

## **A Post Keynesian/Institutionalist Synthesis?**

**W. Robert Brazelton, Ph.D**

Professor Emeritus, Economics  
University of Missouri-Kansas City  
Senior Fellow  
The Brookside Institute

### Abstract

This paper deals with major selected components of both Post Keynesian Economics a la Hyman Minsky, Paul Davidson, Alfred Eichner, Sydney Weintraub, Randall Wray and others as they contrast with the “Old” Institutionalists (Evolutionists) such as Thorstein Veblen, Clarence Ayres, Gardiner Means, John R. Commons, Wesley Clair Mitchell and others. The attempt will be to bring about a more comprehensive “synthesis” between the Post Keynesian/Institutionalist Schools (PK/I) based upon my previous works and the works of others. This does not mean that there should or could be one “synthesis” of economic theory and related economic policies, but that several viewpoints may be useful in obtaining a more general, less exclusively pre-determined framework of economic analysis and policy. The paper will also deal with selected sociological analysis to question the generally accepted orthodox economic analysis of rationality – a concept about which the PK/I analysis generally questions as an analytical concept.

#### I. Introduction : Institutionalists to Post-Keynesian

In previous works (Brazelton, 1980-81, 1981, 2005) concerning this subject matter, I have dealt with the Post Keynesian and Institutionalists (PK/I) in terms of common or compatible analysis. Herein, I will deal first with selected major aspects of Institutionalist (Evolutionist) analysis and then indicate what the Keynesian analysis and the Post Keynesian analysis can each utilize in their variant forms of economic analysis. The reason for this handling is that Institutionalist Thought came first in such persons as

Thorstein Veblen (1901, 1904, 1961), Clarence Ayres (1944, 1952), John R. Commons (1935), Wesley Clair Mitchell (1936, 1941) and Berle and Means (1932) and others prior to Lord Keynes (1937). Afterwards came the Keynesians – especially after the publication of Keynes' *The General Theory of Employment, Interest and Money* (1937) and related works by Sir John R. Hicks (1937), Abba Lerner (*Functional Finance*, 1943), Alvin H. Hansen (1953) and many others. Next-- after an interlude of Monetarism-- the Post-Keynesians, via such writers as Hyman Minsky (1982), Paul Davidson (1977, 1982, 2008), Randall Wray (1990, 1992, 1998), Stephanie Bell-Kelton (2003), Phillip Arestis (1992), Alfred Eichner (1979), Geoffrey Harcourt (1982, 1988), Victoria Chick (1983), Sydney Weintraub (1963), et alias, will be discussed.

Such topics of the Institutionalists persuasion that will be utilized herein for the above purpose will be the role of institutions and technology, including the Veblenian Dichotomy; the role of history and historical change; the role of human development and the molecular construct of economic analysis/policy in contrast to the neo-classical, orthodox economic analytical construct which normally dealt with only an atom of that molecular, socio-economic construct called economics; and an analysis of consumption and money from a Veblenian perspective. These will be fitted into the Keynesian and Post Keynesian analysis as to their relevance and compatibility in order to address major analytical issues; and to indicate a historical development from Institutionalists to Post-Keynesians as the Institutionalists came first in terms of the actual period in the history of economic thought relative to this paper.

## II. The Institutionalists: Selected Parts

The Institutionalists discussed herein will be the “Old” Institutionalists, not the so-called “New” Institutionalists. That is done not to disparage the “New”, such as for example the Nobel Laureate Douglas North (1993). Both the “old” and “new” recognize the importance of real as compared to theoretical time (history, if you prefer), but the latter tend to believe more in utility functions and choices than do the former. Thus, partly to avoid these theoretic issues, we will herein deal primarily with the “old” as discussed in the Introduction above. This choice will allow us to discuss the major

Institutionalist contributions to the Keynesian, Post Keynesian analyses to follow; but does not mean that such theoretic issues are not interesting ones. Perhaps the most succinct difference between the two can be indicated by the following: “Marshall’s abstract theory ignored too much, the old institutionalists charge. While the Marshallians naively and gleefully slid along their curves, institutions were evolving and economic theory was growing obsolete. The *new* institutionalists are startlingly different from the old school. Like the old Institutionalists they look at society’s institutions-- but they use the very tools of Marshall that the old Institutionalists assailed.” (Buchholz, 1989, p. 169).

Very importantly, for our purposes herein, the Institutionalists believe that the economic system is not (as the neo-classicalists often presume) an “atomistic” system. Such a system would emphasize that “economics” as a “science” is capable of standing alone as an entity of analysis of and by itself. The Institutionalists tend to stress that the study of economics is a part of the study of the social system in which we, as participants with varying needs, exist and respond. It is, thus, a “pluralistic” or “molecular” system in which such relative fields as history (Chase, 1975), sociology, psychology, social psychology have their influence and cause certain reactions – expected or unexpected (Brazelton, 2005). For example, if a central bank desired to discourage the collapse of its nation’s currency, it might logically raise interest rates to discourage outflows of its currency; and/or encourage inflows of foreign currencies. Theoretically, such a policy is appropriate for the problem. But, if that central bank raised interest rates too much or too fast, it might send a message to the market participants that the central bank was “panicky”; and, if so, instead of discouraging outflows and encouraging inflows of currency, the market participants might begin to sell that nation’s currency to worsen the currency depreciation instead of improving it. This raises three issues. First, the market reacts to psychological, sociological influences as well as strictly economic ones-- a molecular socio--economic system. Second, it brings up the issue of “asymmetric” information between the market participants/reactors as discussed by George Akerlof (2001, 1970) in his Nobel contributions and socio-economic analysis – recognizing that a molecular approach to economic analysis by stating that “...neoclassical models do not make assumptions derived from psychology, anthropology, or sociology. I disagree with

any rules that limit the nature of the ingredients in economic models”. (Akerlof, University of California, Berkeley, 2001). Third, what caused the market participants reaction to what they considered to be a “panic” driven increase in interest rates? There is no interest rate that automatically, a priori, begins a “panic” – thus, what caused this negative perception (panic) on the part of the market participants? The answer can be found not in economics alone but in sociology, social psychology and psychology and, perhaps, too, in past historical events and reactions. However, when such a panic does occur a sociologically/psychological “contagion” sets in and spreads—like a multiplier -- throughout the socio-economic system of market participants in addition to developing more information asymmetries within the financial markets a la Veblen , et alii.. Thus, the science of economics needs a more pluralistic, molecular approach of itself. We, as economists, are not alone!

There is, also, in Institutional theory the concept of economic change dating back to the works of Thorstein Veblen (1901, 1904, 1961) and, before him, to the German Historical school. The neo-classicalists have been accused of not having a theory of socio-economic change and to be interested largely in the process of a return to equilibrium over theoretic time (a process to be discussed more later). This implied a static socio-economic environment in terms of historical change over time. The Institutionalists criticized and criticize this “static” approach and replaced it with the so-called “Veblenian Dichotomy”. This Dichotomy is the Institutional concept of socio-economic change (a molecular approach) over real, historical time. In brief, there are the “past-binding” institutions which represent herein the old, established means of doing things. The concept of an “institution” can be wide – it includes motherhood as practiced in various cultures, industrial systems, production processes, government and private institutions, private property, profit motive, et alii – in terms of how these concepts are practiced at a moment in time as inherited from past-binding habits, mores, et cetera that affect present human behavior. Note that the term “institution” does not merely mean an institution such as the central bank, but the whole set of habits, mores, norms of that bank plus how the entire socio-economic system reacts to or limits these factors. Thus, as stated, “institutional” does not always refer to an institution such as a central bank, but

also to such systems of thought and practices such as profit motive, private property ,et cetera that are adhered to by the socio-economic system itself.

