobin, Paul Davidson, and Don Patinkin among others.

Three good assessments of monetarism are Harry G. Johnson (1971), "The Keynesian Revolution and the Monetarist Counter-Revolution," *American Economic Review*, Vol. 61 (2), pp. 1-14; David Laidler (1981), "Monetarism: an interpretation and an assessment," *Economic Journal*, Vol. 91, pp. 1-28; and with a little more distance J. Bradford De Long (2000), "The Triumph of Monetarism?" *Journal of Economic Perspectives*, Vol. 14 (1), pp. 83-94.

Milton Friedman and his wife Rose Friedman have written an autobiography entitled *Two Lucky People: Memoirs* (1998). In it, Friedman also gives his account of the Pinochet affair, which in his view was completely blown out of proportion. On Friedman's claim that the quantity theory of money remained a staple of the Chicago University during Keynesianism see George Tavlas (1999), "Retrospectives: Was the Monetarist Tradition Invented?" *Journal of Economic Perspectives*, Vol. 12/4, pp. 211-222.

2.8. Lecture 8: The Rational Expectations Revolution and New Classical Macroeconomics

Essential Reading

- **Chapter 5 in Snowdon and Vane (2005).**
- **Slides**

Further Reading

An entertaining explanation of rational expectations is provided by Rodney Maddock and Michael Carter (1982), "A child's guide to rational expectations," *Journal of Economic*

Literature, Vol 20, pp. 39-51. The first to come up with the idea of rational expectations, even though nobody noticed for some time, was John Muth (1961), “Rational Expectations and the Theory of Price Movements,” *Econometrica*, Vol. 29, pp. 315-335. Deirdre McCloskey devotes an entire chapter to John Muth’s article in her book *The Rhetoric of Economics*, and she comes to the conclusion that the paper took a long time to be recognized as important because it was badly written (see Deirdre McCloskey, “The Rhetoric of Scientism: How John Muth Persuades,” chapter 4 in McCloskey (1998) “*The Rhetoric of Economics*”).

The first influential textbook incorporating New Classical Macroeconomics was Thomas J. Sargent (1979), *Macroeconomic Theory*. However, the chief architect of New Classical Macroeconomics is Robert E. Lucas. His influential Lucas Critique was published as Robert Lucas (1976), “Econometric Policy Evaluation: A Critique,” *Carnegie-Rochester Conference Series on Public Policy* 1, pp. 19–46. Lucas devoted his Nobel Prize Lecture (1995) to the topic of “Monetary Neutrality” (see <https://www.nobelprize.org/uploads/2018/06/lucas-lecture.pdf>). A readable overview of Lucas’ contribution is provided by Varadarajan Chari (1998), “Nobel Laureate Robert E. Lucas, Jr.: Architect of Modern Macroeconomics,” *Journal of Economic Perspectives*, Vol. 12/1, pp. 171–186.

Critical accounts of new classical macroeconomics have been provided by Kevin Hoover (ed.) (1988), “*The New Classical Macroeconomics: A Sceptical Inquiry*,” and Willem Buiter (1980), “The Macroeconomics of DR Pangloss A Critical Survey of the New Classical Macroeconomics,” *Economic Journal*, Vol. 90/357, pp. 34-50.

2.9. Lecture 9: Real Business Cycle Macroeconomics and DSGE

Essential Reading

- **Chapter 6 in Snowdon and Vane (2005).**
- **Slides**

Further Reading

A good overview article is Charles Plosser (1989), “Understanding real business cycles,” *Journal of Economic Perspectives*, Vol. 3/3, pp. 51-77. A history of real business cycle modelling is provided by Warren Young (2016), *Real Business Cycle Models in Economics*, Routledge. More than 30 papers on different aspects of real business cycle macroeconomics, criticism included, are collected in James Hartley, Kevin Hoover, and Kevin D. Salyer (eds) (1998), *Real Business Cycles: A Reader*, Routledge.

2.10. Lecture 10: New Keynesian Macroeconomics

Essential Reading

- **Chapter 7 in Snowdon and Vane (2005).**
- **Slides**

Further Reading

Gregory Mankiw and David Romer (1991), *New Keynesian Economics*, MIT Press, gathered several early articles reacting to Lucas's criticism of orthodox Keynesian macroeconomics in two volumes with the aim to rehabilitate the basic Keynesian ideas, which would soon become a new research program. Similarly important among the early New Keynesian statements was Laurence Ball and Gregory Mankiw (1994), "A Sticky-Price Manifesto," *NBER Working Paper 4677*.

