The Global Economic Crisis New Perspectives on the Critique of Economic Theory and Policy

Edited by

Emiliano Brancaccio University of Sannio, Italy

Giuseppe Fontana University of Leeds, UK and University of Sannio, Italy

Contents

List of Figures List of Tables Notes on Contributors

Preface by Malcolm Sawyer

The Global Economic Crisis: An Introduction *Emiliano Brancaccio and Giuseppe Fontana*

PART I: ECONOMIC THEORY

- 1. On the Supposed Completeness of the Mainstream Theories of Crisis *Emiliano Brancaccio*
- 2. Economy and Economics: The Twin Crises *Alessandro Vercelli*
- 3. The Great Recession and the Third Crisis in Economic Theory *Riccardo Bellofiore and Joseph Halevi*
- 4. As If Nothing Were Going to Happen: A Search in Vain for Warnings about the Current Crisis in Economic Journals with the Highest Impact Factors *Andrea Imperia and Vincenzo Maffeo*

PART II: LABOUR, DISTRIBUTION AND PROFIT TRENDS

- 5. Changes in Income Distribution, Financial Disorder and Crisis *Aldo Barba and Massimo Pivetti*
- 6. Income Distribution and Borrowing: Tracking the U.S. Economy with a "New Cambridge" Model *Gennaro Zezza*
- 7. Changes in Functional Income Distribution in Italy and Europe *Antonella Stirati*
- 8. Low Wages, Consumer Credit and the Crisis: A Monetary Theory of Production Approach

 Guglielmo Forges Davanzati and Riccardo Realfonzo
- 9. Back to the Future? The Tendency of the (Maximum) Rate of Profit to Fall: Empirical Evidence and Theory

Stefano Perri

PART III: INTERNATIONAL ECONOMIC RELATIONS

10. The International Circuit of Key Currencies and the Global Crisis: Is There Scope for Reform?

Lilia Costabile

- 11. Globalisation and the Great Crisis *Ernesto Screpanti*
- 12. The Global Crisis in Low- and Middle-Income Countries: How the IMF Responded *Andrea F. Presbitero and Alberto Zazzaro*
- 13. Notes on Europe, German Mercantilism and the Current Crisis *Sergio Cesaratto*

PART IV: ECONOMIC POLICY

- 14. Privatization, Reproduction and Crisis: The Case of Utilities *Bruno Bosco*
- 15. Property Rights in the Knowledge Economy: An Explanation of the Crisis *Ugo Pagano e Maria Alessandra Rossi*
- 16. Employment and Income Distribution from a Classical-Keynesian Point of View: Some Tools to Ground a Normative Analysis Enrico Bellino

List of Figures

- 2.1 The spiral of the interaction: 1900-2010
- 5.1 Household saving rate and after tax income distribution
- 5.2 Household debt and public debt
- 6.1 Private sector saving and investment
- 6.2 Households and business debt outstanding
- 6.3 US net foreign assets and external balance
- 6.4 Difference between growth in asset prices and growth in GDP
- 6.5 Real growth in M1 & M2, and real interest rate
- 6.6 Income limits for each fifth and top 5% of households
- 6.7 Average weekly earnings in 1982 dollars: Manufacturing
- 6.8 Female share of nonfarm employment
- 6.9 Average weekly hours of production workers: Manufacturing
- 6.10 US unemployment rate
- 7.1 Adjusted wage shares, manufacturing and business sector services, Italy
- 7.2 Contribution of real compensation over productivity and cost of living over price deflator to changes in wage share manufacturing, Italy (5-years moving averages)
- 7.3 Contribution of real compensation over productivity and cost of living over price deflator to changes in wage share private services, Italy (5-years moving averages)
- 7.4 Consumer price index and business sector service deflator over manufacturing price deflator, Italy
- 7.5 Gross margins over labour costs per unit of product
- 7.6a Metal-working industry compensation and value added per employee in terms of product price 1980=100
- 7.6b Metal-working industry real compensation in terms of cost of living index and value added per employee at constant prices 1980=100
- 7.7 Real compensation per employee manufacturing, Italy
- 7.8 Adjusted wage share, total economy
- 7.9 Adjusted wage share, manufacturing
- 7.10 National consumer price index over manufacturing deflator
- 7.11 Proportion of margins in business sector services and manufacturing
- 7.12 Proportion of margins in business sector services excluding real estate and manufacturing
- 7.13 Adjusted wage share, business sector services
- 8.1 The monetary circuit
- 9.1 Output per unit of capital
- 9.2 Labour productivity
- 9.3 Wage share
- 9.4 Gross profit rate
- 9.5 The standard system and the falling of the maximum rate of profit
- 9.6 The real system and the substitution of machinery for labour
- 9.7 The real system and the Okishio theorem
- 9.8 The path to steady state

- 9.9 The tendency of the rate of profit to fall
- 9.10 The tendency of the rate of profit to fall as a process
- 9.11 USA: Corporate non financial sector
- 12.1 The global crisis
- 12.2a The Financial crisis and the IMF lending arrangements in 2008-2009: PRGF-eligible Countries
- 12.2b The Financial crisis and the IMF lending arrangements in 2008-2009: Other middle-income countries
- 12.3 IMF lending and country characteristics
- 12.4a IMF lending and country economic characteristics: Reserves (in months of imports) in 2007
- 12.4b IMF lending and country economic characteristics: Current account balance (%GDP) in 2007
- 12.4c IMF lending and country economic characteristics: Log of GDP (in current USD) in 2007
- 12.5d IMF lending and country economic characteristics: Per capita GDP (in current USD) in 2007
- 12.5a IMF lending and political and economic proximity with G-7 countries: Official aid from G-7 (%GDP) in 2007
- 12.5b IMF lending and political and economic proximity with G-7 countries: Voting similarity with the USA
- 12.5c IMF lending and political and economic proximity with G-7 countries: Debt to private creditors (%GDP) in 2007
- 12.5d IMF lending and political and economic proximity with G-7 countries: Trade with G-7 countries (%GDP) in 2006
- 14.1 Three indexes of European privatized firms and the Dow Jones Index for Europe
- 14.2 Quota and Composite Index
- 14.3 Scatter plots with Kernel fits of the 3 Indexes and Quota
- 14.4 Returns RDCOMP = dlog(COMPOSITEINDEX) and RDJ = dlog(DJ)
- 14.5 Differential Return Rdelta
- 16.1 The contract curve (CC') and the utility frontier (UF)
- 16.2 Univocal determination of factor prices

List of Tables

- 6.1 Social matrix for the Levy model
- 7.1 Growth rate of real compensation manufacturing, Italy (1962-2006)
- 7.2 Growth rate of real compensation manufacturing, Germany, France, Spain
- 10.1 Federal Reserve balance sheet
- 11.1 Growth rates of real GDP
- 12.1 IMF lending arrangements started in 2008-2009 (thousands of USD)
- 12.2 Variables: description, sources and sample means by participation in IMF programs
- 12.3 Sample of low- and middle-income countries
- 14.1 Test for equality of means and variances between DJ and Composite Index 1995M02 2005M02
- 14.2 Group unit root test for DJ and Composite Index 1995M02 2005M02
- 14.3 Test for equality of means between RDCOMP and RDJ 1995M03 2005M02
- 14.4 Test for equality of variances between RDCOMP and RDJ
- 14.5 Cointegration rank test between RDCOMP and RDJ with lags interval (in first differences): 1 to 4
- 14.6 Unit root test of RRDELTA
- 14.7 LS estimation of RDCOMP 1995M03 2005M02 white heteroskedasticity consistent standard errors and covariance