Against these past-binding “institutions” is the concept of technology – the forward urging concept that allows us to do what we are presently doing more efficiently or better; and to expand what we can do – horses and carriages are replaced by horse-power and automobiles. There is resistance to this technology and the social, economic , cultural and personal changes that the technology may imply due to personal and cultural resistance to change and the fear of such changes, realistic or otherwise! If the institutions win the struggle, the socio-economic system remains the same – static and unchanging in terms of this argument. If the new technology wins, the socio-economic system changes and becomes more efficient, more varied and all those good things. Thus, the Veblenian Dichotomy is a theory of potential socio-economic change; a recognition of the molecular aspects of economic analysis; and introduces the possibilities of increased efficiency, welfare and the implementations therefrom. For example, the concept of “institutions”, “technology” and changes therein can be recognized in that the capitalism of the 19<sup>th</sup> century is not the capitalism of the 21<sup>st</sup> century; the policies of the United States Federal Reserve are different in 2008-09 than its policies in the 1920’s-1930’s; or French capitalism is different than the United States capitalism – all dependant upon history, culture, organizational/financial and other changes in the socio-economic system – an evolving, molecular concept of economic history.

Of course, all technology may not be good. Technology may also pollute. But that is not the fault of technology per se. It is the fault of those who allow it to pollute. There is technology available to reduce pollution, but the past-binding agents of the Veblenian Dichotomy may prevent this technology from being used – the struggle is “on-going”. Also, of course, past institutions also involved technology – old technology, perhaps, but nevertheless technology. In the story of the date palms, for example, an early process of pollination was done by scantily dressed maidens waving date palms in the date tree groves before an admiring audience. More modern technology-- electric fans – would be more efficient, but not as colorful (1986). In another publication, this author points out a difference between Nelson Peach (Brazelton, 2004) and his students (and mine), Ben Young and James Sturgeon who point out that “...a “social institution”(such as a family)

would have both a ceremonial and institutional aspect as well as a technological aspect, to varying individual and cultural degrees” (Brazelton, 2004). They are, correct. These points, however, do not diminish the usefulness of the “Veblenian Dichotomy” as a theory of socio-economic change as it is necessary for economists to deal with such social change in an ever changing world of economic reality – a reality made apparent by the current economic/financial crisis of 2008-2009 and the policy reactions to it — pointing out that both the crises and the reactions to it are based upon old past-binding institutions, in search of new, forward-urging policies. Once again, the struggle is on-going; the information is asymmetric; and both the crisis and the solutions are pluralistic, molecular in nature. These Institutionalist-related concepts are undeniable in a world of changing, historical realities! Also, they represent a stepping stone between themselves and the later Post Keynesians, as discussed below, but first, we must analyze the Veblenian theory of money.

The Veblenian theory of money is not really, to me, a theory of money as much as it is a theory of monetary structure. Veblen and the Institutionalists in general do not believe in the reality of the Marshallian system and the assumption of “competition” and the theoretic analysis based upon that assumption. Indeed, if there was perfect Marshallian competition where a firm had no control over prices, why would a firm or person have an a priori incentive to expand in face of such future uncertainties and risks? Other later Institutionalists (Berle and Means, 1933; Commons, 1935; Mitchell, 1936, 1941) found that the industrial and monetary structure had become centralized and more akin to “oligopoly” or “imperfect competition” where firms have more market control – an advantage to them and to their incentive system (Schonewald, 2007-2008).

The Veblenian concept of money can be put into a step by step form of analysis. As J.A. Hobson (Hobson, 1937) can be utilized as a summary, we have: (1) in advanced stages of modern capitalism, “the supreme power of profit were passing from the owners of the material form of capital into the owners, or, more properly, the operators of finance...”: (2) “where money alone was ‘the measuring rod’ of value”. Land, capital might be owned by producers/workers and their skills, but “...the stocks and shares were exposed in terms of the money market”...so “The money market was no longer the passive instrument for recording changes in industrial and commercial values, but an

active instrument for determining these values”. This process has (3) enabled the most efficient competitor an advantage to weaken or destroy the less efficient; and to give an incentive for and ability to form “the industry into a trust”. Hobson then pointed out (4) in Veblen’s analysis, this financial control of a few allows for a few to “sabotage” the system by a “deliberate restriction of the productivity of capital and labor in order to keep prices and profits higher” (Hobson, 1937).

The above is a complicated and controversial argument. It does, however, stress the changes in the money/financial markets from Marshall to the present; destroys the concept of the neutrality of money; sets the stage for a more Keynesian analysis; and helps to explain the world of 2008-2009 and the financial crisis of that period. In that period, banks and corporations were given funds by the Federal Reserve, but did not immediately utilize them – a Keynesian liquidity preference; and, due to their market power, did not need to utilize these funds immediately.

Veblen (1901, 1904, 1961) also had a view of consumption that differed from that of the neo-classicalists. To the neo-classicalists, as interest rates rose, so would savings to lower consumption. But in a Veblenian world of “conspicuous consumption”, we have a different motive for consumption more clearly related to status or the desire for status. Thus, consumption became more closely related to income (or, later, the credit card?) than to interest rates. This was later taken up by James Duesenberry (Dusenberry, 1949) in his “relative income hypothesis” where consumption became a function of both income and “keeping up with the Joneses”. To Duesenberry, one could not or would not drive a Volkswagen to the Country Club parking lot full of Mercedes. Both the Volkswagen and the Mercedes would get you there functionally; but the latter would get you there with more class and/or, at least give the perception of more affluence. Duesenberry’s analysis, of course, is an expansion of Veblen’s (1901, 1904) but both give out a distinctive Keynesian flavor (Keynes, 1937) where we have  $C=f(y)$  with its average (APC) and marginal propensities (MPC) to consume and the multiplier therefore,  $K=1/1-MPC$ . Also, of course, in the Veblenian system, we have a monetary analysis of pecuniary transactions where finance and the profits therefore become more relevant than the production of goods (Veblen, 1901, 1904, 1961) as many Post Keynesians would agree.

### III. The Keynesians (or Keynes)

The Keynesian revolution was primarily the result of the monetary crises of the late 1920s and the 1930s and the Depression that followed. Lord Keynes denied the Classicalist and Neo-Classical concept that an economy would automatically in theoretic time return to a full employment equilibrium after a divergence therefrom. Keynes believed that the failure to return to a full employment equilibrium would be due to imperfections in the markets (wage rigidities); and, more importantly, to the fact that the economic system did not have within it an automatic stabilization process to return to a full-employment equilibrium-- an equilibrium need not be full employment! (Keynes, 1937). To prove this point, Keynes introduced such concepts as the consumption function, the average and marginal propensities to consume, positive and negative acting multipliers, liquidity preference (as in, 1929, 1938, 2008-09) interest rates, and the marginal efficiency of capital. These concepts were later “neuterized” (my term, 1980-81) by such writers as Sir John R. Hicks (1937); Alvin H. Hansen (1953); Abba Lerner (1943) by design or accident. Later, the monetarists (Friedman, 1956) denied parts of Keynes (liquidity trap, for example), but underestimated Keynes’ own monetary analysis, especially during the oil-caused stagnation of the 1970-1980s. At present, the “real” Keynes seems to have re-emerged a la the works of Hyman Minsky (1977, 1982, 2008); Randall Wray (1990, 1992, 1998); the Levy Institute, and others that point out the monetary analysis of Keynes along with his parallel analysis of uncertainty and its implications. Having pointed out above, the concepts introduced or emphasized by Lord Keynes, it is now relevant to cross into the analytical world of the Post Keynesians. The shortness of this exposition on Keynes does not down-grade Keynes. It, instead, indicates his importance to the Post Keynesians who some have called “the real Keynes”-- or, at least, a modernized Keynes a la Hyman Minsky (2008) and others.

