Finance-led Capitalism?
Macroeconomic Effects of Changes in the Financial Sector

26–27 October, 2007, in Berlin

11th Workshop of the Research Network Macroeconomic Policies

Venue:
Best Western Hotel Steglitz International
Albrechtstr. 2
12165 Berlin
Germany
# Overview

## Friday, 26 October

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<td>Welcome and introduction by Eckhard Hein (IMK, Düsseldorf)</td>
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<tr>
<td>19.30–20.00</td>
<td>Graduate student meeting (conference room 1)</td>
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<td>organised by Eckhard Hein, Torsten Niechoj (IMK, Düsseldorf), and</td>
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<td>Engelbert Stockhammer (WU Wien)</td>
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<td>Dinner</td>
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## Saturday, 27 October

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Programme

Plenary Session

Friday, 26 October: 12.30–14.30

Global imbalances and financialisation

Conference Room 1
Chair: Engelbert Stockhammer (WU Wien)

- Thomas Palley (Washington)
  The economics of financialization: what it is, how it works, and what can be done
- Sigurt Vitols (WZB)
  Private equity: financial engineering or solution to market failure?
- Jan Kregel
  Global imbalances from a development perspective

Plenary Session

Saturday, 27 October: 17.30–19.30

Financial stability and financial crises

Conference Room 1
Chair: Peter Spahn (University of Hohenheim)

- Wolfgang Filc (University of Trier)
  Inefficient markets: causes and consequences
- Hans-Helmut Kotz (Deutsche Bundesbank)
  Endogenous liquidity and financial (in-)stability
- Stephan Schulmeister (WIFO, Wien)
  On the manic-depressive fluctuations of speculative prices
Parallel Sessions

Friday, 26 October: 15.00–17.00

A1 Financial systems and economic growth
Conference Room 1
Chair: Jan Priewe (FHTW Berlin)

- Jörg Hufschmid (University of Bremen)
  From finance for investment to financial investment: the new role of financial markets and investors in developed economies

- Hansjörg Herr (FHW Berlin)
  Financial systems and economic development

- Philip Arestis (University of Cambridge)
  Does financial structure matter for growth and development?

B1 Issues in heterodox macroeconomics
Conference Room 2
Chair: Sebastian Dullien (FHTW Berlin)

- Dany Lang (Institute d’Etudes Politiques, Toulouse), Mark Setterfield
  Is there scientific progress in macroeconomics? The case of the NAIRU

- Malcom Sawyer (University of Leeds)
  Reformulating macroeconomic policies: a Kaleckian perspective

- Jochen Hartwig (ETH Zürich)
  Checking the plausibility of macroeconomic data – the case of Swiss labour productivity growth

C1 Financial instability
Conference Room 3
Chair: Christian E. Weller (UMass, Boston; Center for American Progress)

- Elisabetta De Antoni (University of Trento)
  Minsky’s financial instability hypothesis: an interpretation based on bounded rationality

- Alexandre Campos, Gabriel Porcile (Federal University of Parana), Ricardo Viana
  Mynskian crisis and inflation target: a North-South Kaleckian model of financial fragility
- **Özlem Onaran**  
  (FHTW Berlin)  
  Labor’s share and financial crisis: the case of manufacturing industry in Korea, Mexico, and Turkey

- **Eleonora Cavallaro**  
  (University of Rome), Bernardo Maggi, Marcella Mulino  
  The macrodynamics of external debt and financial fragility in a currency board: the case of Argentina

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### D1  Stock flow consistent modelling and the housing market

**Conference Room 4**  
Chair: Till van Treeck (IMK, Düsseldorf)

- **Elisabeth Springler**  
  (WU Wien)  
  Endogenous money, housing finance and prices

- **Diarmid J. G. Weir**  
  (University of Stirling)  
  The macroeconomic significance of household lending demonstrated in stock-flow consistent models

- **Francesca Spinelli, Gennaro Zezza**  
  (University of Cassino)  
  U.S. Growth, the housing market and the distribution of income

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### E1  Fiscal polices

**Conference Room 5**  
Chair: Claus Thomasberger (FHTW Berlin)

- **Stefanie Bahr, Thomas Sauer**  
  (FH Jena), Lena Vogel,  
  Macroeconomic resilience in times of financial globalisation: The experience of the Nordic EU-countries

- **Eckhard Hein, Achim Truger**  
  (IMK, Düsseldorf)  
  Fiscal Policy in the Macroeconomic Policy Mix: France, Germany, Sweden and the UK compared

- **Jérôme Creel** (OFCE, Paris), Paola Monperrus-Veroni, Francesco Saraceno  
  Has the golden rule of public finance made a difference in the UK?
Parallel Sessions

Friday, 26 October: 17.30–19.30

A2 Global imbalances

Conference Room 1
Chair: Stephan Schulmeister (WIFO, Wien)

- **Jörg Bibow** (Skidmore College) The international monetary (non-) order and the ‘global capital flows paradox’
- **Dimitri B. Papadimitriou** (Levy Economics Institute of Bard College) Global imbalances: The US and the rest of the world
- Philip Arestis, Elias Karakitsos Global liquidity and financial crises

B2 Financial integration and financial regulation

Conference Room 2
Chair: Özlem Onaran (FHTW Berlin)

- **Mechthild Schrooten** (Hochschule Bremen) European financial integration – distance matters
- **Bernhard Emunds** (Hochschule Sankt Georgen) Financial short-termism – the end of the Social Market Economy?
- **Hans Michael Trautwein** (University of Oldenburg) Employee participation in financial regulation and macroeconomic policies

C2 Monetary policy and the asset markets

Conference Room 3
Chair: Elisabeth Springler (WU Wien)

- **Michael Holz** (University of Trier) Experimental asset markets, behavioral economics, and their implications for financial stability
- **Dirk J. Bezemer** (Groningen University) Explaining the great moderation: credit and the macroeconomy revisited
- **Maria Teresa Valderrama** (Austrian National Bank), Sylvia Kaufmann The role of credit aggregates and asset prices in the transmission mechanism. A comparison between the Euro area and the US
- Entela Myftari, *Sergio Rossi* (University of Fribourg)  
  Asset prices and monetary policy: should central banks adopt asset-based reserve requirements?