A comparison between orthodox and new Keynesianism is provided by Bruce Greenwald and Joseph Stiglitz (1993), "New and Old Keynesians," *Journal of Economic Perspectives*, Vol. 7/1, pp. 23-44. The standard New Keynesian model is explained in Jordi Gali (2008), *Monetary Policy, Inflation, and the Business Cycles - An Introduction to the New Keynesian Framework*, Princeton UP.

Specifically on real wage rigidities see Oliver Blanchard and Jordi Gali (2007), "Real Wage Rigidities and the New Keynesian Model," *Journal of Money, Credit and Banking*, Vol. 39, Suppl.1, pp. 35-65

An important book on New Keynesian monetary economics is Michael Woodford (2003), *Interest and Prices: Foundations of a Theory of Monetary Policy*, Princeton UP.

2.11. Lecture 11: The Financial Crisis 2008/09 and the Crisis in Macroeconomics

Essential Reading

- **Slides**

Further Reading

On the eve of the Financial Crisis self-confidence and self-praise of macroeconomists and policy makers was high. Robert Lucas in his 2003 Presidential Address to the American Economic Association declared economists had solved the problem of depression prevention

and macroeconomic stabilization (Robert Lucas, JR. (2003), “Macroeconomic Priorities,” *American Economic Review*, Vol. 93/3, pp. 1-14). James H. Stock and Mark W. Watson coined the term “Great Moderation,” describing their finding that business cycles have become more and more moderate since the mid-1980s, due to a mix of changes in the structure of the economy, improved (monetary) policy, and good luck (James H. Stock and Mark W. Watson (2002), “Has the Business Cycle Changed and Why?” *NBER Macroeconomics Annual 2002*, Volume 17). Ben Bernanke popularized the term in a speech entitled “The Great Moderation,” which he gave in early 2004 as a Governor of the Federal Reserve Board and in which he stressed the improvement of monetary policy (<https://www.federalreserve.gov/boarddocs/speeches/2004/20040220>).

The *Journal of Economic Perspectives* devoted several Symposia to the Financial Crisis. Two of these Symposia contained articles trying to explain what exactly happened, namely a Symposium on *Early Stages of the Credit Crunch* in 2009 (Vol. 23/1) and on *Financial Plumbing* in 2010 (Vol. 24/1). Two of the Symposia looked at policy issues, namely the Symposium on *Financial Regulation After the Crisis* in 2011 (Vol. 25/1) and the Symposium on *The Bailouts of 2007-2009* in 2015 (Vol. 29/2). Two Symposia dealt with the impact on macroeconomic theory. The first, entitled *Macroeconomics After the Financial Crisis* in 2010 (Vol. 24/4) contained five articles, namely Robert E. Hall: “Why Does the Economy Fall to Pieces after a Financial Crisis?” pp. 3-20, Michael Woodford: “Financial Intermediation and Macroeconomic Analysis,” pp. 21-44, Lee E. Ohanian: “The Economic Crisis from a Neoclassical Perspective,” pp. 45-66, Andreas Fuster et al.: “Natural Expectations and Macroeconomic Fluctuations,” pp. 67-88, and Ricardo J. Caballero: “Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome,” pp. 85-102. The second one in 2018 (Vol. 32/3) was entitled *Macroeconomics After the Great Recession* and contained seven articles, namely Mark Gertler and Simon Gilchrist: “What Happened: Financial Factors in the Great Recession,” pp. 3-30; Atif Mian and Amir Sufi: “Finance and Business Cycles: The Credit-Driven Household Demand Channel,” pp. 31-58; Emi Nakamura and Jón Steinsson: “Identification in Macroeconomics,” pp. 59-86; Jordi Galí: “The State of New Keynesian Economics: A Partial Assessment,” pp. 87-112; Lawrence J. Christiano et al.: “On DSGE Models,” pp. 113-140; Patrick J. Kehoe et al.: “Evolution of Modern Business Cycle Models: Accounting for the Great Recession,” pp. 141-166; and Greg Kaplan and Giovanni L. Violante: “Microeconomic Heterogeneity and Macroeconomic Shocks,” pp. 167-194.