### IV. The Post Keynesians

Much of Post Keynesian analysis is monetary in nature. As I have sometimes pointed out the latter of two of his most important works were the *Treatise on Money* (1930) and, later, the *General Theory of Employment, Interest and Money* (1937) -- in which both interest rates and money are monetary phenomena, but in a more complicated, realistic, open-ended world wide phenomenon than the neo-classicalists portrayed.

Lord Keynes's major contribution was his denial that the return to equilibrium would necessarily be a return to "the" full-employment equilibrium. This was due to the concept of wage rigidity to disrupt the equilibrium process via a "kinked" supply schedule for labor; and, more importantly, that due to the complex paths of the system, there was nothing inherent in it that would guarantee full employment (Keynes, 1937). But, as Paul Davidson (1993, 1996, 2007) has pointed out, the problem is even broader than that. Also, the Davidson analysis is more interested in the more analytical parts of Keynes than with wage rigidity as are also most Post Keynesians, including myself. Davidson brings up two concepts to add to the Keynesian concepts. To Davidson, a proper analysis of the equilibrating process must take into consideration the concepts of "non-ergodicity" and "hysteresis" (Davidson, 1993, 1996).

The concept of "non-ergodicity" indicates that once disturbed, an equilibrium can never be re-established at its old value. This is due to the probability that the disturbance causing the disequilibrium may change the system and change the socio-economic reactions and relations of the participants within the system so the system can never return to the same equilibrium. This being the case, even if a full employment equilibrium (however defined) might be achievable again, it is not the same as the previous equilibrium. This is a concept, then, that recognizes real time, real events, and is molecular in that more is involved than mere theoretic economic concepts -- the real world of the actors within the system may have changed. In addition to this, Davidson also introduces us to the concept of "hysteresis" -- a concept which recognizes that a system moving towards an "equilibrium" is influenced by the path taken and the paths previously taken. This, too, means that identical equilibrium are highly improbable. (Davidson, 1993, 1996, Brazelton, 1980-81, 2005). Thus, both the concept of "non-ergodicity" and "hysteresis" belie the concept of full employment equilibrium-disequilibrium-full employment equilibrium as envisioned by most Classicalists/Neo-

Classicalists and, thus, support the Keynesian arguments that deny the automaticity of full employment equilibrium and emphasize the importance of adding history, real time and a more molecular (socio-economic) approach to economics as indicated by the Institutionalists and others.

In the above, I indicated that I considered the monetary analysis of Keynes to be important if not crucial. It is now time to turn to that analysis via the works of Lord Keynes (1937), Hyman Minsky (1977, 1982, 1977, 2008), Randall Wray (1990, 1992, 1998) and the exogeneity/endogeneity of money dispute and their importance to my arguments herein.

Much of the major contributions of Hyman Minsky to modern economic analysis relates to his analysis of the business cycle and to the monetary aspects of it. In general, to Minsky (1977, 1982), after the lower point of the business/financial cycle has been reached, investors begin to invest again. Borrowing and lending increases. The lower turning point may be due to declining inventories, declining interest rates, increases in consumption as consumer or investment goods depreciate, or due to some psychological feeling of future “exuberance”. However, in this earlier stage of the expansion lending and borrowing in the initial upturn is based upon goods produced – a conservative lending process. But, as prosperity continues, and profits rise, borrowers and lenders become more optimistic, more speculative and more exuberant (Brazelton, 2005). Thus, borrowing and lending becomes more speculative but, as all seems to be successful, borrowers and lenders become even more optimistic, exuberant, and speculative – and the concepts of “Ponzi” finance take over. Notice, that in such a process, investment has become more speculative and the monetary system has co-operated with the exuberance by lending and continuing to lend. But the end must come.

In 1929, as pointed out by John Kenneth Galbraith, people mortgaged their homes to invest in the stock market (Galbraith, 1952, 1954, 1957, 1967)( See also Minsky, 1977, 1982). In 2007-2008, people bought homes on zero down, low interest rates (adjustable) and little regard for income. In both cases, the bust came as the speculative spiral ended. It ended because the stock market crashed as uncertainties increased, interest rates rose, monthly payment of consumers exceeded income which decreased consumption; and speculators, due to such financial bad news, went into panic. This spread through the

socio-economic system as a sociological contagion and through the economic system via the multiplier. As such, the panic was economic, financial, sociological and psychological, as will be discussed below.

In the above, money (finance) played an important role as it did in Veblen's view of the monetary pecuniary nature of the economic system discussed above. This raises the question of how the money supply actually works. Much of classical, neoclassical economics considers the money supply as set at a moment of time with money as a neutral agent in the economic process. Much of Post Keynesian analysis believes otherwise.

In Keynes's General Theory, we have the money supply as exogenously determined and the demand for money downward sloping in regard to the interest rate. As the money supply is exogenously determined, it is a vertical construct. Where the vertical supply curve crossed the downward sloping demand curve, the interest rate was determined. The interest rate – given the marginal efficiency of capital schedule – gave the level of investment and changes in the latter via the multiplier gave the change in income, GDP. In this model, any change in the demand schedule for money affects the interest rate along the exogenously determined (by the central bank) money supply schedule. Thus, given the marginal efficiency of capital schedule, a change in interest rates affected investment which effects GDP. But, many Post Keynesians (Wray, 1990, 1992, 1998) ask: Is the money supply schedule vertical, exogenous; and what if it is not? And can, in reality, it be?

In modern economic systems, there is an institution referred to as a central bank. The United States' Federal Reserve System is such a bank and developed in 1913 due to the financial panic of 1907 and before in the economic/financial history of the United States. One of the keys to the monetary policy of the Federal Reserve to maintain growth and/or counteract the business cycle (counter-cyclical economic policy) is the interest rate. Let us assume that the Federal Reserve ("Fed") or any other central bank desired to maintain an economic growth rate of 4% -- for whatever reason. It will then set the interest rate at a level it believes will maintain the investment to allow the economy to grow at that rate, 4%. To set the interest rate, the money supply curve must cross the investment demand curve at a certain point that is compatible with maintaining a 4% rate of economic

growth, as discussed above. But what happens if the market slows and interest rates decline; or the growth rates rises and, thus interest rates rise. In the former case, growth would be slower than 4% (recession?) in the latter case, growth would be faster than 4% (inflation?). Then, the Federal Reserve must maintain the interest rates necessary to maintain the 4% rate of economic growth. If the growth rate is less than the desired 4%, interest rates must decrease to allow investment to grow faster. Then, the money supply must increase to lower the interest rates. If the growth rate is greater than 4%, the money supply must decrease so as to raise the interest rates to slow down the economy to the desired level. Then, the interest rate is manipulated to maintain 4%. But if the interest rate must change, so must the money supply needed to bring about an interest rate compatible to maintaining or returning to the 4% rate of desired growth. If so, the money supply is endogenous, not exogenous. The money supply is important and money is not neutral.

In relation to the above and in my earlier work on Leon Keyserling, the major economic advisor to President Truman (Keyserling 1964, 1979, 1980) (Brazelton, 1997, 2001, 2008), Keyserling believed strongly that the “Accord” of 1951 between the Federal Reserve and the Treasury was a major policy mistake. Prior to 1951-52, the considered wisdom of many prominent economists was that the economy would return to the recessionary conditions of the pre-World War II economy. Thus, the Fed was buying government bonds in sufficient numbers to keep interest rates low. As a result, growth rates were good. But after the “Accord”, the Fed no longer bought sufficient government bonds to maintain a low interest rate, and interest rates rose and growth declined (Keyserling, 1964, 1979, 1980) (Brazelton, 1997, 2001, 2003). This, to Keyserling, was a monumental mistake (Keyserling, 1964, 1979, 1980) in terms of maintaining full-employment growth. Elsewhere, the monetarists under Milton Friedman (Friedman, 1956) were maintaining the need for a constant growth in the money supply based upon historical trends with interest rates free to raise high enough to end any inflation; or low enough to end any recession. Keyserling, would, however, argue that such wide variations in the interest rate damaged the economy and tended to decrease long-term growth. Keyserling would argue (as would I) that the growth of the money supply must be sufficient to maintain growth at a rate sufficient for full employment; but to accomplish this rate of long-term growth, the money supply must not only grow, it must

keep interest rates low enough to maintain the growth rate and the investment rate necessary to maintain full employment growth. Thus, an earlier argument for a flexible monetary/interest rate policy for full employment – in reality, an endogenous money supply schedule-- not vertical, but horizontal. In more sophisticated terms, such writers as Minsky (1977, 1982) and Wray (1992, 1992, 1998) would agree. Thus, the argument between exogenously determined money supply versus an endogenous money supply falls to the endogeneity concept – the money supply must grow sufficient to keep interest rates at a rate to maintain the objective of monetary/fiscal policy. A central bank matters; money is important; and money is not neutral. As the central bank is an institution, institutions matter, too. How do they work, plan, react and why? As the central bank and its policies evolve over time, so the questions arises as to how, when and why! The questions of how, when and why, of course, involve economic matters, but they also involve sociological and psychological matters. The change in policy involves all of these; and the reaction of the society (the socio-economic system) does, too. But such an analysis must also, as Keyserling would agree (Keyserling, 1964, 1979, 1980) (Brazelton, 1997, 2001, 2008), discuss wages, prices and their relationship to one another.

The wage/price analysis of Sydney Weintraub (1963) is both Post Keynesian and Institutional. Weintraub goes beyond the usual supply/demand analysis of wages/prices of the classicalists/neo-classicalists to introduce the realities of the market structure, asymmetric information and power a la Akerlof (1970) and Karl Polanyi (1944). To Weintraub, unions and corporate oligopolies do exist and, thus, power exists. The wage is a bargaining process. Thus, prices are determined partly by the bargain. Simply stated for our purpose herein, wages are a major cost to most firms and, thus, prices must cover and reflect these costs. The agents of labor and the firm both have power and information. As labor costs are bargained, via unions or wage negotiations, the labor costs are determined in the bargain. If we assume a 2:1 ratio between prices (p) and wages (w), then we have  $p=f(2w)$ . But it is not that simple. Technology and efficiency (e) also count. Thus, we have  $p=f(2w)/e$ . A more efficient firm can pay higher wages or maintain a lower price as can a more efficient country – a competitive advantage to the county, the firm, the worker. But, herein, we reach a problem. If the money supply remains the same, the higher wage/prices cannot be paid out of the current supply of money without an increase

in unemployment. Thus, money supply must increase – the endogeneity concept of money again. Money must not increase by any level, but at a level to “permit” the wage bargain. Thus, both the labor markets and the money markets are affected and the constraints upon them must avoid inflation, but that conundrum is beyond the scope of this paper. It does, however, stress that as economists we must understand the inter-related concepts of market structure realities; asymmetric power and information; the money markets and their reactions; and the Sociology/Psychology that is relevant to the determinants, policies and reactions to these developments within the socio-economic system.

#### V. Some Sociological/Psychological Relevant Issues:

This section is strong in the belief that any new discovery changes things. Old themes must change to recognize new facts and alternative paradigms. Also, this section agrees with George Akerlof of Nobel fame who states that “...neoclassical models do not make assumptions derived from psychology, anthropology, or sociology”, but he disagrees with such often deliberate oversights (Akerlof, 2001). Thus, this section will introduce concepts that relate to selected areas of some of the fields mentioned by Akerlof (2001) and myself elsewhere (1989, 2005) in terms of the PK/I analysis. But first, let us begin with a rather neoclassical paradigm, the rational expectations analysis and its critiques such as the Adaptive Markets Hypothesis as an alternative taking into consideration a less neo-classical analysis.

In two articles, Andrew W. Lo (2004, 2005) develops the basis for rational expectations as an analysis in which “...markets fully, accurately, and instantaneously incorporate all available information into market prices”. Furthermore, “Underlying this far-reaching idea is the assumption that market participants are rational economic beings, always acting in self-interest and making optimal decisions...” (Lo, 2005, p 21). There are, Lo states, several psychological and experimental critiques to this analysis (Lo, 2005, p 21). There are therein, for example, no forms of “asymmetric” information a la Akerlof (1970, 2001) and “asymmetric” power a la Polanyi (1944), but there is more. Lo, in comparing psychology to economics, states that economists “...typically derive behavior

axiomatically from simple principles such as expected utility maximization, resulting in sharp predictions of economic behavior that is routinely refuted empirically” (Lo, 2005, p 22). Psychologists, on the other hand, utilize” ...carefully controlled experimental measurements... to make inferences concerning human behavior” (Lo, 2005, p 22). From this, Lo develops a new paradigm considering other factors than does the rational expectations analysis (referred to by Lo as the Efficient Market Hypothesis, EMH) by means of an “adaptive market hypothesis”, AMH. This analysis (AMH) is more sociological and psychological than the efficient market analysis (EMH) because the former considers such factors as evolutionary biology, considering such analysis as mutation, competition, natural selection, reproduction and their effects upon financial markets (a similarity to Veblen herein) (Lo, 2005, p 22).

The natural selection, he refers to as “the survival of the richest” who can control markets and their direction (the financial crisis of 2008-2009). To Lo, AMH involves five major factors: (1) equity risk premiums are not constant over time; (2) asset allocation can add value by influencing both the market path dependency and systemic behavior changes (also see Davidson below); (3) there are cycles of superior/inferior performance; (4) market efficiency is not constant, but varies over time and under different circumstances ; (5) risk preferences of individuals and institutions (banks, mortgage companies) change over time (Lo, 2005, p 22). The latter, of course, might remind us of the financial crisis of 2008-09 in terms of home mortgages and related lending/borrowing changes in “risk premiums”.

Lo indicates several studies concerning human behavior and changes therein as implied by the above. First, overconfidence concerning ones knowledge has been indicated by studies in Behavioral Finance (Lo, 2005, p 23; Russo and Shoemaker, 1989) In discussing a further study by Tversky and Kahneman, 1981, Lo points out that risk aversion is not as simple as it seems. For example, in choosing between alternatives A and B, one usually prefers A if it is “safer” rather than “B” which is more risky, but perhaps more profitable in the long run. However, faced with two other set of conditions, C and D, concerning lottery tickets, for example, each with different probabilities of loss, it is pointed out that many decisions do not involve alternative gains, but alternative losses. In such a case, in terms of a far greater possible gain, one might choose the least