Two good special topics books on the Financial Crisis are Gary B. Gorton (2010), *Slapped by the Invisible Hand: The Panic of 2007*, Oxford UP, and Laurence M. Ball (2018), *The Fed and Lehman Brothers: Setting the Record Straight on a Financial Disaster*, Cambridge UP. There are many good popular books, like Alan Blinder (2013), *After the Music Stopped: The Financial Crisis, the Response, and the Work Ahead*, and Michael Lewis (2011), *The Big Short*. The latter was turned into a comedy-drama movie under the same title, which appeared in 2015 and paints a poor picture of the financial industry. An article in the current issue of the *Journal of Economic Literature* (Vol. 59/4) by John M. Griffin (2021) entitled “Ten Years

of Evidence: Was Fraud a Force in the Financial Crisis?” argues that conflicts of interest, misreporting, and fraud were indeed focal features of the financial crisis. The documentary *Inside Job* of 2010, on the other hand, casts some prominent economists in a bad light.

There are also several accounts by the policy makers who were involved, specifically two accounts by Ben Bernanke (2015), *The Federal Reserve and the Financial Crisis* and (2017), *Courage to Act: A Memoir of a Crisis and Its Aftermath*, as well as Ben Bernanke, Timothy Geithner and Henry M. Paulson (2019), *Firefighting: The Financial Crisis and Its Lessons*.

2.12. Lecture 12: Public Choice and New Political Economics

Essential Reading

- **Chapter 10.1 – 10.13 in Snowdon and Vane (2005).**
- **Slides**

Further Reading

On public choice, James Buchanan (2003), *Public Choice: The Origins and Development of a Research Program*, Center for Study of Public Choice, George Mason University, Fairfax, Virginia, available at www.gmu.edu gives a good overview. Charles B. Blankart and Gerrit B. Koester (2006), “Political Economics versus Public Choice: Two views of political economy in competition,” *KYKLOS*, Vol. 59/2, points out the differences between Public Choice and New Political Economics. A collection of articles in German is Werner W. Pommerehne and Bruno S. Frey (1979), *Ökonomische Theorie der Politik*, Springer. The leading textbook on Public Choice is Dennis C. Mueller (2003), *Public Choice III*, Cambridge UP.

The classic on Political Business Cycles is Alberto Alesina, Nouriel Roubini, and Gerald D. Cohen (1997), *Political Cycles and the Macroeconomy*, MIT Press. Good textbooks on New Political Economics are Torsten Persson and Guido Tabellini (2002), *Political Economics: Explaining Economic Policy*, MIT Press, and Allan Drazen (2000), *Political Economy in Macroeconomics*, Princeton UP.

2.13. Lecture 13: Putting Distribution Back at the Center of Economics: Piketty

Essential Reading

- **Slides**

Further Reading

The *Journal of Economic Perspectives* had a Symposium on “Wealth and Inequality” in 2015 (Volume 29/1) with several articles discussing Piketty’s *Capital in the Twenty-First Century*, the most critical being Daron Acemoglu and James A. Robinson “The Rise and Decline of General Laws of Capitalism.” The other contributions are Charles I. Jones “Pareto and Piketty: The Macroeconomics of Top Income and Wealth Inequality,” Wojciech Kopczuk “What Do We Know about the Evolution of Top Wealth Shares in the United States?” and Piketty himself with “Putting Distribution Back at the Center of Economics: Reflections on Capital in the Twenty-First Century.”

There was also a Symposium on Piketty’s book at the 2015 Annual Meeting of the American Economic Association, entitled *A Discussion of Thomas Piketty’s Capital In The Twenty-First Century*. The four papers published in the *American Economic Review*, Vol. 105/5, 2015. They include David N. Weil “Capital and Wealth in the Twenty-First Century,” Alan J. Auerbach and Kevin Hassett “Capital Taxation in the Twenty-First Century,” Gregory Mankiw “Yes, $r > g$. So What?” and Thomas Piketty’s response “About Capital in the Twenty-First Century.”

An early review of the book was Branko Milanovic (2014), “The Return of “Patrimonial Capitalism”: A Review of Thomas Piketty's "Capital in the Twenty-First Century," *Journal of Economic Literature*, Vol. 52/2, pp. 519-534. A selection of articles by several authors, including economists Robert Solow and Paul Krugman, can be found in Boushey et al. eds. (2017). *After Piketty: The Agenda For Economics And Inequality*, Harvard University Press.

In 2020, Piketty followed up with another tome entitled *Capital and Ideology*, which, however, was not able to match the success of *Capital in the Twenty-First Century*. In 2022 he followed up with *A Brief History of Equality*, which is something like a short version of *Capital in the Twenty-First Century*.