probable alternative (the riskier) in which case the “risk avertor” becomes a “risk seeker” (Lo, 2005, p 24). He concludes that if one becomes risk averse in terms of gains and risk seeker in terms of potential losses, it “...can lead to some very poor financial decisions” (Lo, 2005, p 24). Las Vegas is indicative of such a conclusion. The essence of all of this analysis is, to Lo, that several different types of sociological/psychological studies indicate that “...human decision making does not seem to conform to rationality or market efficiency but exhibits certain behavioral biases that are clearly counterproductive from a financial perspective (Lo, 2005, p. 25) and names a few: overconfidence (Fischhoff and Slovic, 1980), loss aversion, (Kahneman and Tversky, 1979), herding (Huberman and Regev, 2001), psychological accounting (Tversky, A. and Kahneman, 1981), miscalculation of probabilities (Lichtenstein, et al, 1982), hyperbolic discounting (Laibson, 1997), and regret (Bell, 1982) (Lo, 2005, p. 25). Lo in his articles then discusses the area of neuroscience (brain studies), but herein I will leave that for a later paper. His conclusion concerning what has been indicated above, states that the EMH model of the neo-classicalists argues that market forces are always capable of bringing prices back to “rational levels” (his term) and that any irrational behaviors are insignificant. However, the AMH indicates otherwise based upon psychological, behavioral studies (Lo, 2005; Brazelton, 2005). In an earlier article (Lo, 2004, p 19), irrationality not rationality explains the fact that investors flocked to liquidity and safety after the Russian default of 1998 (Lo, 2004, p. 19); and, I myself add, the financial crisis of 2008-09 where both the reaction to the crisis and the road to it where investors and hedge funds were both strewn with irrationalities that were certainly not risk adverse. He does refer to Herbert Simons (1978) of Nobel fame who also doubts strongly that human beings or the ever changing economic system are capable of the amount of “maximization” that the neoclassical rationality paradigm demands (Lo, 2004, p. 22). Finally, to Lo, market efficiency is not a concept to be analyzed in a vacuum - - it is context dependant, dynamic over time and shaped by differing contents, and, like insects, advance and decline “seasonally” as do then their enemies; and, so, in the economy as circumstances, institutions and the changes within them and their policies come about, we are tested by our own ability to adapt (Lo, 2004, p. 23). Clearly, one is reminded herein of the relevance to the Institutional (Evolutionary) economics of Thorstein Veblen, and

the Veblenian Dichotomy; the evolutionary analysis of Charles Darwin; the analysis of asymmetric information of Akerlof; and the hysteresis and nonergodic contributions of Paul Davidson; and the variations in financial activities and investment decisions making over the financial cycle as analyzed by Hyman Minsky, all as indicated above. But there are other studies of interest to our sociological/psychological excursions herein.

There are a myriad of other sociological/psychological thinkers that relate to economic theory. Herbert Blumer (1969, Harris, 2009) in his analysis of “Symbolic Interactionism” indicates that humans act towards their surroundings in relation to what these surroundings have in terms of meaning to themselves; those meanings are determined by interactions with each other and an interpretative process is used by the person in terms of how one “...must deal with things in his environment” (Harris, 2009, p. 1f). This, to Harris (Harris, 2009), can be interpreted in terms of John Dewey, George Mead, but also, as indicated above, Thorstein Veblen and James Duesenberry although the latter two names may not be referred to as “Symbolic Interactionists”, but all do recognize the importance of human interaction in terms of actions, understandings and decisions.

One can also mention the “Post-Autistic” movement begun by French Students/Professors in France in June 2000. This was a call for economics to become more pluralistic and to diminish the “autistic” hold of over-mathemization; social irresponsibility, and the absence of critical thinking in most neo-classical teaching in the lecture halls of most universities (Fullbrook, p 14). The post-autistic student in economics will become a student also of history, law, psychology, sociology and “...familiar with their contrasting views of, and methods of, treating social-economic phenomena” (Fullbrook, p. 20). Such “social-economic” phenomena as consumption functions, liquidity preference, marginal efficiency of capital and the “animal spirits” (Keynes) come to mind as constraints determined by economics (of course), but also the social interactions with others (experts and non-experts) and the psychology of individuals and the markets. It often amuses me that economists often refer to “the psychology of the markets” without any professional study or training in the psychological processes and reactions involved. Economists must realize that “in many dynamic systems long considered ‘independent’ actually constitute a single family, one in which we now call

complex systems” (Smith, 2004)—“biological species, cardiovascular systems, economies, human societies, neural systems, and securities markets” (Smith, 2004, p.1). This is, to me, a similar message as indicated by George Akerlof quoted above.

One can also analyze one’s memory in terms of how we interpret events over time. For example, Jeffrey Olick (1997, 2007) writes in terms of “collective memory” which is “...non-paradigmatic, transdisciplinary, centerless” (Olick, 2007, p 19). The question to be answered by the group is simply “how is group memory formed?” The answer seems to me to be chaotic, but I assume some “attractors” exist.

The analysis of “group memory” were largely originally from the Frankfurt School (German) under the group experiment (gruppenexperiment) studies thereat. A society has its memory (of totalitarian Germany/Nazi; or East German Communism) that is remembered by the group and its individuals, but the memory is not a constant, but, rather, a process of retrospection in terms of the social framework of the group and the social processes of the group (Olick, 2007, p. 46). Also, an individual cannot have or know all the parts of the “collective memory” due to the amount of “memory” and “opinion” needed to do so. Further, polls and elections do not capture the real “opinions” because we all have opinions we do not express, and may not even realize except perhaps in group discussions with others. Thus, herein, no person or no opinion is not without the social/psychological framework of the group; it is a process of “collective memory” formation over time. This, of course, diminishes the economic, neo-classical orthodoxy based upon “rationality” as such group decisions concerning historical facts, the memories and interpretations concerning these facts are subject to group bias, and are subject to a process of change over time about which an individual in the group may not be fully cognizant.

Studies similar to the above have also been done by Jeremy Brooke Straughn (who, thankfully, called my attention to some of the studies above). In studies concerning German memories of East German Socialism and its apparent failures after 1989, there still remained some favorable opinions of the communist period, its aims and the memories of it. He argues “culture” is influenced by people, but paraphrasing Pollack, “... they reshape it while absorbing it” (Straughn, no date, p.4; Pollack, 1999, p.90). Straughn asks the questions of why do some unemployed from East Germany regret

socialism while some successful others seem to “embrace” it. This same question is asked in another reference, “What’s the Matter with Kansas?” (Frank, 2004) which is, of course, about much more than Kansas. In asking the question of how we can explain both “continuity” and “change”, Straughn argues that “... we require a more nuanced theoretical toolkit-- one that refuses to reduce culture to a set of inculcated values or embodied dispositions, while acknowledging the role of cultural influences and mnemonic constraints on ‘rational deliberations’ (Straughn, no date, p 4). Such “deliberations” are subject to “...social actors by the “cultural repertoires” that predominate in their social environments” (Straughn, no date, p. 5). Culture is not individualistic, but is cultural and on-going (Straughn, no date, p. 5) to which the Institutionalists (Evolutionists) would find, I believe, at least copacetic to their own views, discussed above concerning social change. However, in terms of bringing about social change “...contentious performance must effectively couple critique of the *status quo* which avowed commitment (real or feigned) to basic values and principles enshrined in the state’s own dominant ideology” (Straughn,2006, p. 6). In a modern context, this relates to what appears to be an ideological struggle between President Obama and the more conservative “right” in terms of economic problems and policies. Thus, in such a time to be successful, President Obama or any subsequent President (leader) must frame his/her arguments (real or feigned) for reform within the context of the acceptable ideology of the American culture and society. The message herein for any nation or culture is that economic problems, economic processes of change, socio-economic reactions, economic policies and reactions to them are not solely economic phenomena—they also involve sociological and psychological phenomena, and are, thus, much more complex, multi-dimensional and multi-directional than that!

## V. Concluding Statements

The above does not argue that in order to be an economist one must also be a sociologist, historian or psychologist. One cannot be equally proficient in all of these complex areas. Neither should a proficient historian, sociologist, psychologist necessarily have equal proficiency in economics. Instead, the point herein is that an economist should

be aware of some of the areas of these other related fields so as to recognize that other fields have their own research into what economists have historically considered “our turf”. Human beings are more than “homo economicus” but are, also social, cultural, psychological beings with multiple inputs into their actions and reactions. Thus, the questions arises what are some of the above that are of relevance to the Institutionalists and the Post Keynesians (PK/I); and, by inference, to economists in general?

The answer to the above begins with the “molecular” analysis of the Institutionalists in which economics is merely one relevant part of human activity. Economics is part of the cultural molecule of being human, but it is not the only part. The human animal is not merely an economic atom; but part of a molecule of many atoms which add up to more than the sum of the parts in relation to actions, reactions, and human activities. This Institutional belief is also the starting point of many Post-Keynesians as well. Let us briefly sketch out some of these economic, cultural, sociological and psychological inter-relationships.

First, in terms of consumption, as discussed above, we have the theory of consumption of Lord Keynes, based upon income; the “conspicuous consumption” model of income of Thorstein Veblen; and, later, the analysis of James Duesenberry where consumption becomes a function of the highest level of income previously achieved, which, like Veblen, understands the sociological, cultural influence of not only income, but also of socio-economic-psychological status, real or perceived.

Second, in terms of history, both discuss economics in terms of real time, not theoretical time. What actually has happened is important (real), not merely what theoretically might under *ceteris paribus* assumptions. This can also be indicated in terms of Paul Davidson’s concepts of “hysteresis” and “non-ergodicity” discussed above.

Third, the market to both PK/I tends to be one of imperfect competition as a reality instead of one of an assumed model of perfect competition. For example, Veblen, as we have seen above, discusses the increased power of financial enterprises in the economy and the instability that such might bring about. To this, the Post-Keynesians would strongly agree, especially when considering the “financial instability hypotheses” of Hyman Minsky and the realities of 2008-09. It is also true that the Minsky’s analysis can be related to the mechanism of the Schumpeterian (1950) concept of innovations, the

subsequent clustering of innovations, and the financial needs thereof. Both Minsky and Schumpeter would agree that economic/finance worked within a social milieu of capitalism -- an ever changing capitalism (but, unlike Schumpeter, Minsky did not predict the demise of capitalism, only changes within it).

Fourth, (also related to imperfect competition) is the analysis of wages. Since neither the Institutionalists nor the Post Keynesians are devotees of the orthodox assumption of perfect competition, they believe imperfect markets (oligopolistic) exist. The presence of non-competitive markets will affect the financial sector and its power over the economy—a power recognized by the Keynesians and Post Keynesians. Such market imperfections can also be seen in the wage theory of Weintraub (1963) discussed above with its institutional, sociological, imperfect market implications. The wage earner bargains as does the wage payer, and an arrangement is made. The price of the product becomes a multiple of the wage bill ( to cover other costs of production) given the efficiency factors of the firm,  $p=2w/e$  as discussed above. This, of course, is an institutional factor affecting the monetary sector since the money supply must increase to “permit” the increased price/wage bill which relates again to the endogeneity/exogeneity argument over the supply of money with the argument, once again, favoring the former. And, of course, we must also bring into consideration the “asymmetric information” model of George Akerlof; as well as the “asymmetric power” (my term) model of Polanyi – in which the possession of more or better information or power both result from imperfect markets and imperfect information; and both put one market “actor” at a disadvantage over another or others. If one knows what the game is really about, he/she has the advantage over her/him who does not!

Fifth, both the Institutional/Post Keynesian (PK/I) types of analysis make use of actual institutions within the economy and changes in these institutions and their policies (for example, the recent activity (2009) of the Federal Reserve) as the sociological, psychological manifestations relating to the various market players themselves. These sociological, psychological manifestations have been discussed herein in terms of Behavioral Economics and its sister, Behavioral Finance, (Lo, 2005) considering the actual institutions of the market, and the sociological/cultural/psychological ramifications involved in the decision making process. It is a question of how humans actually react;

and whether or not the human animal is “rational” as economic “orthodoxy” assumes. To aid in our analysis of this point, the analysis of Lo are relevant.

The Institutionalists discuss such usually non-economic topics as mores, habits, et cetera. Lo also describes such topics. However, a major topic of our discussion of Lo was constrained to his critique of the rational expectations model or efficient market hypothesis (EMH) or many more orthodox economists vis a vis the adaptive market hypothesis (AMH) that considered sociological, psychological considerations as well as consideration of such factors discussed by both Akerlof and Veblen. In the latter model, (AMH), the outcome is different than the former (EMH) model because of market imperfections, inadequate or asymmetric information (Akerlof) or power (Polyani). One might at this point briefly remember the analysis of the Nobel Economist, Herbert Simons (Simons, 1978), who, in contrast to the “economic maximizing” orthodox model brought forth the “optimizing” or “bounded rationality” model to replace it similar to the discussions of Lo. Those who speak against the Simons model asked how we know when or whether one knows that “optimization” had been reached. I might ask how one would know when “maximization” had been reached in the real world of ever changing events. Yes, I can do it mathematically; but can I really do it in the real world of many and varied inputs and known and unknown rates of socio-economic-institutional changes? No human is that omniscient! One can consider here the works of Polyani, Akerlof, Simons, Veblen and even Freud himself. Also, Lo indicates that such concepts as “risk averters” or “risk takers” are not as simple as they may seem and are even reversible under certain circumstances or differing choices. Lo concludes that the orthodox economic concept of human rationality is insufficient to explain the reality of “human decision making” and, indeed, may be counterproductive from a financial perspective (Lo, 2005, p 25) as discussed above.

Further, as Herbert Blumer indicates, humans react to their surroundings and the meaning of these surroundings to the person or persons involved which has resulted into a theory of “symbolic interaction”. Also, from the above, both the Frankfurt experiment (gruppenexperiment) and the Post-Autistic analysis in Europe has stressed similar beliefs concerning the needed use of tools in sociology, psychology and social psychology. Such analysts as Jeffrey Olick and Jeremy Straughn indicate that collective memories of the

past (in their studies of East German memories of the Soviet period) neither conform to what one might expect nor do the “study participants” persons involved agree with one another concerning such events or times. The point of all of the above indicates that more is going on than the orthodox economist with his/her “rationality” hypotheses can describe or make constantly accurate predictions therefrom. This does not mean that such “orthodox” neo-classical analyses are useless but, rather that they are not enough in terms of socio-economic changes, institutional changes, policy changes and the social/psychological reactions thereto. From my first course in economics until now, I have always had the strong belief we were all not in a world of supposed “ceteris paribus” but, instead, in the more complex world of “mutatis mutandis” in terms of variables, time periods, and reactions thereto. That is the point of all the above and so much more.

## REFERENCES

- George Akerlof wins Nobel Prize in Economics, 2001, Campus News, Nobel Prize, University of California-Berkeley,  
<http://www.berkeley.edu/new/features/2001/Nobel/index.html>, pp1-5.
- \_\_\_\_\_”The Market for Lemons: Quality Uncertainty and the Market Mechanism”, Quarterly Journal of Economics, 1970, 84, pp.488-560.
- \_\_\_\_\_”Behavioral Economics and Macroeconomic Behavior”, AEA, 93(3), pp 411-33.
- Arestis, Philip (1992) *The Post Keynesian Approach to Economics: an Alternative Analysis of Economic Theory and Policy*, Aldershot, Edward Elgar Press.
- Ayres, Clarence (1944) *The Theory of Economic Progress*, University of North Carolina Press, Chapel Hill.
- \_\_\_\_\_ (1952) *The Industrial Economy*, Houghton Mifflin, Boston.
- Bell, D. (1982), “Risk Premiums for Decision Regret”, *Management Science*, 29, pp. 1156-66.
- Bell Stephanie and Nell Edward (eds.) (2003), *The State, The Market and the Euro: Chartalism versus Metallism in the Theory of Money*, Edward Elgar, Northampton.
- Berle, AA, and Means, Gardiner, (1933), *The Modern Corporation and Private Property*, Ronald Press, New York. See also, Bell, John F. (1953), *A History of Economic Thought*, Ronald Press, New York, esp. pp 539-64.
- Blumer, Herbert (1969) *Symbolic Interactions: Perspective and Method*, Englewood Cliffs, N.J., Prentice Hall.

- Brazelton, W. Robert 1980-81 A Survey of Some Textbook Misinterpretations of Keynes, *Journal of Post Keynesian Economics*, pp. 256-70.
- \_\_\_\_\_ “Post Keynesian Economics: an Institutional Compatibility?”, *Journal of Economic Issues*, 1981, pp 531-42.
- \_\_\_\_\_ “Alvin Harvey Hansen: Economic Growth and a more Perfect Society”, *The American Journal of Economics and Sociology*, 48 (4), 1989, pp. 427-40.
- \_\_\_\_\_ “Retrospectives: the economics of Leon H. Keyserling”, *Journal of Economics Perspectives*, 11(4), 1997, pp. 187-97.
- \_\_\_\_\_ (2001) *Designing US Economic Policy: an Analytical Biography of Leon H. Keyserling*, Palgrave-Macmillan, London.
- \_\_\_\_\_ “The Council of Economic Advisors; The Full Employment Budget Concept; Keyserling before Heller”, *The Journal of Economics*, 29, 2003, pp. 87-102.
- \_\_\_\_\_ (2004) *The Oklahoma Institutionalists in Samuels Warren (ed.), Research in the History of Economic Thought and Methodology, Vol. 22-C; Wisconsin “Government and Business” and the History of Heterodox Economic Thought*, Emerald Group Publishing, pp. 245-60.
- \_\_\_\_\_ “Selected Theories of the Business Cycle in Terms of Econsochology”, *Journal of Economic Issues*, 2005.
- Buchholz, Todd G., (1989) *New Ideas from Dead Economists*, New American Library, Penguin Books, New York.
- Chase R. “Keynes versus U.S. Keynesians: A lack of Historical Perspective”, *Journal of Economic Issues*, 9, 1975 pp. 441-70.
- Chick, Victoria (1983) *After Keynes: a Reconsideration of the General Theory*, Cambridge, MIT Press.
- Commons, J. R. (1935) – *Institutional Economics: Its Place in Political Economy*, Macmillan Press, New York.
- Da Silva, Carlos E. Schonewald, “Post Keynesians and the Theory of Imperfect Competition in the 1920s and 1930s, years of High Theory”. *Oeconomicus*, IX, Department of Economics, University of Missouri-Kansas city, 2007-08, pp 79-84.
- Davidson, Louise (ed.) (1991) *The Collected Works of Paul Davidson, Volume 2*, John Wiley and Sons, New York.

Davidson, Paul "The Elephant and the Butterfly: or Hysteresis and Post Keynesian Economics", *Journal of Post Keynesian Economics*, (3), 1993, pp. 3098.

\_\_\_\_\_ "Realities and Economic Theory", *Journal of Post Keynesian Economics*,8(4), pp. 1996, 47-98.

\_\_\_\_\_ (2007) *John Maynard Keynes*, Palgrave-Macmillan Press, New York.

Duesenberry, James S (1949) *Income, Savings and the Theory of Consumer Behavior*, Harvard University Press, Cambridge.

\_\_\_\_\_ (1955) *Business Cycles and Economic Theory*, McGraw Hill, New York

Eichner, Alfred (ed.) (1979) *A Guide to Post Keynesian Economics*, ME Sharpe, New York.

Fischhoff. B. & Slovic, P. (1980). A little learning... Confidence in multiple judgment tasks. In R. Nickerson (Ed.), *Attention and performance VIII*, Hillsdale, NJ: Erlbaum.

Frank, T. (2004) *What's the Matter with Kansas?* Henry Holt and Co.

Friedman, Milton (1956) "The Quantity Theory of Money – a Restatement: Studies in the Theory of Money, Chicago, University of Chicago Press, pp 3-21.

Fullbrook, E. The Post-Autistic Economics Movement: A Brief History, *Journal of Australian Political Economy*, 50, 2002, pp. 14-23.

Galbraith, John Kenneth (1954) *The Great Crash, 1929*, Houghton Mifflin, Boston.

\_\_\_\_\_ (1952) *American Capitalism: The Concepts of Countervailing Power*, Houghton-Mifflin, Boston.

\_\_\_\_\_ (1958) *The Affluent Society*, Houghton Mifflin, Boston.

\_\_\_\_\_ (1907) *The New Industrial State*, Houghton-Mifflin, Boston.

Hansen, Alvin (1953) *A Guide to Keynes*, McGraw–Hill, New York

Harcourt, Geoffrey, *Post Keynesianism: Quite wrong and/or nothing new?*, *Thames Papers in Political Economy*, 1982.

Harcourt, Geoffrey C. and Hamouda, Oscar M. "Post-Keynesianism: From Criticism to Coherence?" *Bulletin of Economic Research* 40 (1), 1988, p. 1-33 .

Harris, C. D. (2009) *Symbolic Interactions as Defined by Herbert Blumer*, <http://www.cdharris.net/text/blumer.html> (see also Blumer above).

Hicks, John R. "Mr. Keynes and the Classics: a Suggested Interpretation", *Econometrica*, April 1937, pp. 147-59.

Hobson, J. A., The Economics of Thorstein Veblen, Political Science Quarterly, 52 (1), 1937, pp. 139-44.

Huberman, G. and Regev, T.(2001), “Contagious Speculation and a Cure for Cancer: A Non-event that Made Stock Prices Soar”, Journal of Finance, 56, pp. 387-96.

Kahneman, D. and Tversky, A, (1979), “Prospect Theory: an Analysis of Decision Under Risk”, Econometrica, 47, 263-91.

Keynes, John Maynard (1937) The General Theory of Employment, Interest and Money, Harcourt -BracePress, London.

\_\_\_\_\_ (1930) A Treatise on Money, Harcourt-Brace New York.

Keyserling, Leon, H. (1964) The Toll of Rising Interest Rates, Washington DC; Conference on Economic Progress (Truman Memorial Presidential Library, Independence, Missouri).

\_\_\_\_\_ (1974) “Liberal” and “Conservative” National Economic Policies and Their Consequences, 1919-79 \*Truman Memorial Presidential Library, Independence, Missouri)

\_\_\_\_\_ (1980) Money, Credit and Interest Rates: Their Gross Mismanagement by the Federal Reserve System, Washington DC; Conference on Economic Progress(Truman Memorial Presidential Library, Independence, Missouri).

\_\_\_\_\_ (1957) Consumption – Key to Full Prosperity, Washington DC; Conference on Economic Progress( Truman Memorial Presidential Library, Independence, Missouri).

Laibson, D.,(1997), “Golden Eggs and Hyperbolic Discounting”, Quarterly Journal of Economics, 62, pp. 443-77.

Lerner, Abba “Functional Finance and the Federal Debt”, Social Research, 10, 1943, pp. 38-51.

Lerner, Max (ed.) The Portable Veblen, Viking Press, New York, 1948.

Lichtenstein, S., Fischhoff, B, Phillips, L. (1982), “Calibration of Probabilities : The State of the Art to 1980” in Judgement Under Uncertainty: Heuristics and Biases, Edited by Kahneman, D., Slovic, P., Tversky, A. , Cambridge University Press.

Lo, Andrew A “Reconciling Efficient Markets with Behavioral Finance: The Adaptive Markets Hypothesis”, *Journal of Investment Consulting* 7, 2005, pp 22-44.

\_\_\_\_\_”The Adaptive Markets Hypothesis: Market Efficiency from an Evolutionary Perspective”, *Journal of Portfolio Management* 30, 2004, pp 15-29.

\_\_\_\_\_ (2007) *Efficient Markets Hypothesis*, in L. Blume and S. Durlauf, eds., *The New Palgrave: A Dictionary of Economics, Second Edition*, 2007. Palgrave MacMillan. New York.

Minsky, Hyman (1982) *Can “It” Happen Again? Essay in Instability and Finance*, ME Sharpe, New York.

\_\_\_\_\_”The Financial Instability Hypothesis: an interpretation of Keynes and an alternative to ‘Standard’ theory”, *Nebraska Journal of Economics and Business*, Vol. 16 No.1, 1977, pp.5-16.

\_\_\_\_\_ “How ‘standard’ is standard economics?” *Society* 14, 1977, pp. 24–29.

\_\_\_\_\_ 2008 (1975) *John Maynard Keynes*, McGraw-Hill, New York.

Mitchell Wesley Clair (ed.) (1936) *What Veblen Taught*, Viking Press,

\_\_\_\_\_ (1941) *Studies in economics and industrial relations*, University of Pennsylvania Press, Philadelphia .

North, Douglas “Toward a Theory of Institutional Change”, *The Quarterly Journal of Economics and Business*, 31(4), 1991, pp 3-11.

Olick, Jeffrey K “Collective Memory: A Memoir and Prospect.” *Memory Studies* 1, 1, Winter 2008: 23-29., Saga Publications, Los Angeles, pp 19-26.

\_\_\_\_\_”Collective Memory and Nonpublic Opinion: An Historical Note on Methodological Controversy about a Political Problem.” *Symbolic Interaction*, 30(1), February 2007, pp 41-55.

\_\_\_\_\_and Robbins, Joyce “Social Memory Studies: From 'Collective Memory' to the Historical Sociology of Mnemonic Practices,” *Annual Review of Sociology* 24, 1998, pp 105-140.

Peach, Nelson (1955) *The Principles of Economics*, Irwin Press See also Brazelton, 2004

Pollack, R. “Trust in Institutions and the Urge To Be Different: Attitudinal change in Eastern German Policies, 8 (31), 1999, pp. 81-102.

Polyani, Karl (1944) *The Great Transformation*, Rinehart and Co. Boston.

Russo, E. and Schoemaker, P. (1989) *Decision Traps: Ten Barriers to Brilliant Decision Making and How to Overcome Them*, Simon and Schuster, New York.

Roll, Eric, (1953) *A History of Economic Thought, The Historical School*, 3<sup>rd</sup> edition, pp. 303-11; 439-454, Englewood Cliffs, Prentice Hall.

Schumpeter, Joseph (1950) *Capitalism, Socialism and Democracy*, 3<sup>rd</sup> edition, Harper and Row, New York.

Tversky, A. and Kahneman, D. "The Framing of Decisions and the Psychology of Choice" *Science*, 211, 1981, pp 453 - 458.

Simons, Herbert (1978) *Rational Decision Making in Business Organizations*, Speech to the Nobel Committee, Nobel Lectures, 1969-80, Assar Lindbeck (ed.) World Scientific Publishing, 1980.

Smith, Lewis "Complexity, Economics and Alan Greenspan", *Post-Autistic Economics Review*, 26, 2 August, 2004.

Straughn, Jeremy Brooke (2004) "Culture, memory and Structural Change: explaining support for "socialism" in a post-socialist society", a paper presented at the 2004 annual meetings of the American Sociological Society, ?? *Theory and Society*, 2009.

\_\_\_\_\_ "The Power of Patriotic Performances: A Comment on Jeffrey Alexander", *Culture*, 20 (3), Spring 2006, pp. 1, 4-7.

\_\_\_\_\_ "Taking the State at Its Word: The Arts of Consensual Contention in the German Democratic Republic" *American Journal of Sociology*, 110, 2005, pp 1598-1650.

\_\_\_\_\_ "Historical Events and the Fragmentation of Memory in the Former East Germany." *Journal of Political and Military Sociology*, 35 February 2007, pp. 103-123.

Veblen, Thorstein (1961) *Why is Economics Not an evolutionary Science? The Place of Science in Modern Civilization*, Russell and Russell, New York.

\_\_\_\_\_ (1904) *The Theory of Business Enterprise*

\_\_\_\_\_ (1901) *Industrial and Pecuniary Employments*, Publications of the American Economics Association.

Wray, Randall (1998) *Understanding Modern Money*, Edward Elgar Press, Northampton.

\_\_\_\_\_ (1990): Money and Credit in Capitalist Economies - The Endogenous Money Approach, Edward Elgar Press, Aldershot.

\_\_\_\_\_ “Commercial Banks, the Central Bank and Endogenous Money”, Journal of Post Keynesian Economics, 14 (3), 1992, pp 272-310.

\_\_\_\_\_ “Veblen’s Theory of Business Enterprise and Keynes’s Monetary Theory of Production”, Journal of Economic Issues, 2007.

\_\_\_\_\_ “A Post Keynesian View of Central Bank Independence, Policy Targets, and the Rules Versus Discretion Debate”, Journal of Post Keynesian Economics, 30(1), 2007, pp 119-141.

\_\_\_\_\_ “Keynes’s Approach to Money: an assessment after seventy years”, Atlantic Economic Journal, 34 (2), 2006, pp. 183-193.

Weintraub Sydney, (1963) Some Aspects of Wage Theory and Policies Childen Press, Philadelphia.

\_\_\_\_\_ (1977) Modern Economic Theory (ed.) University of Pennsylvania Press, Philadelphia.

Charles J. Whalen “Post-Keynesian Institutionalism and the Anxious Society”, a paper presented at a 2007 workshop honoring Allan Schmid; and prepared for publication, Batie S and Mercurio N., Assessing the Evolution and Impact of Alternative Institutional Structures, Routledge Press, New York .

Post-Keynesianism is a more left-wing current of economic thought developed from the 1930s in England and the United States, where it is currently most present, which presents itself as the closest current to Keynes' ideas. It takes the most radical views of Keynes, who throughout his life has moved further and further away from neoclassicals. As such Post-Keynesianism takes a position radically opposed to that of neoclassical economics by emphasizing the following points: A realistic and non-instrumentalist epistemology. The assumptions made by post-Keynesians must correspond to reality; they do not have a simple predictive function. "Evolutionary Keynesianism: A Synthesis of Institutional and Post- Keynesian Macroeconomics." *Journal of Economic Issues* 40(2): 405-412. Peterson, W.C. 1977. 2010. "Financialization and Income Inequality: A Post- Keynesian Institutional Analysis." *Journal of Economic Issues* 44(3): 757-777. Zandi, M. 2011. Post-Keynesians take a very different approach to the New Keynesians, and in my view one that is much closer to Keynes himself (not that this matters a great deal). Rather than try to explain what Keynes described within the existing theoretical framework, they look to build his (often a little scattergun and slightly obscure) insights into an entirely new theoretical frameworks, rejecting the validity of Neo- and New Keynesians' models. Post-Keynesianism is a broad church, encompassing all such attempts. Those prominent in developing post-Keynesianism include Joan Robinson, Hyman Minsky, Roy Harrod, Michal Kalecki, Nicholas Kaldor and (to an extent) Pierro Sraffa. Post-Keynesians view interest rates as a distribution variable which, to a large extent, can be controlled by the monetary authorities. This is because the central bank is able to set the base rate at the level of its choice. The base rate is the target interest rate. This synthesis model is based on an extension of Kaldor's neo-Pasinetti model. As mentioned earlier, it was pointed out by Davidson (1968) that Kaldor (1966) failed to introduce money in his neo-Pasinetti model, thus assuming that all savings were done in the form of equities. Arestis, P. and A.S. Eichner (1988) "The post-Keynesian and Institutional theory of money and credit", *Journal of Economic Issues*, 22(4), pp. 1003-1021.