### D2 Financial systems and growth in Latin America

**Conference Room 4**  
Chair: Hansjörg Herr (FHW Berlin)

- *Barbara Fritz* (FU Berlin), Laurissa Mühlich  
  South-South monetary and financial integration: towards a research framework beyond the theory of optimum currency area

- Adriana Amado, *Frederico G. Jr. Jayme* (Universidade Federal de Minas Gerais), Marco-Flávio Resende  
  Economic Growth Cycles in Latin America and Developing Countries

- Edmar L. Bacha, Fernando M. Gonçalves, *Márcio Holland* (São Paulo School of Economics)  
  Is Brazil different? Risk, dollarization, and interest in emerging markets

### E2 Distribution and growth I

**Conference Room 5**  
Chair: Peter Flaschel (Bielefeld University)

- Eckhard Hein, *Lena Vogel* (University of Kent)  
  Distribution and growth in France and Germany – single equation estimations and model simulations based on the Bhaduri/Marglin-model

- *Lucas Grafl* (WU Wien), Eckhard Hein, Engelbert Stockhammer  
  Functional income distribution and aggregate demand in Germany

- *Oliver Allain* (Université Paris), Nicolas Canry  
Parallel Sessions

Saturday, 27 October: 9.00–11.00

A3 Finance-led accumulation regimes? I

Conference Room 1
Chair: Achim Truger (IMK, Düsseldorf)

- Jan Priewe (FHTW Berlin) – The evolution of four types of finance-led capitalism – the relationship between money, finance and the real economy
- Sunanda Sen (Jamia Millia University, New Delhi) – Global finance: on the move to stock market capitalism
- Engelbert Stockhammer (WU Wien) – Some stylized facts on the finance-dominated accumulation regime

B3 Financialisation from Post-Keynesian perspectives

Conference Room 2
Chair: Philip Arestis (University of Cambridge)

- Basil Moore (Stellenbosch University) – Saving and investment once again: the effects of financial structure
- Óscar De-Juan (University of Castilla-La Mancho), Josep González-Calvet – When speculative financial investment crowds out productive investment. A pray-predator model.
- Eckhard Hein (IMK, Düsseldorf), Till van Treeck – ‘Financialisation’ in Kaleckian/Post-Kaleckian models of distribution and growth
- Klaus Bartsch – The growing share of rentiers yield in profit income and the development of fixed capital accumulation and employment in post-unification Germany – is there a nexus?

C3 International capital flows in small and large interacting open economies

Conference Room 3
Chair: Thomas Palley (Washington)

- Peter Flaschel (Bielefeld University), Gangolf Groh, Florian Hartmann, Willi Semmler – Finance-led world capitalism in a nutshell
Peter Flaschel, *Gangolf Groh* (Bielefeld University), Christian R. Proaño, Willi Semmler

Gradual wage-price adjustments and international macroeconomic interactions in a semi-structural two-country model

**D3 Interest rates and credit**

**Conference Room 4**
Chair: Jochen Hartwig (ETH Zürich)

- **Richard A. Werner** (University of Southampton)
  Credit and growth in different rationing regimes – some implications for finance-led capitalism, inflation, government intervention and institutional design

- **Jonathan Perraton** (University of Sheffield)
  Interest rates trends and financialization

- Óscar De-Juan, *Eladio Febrero* (University of Castilla-La Mancha)
  Interest rates, output growth and income distribution. Lessons from the Spanish experience of nil interest rates

**E3 Issues in public policies**

**Conference Room 5**
Chair: Jérôme Creel (OFCE, Paris)

- Guiseppe Mastromateo, *Claudio Sardoni* (University of Rome)
  Fiscal policy and currency areas

- Henrik Enderlein, Laura Müller, *Christoph Trebesch* (Hertie School of Governance)
  When do debtor governments defect? Explaining coercive measures on private creditors

- Nigel Allington, *John McCombie* (University of Cambridge)
  The Thatcher experiment, 1979-86: did it lead to a productivity growth renaissance in the UK?

- Torsten Niechoj (IMK, Düsseldorf)
  Limits to sub-national debt autonomy. Switzerland, Austria and Germany in comparison
### Parallel Sessions

**Saturday, 27 October: 11.30–13.30**

#### A4 Macroeconomic policies in the global economy

**Conference Room 1**

Chair: Torsten Niechoj (IMK, Düsseldorf)

- **Fernando J. Cardim de Carvalho** (Federal University of Rio de Janeiro)
  - Macroeconomic policy with open capital accounts
- **Elke Muchlinski** (FU Berlin)
  - Global imbalances and central bank coordination
- **Sebastian Dullien** (FHTW Berlin)
  - Who is afraid of Asian FX interventions? Lessons for Europe from a three-asset-portfolio model

#### B4 Finance-led accumulation regimes? II

**Conference Room 2**

Chair: Hans Michael Trautwein (University of Oldenburg)

- **Riccardo Bellofiore** (Università di Bergamo), Joseph Halevi
  - What is 'new' in contemporary capitalism and economic policies: a Marxian-Kaleckian perspective
- **Mickaël Clévenot, Yann Guy** (University Paris-Diderot)
  - The inconsistency of French regulation mode faced with the financialization of accumulation pattern. The contributions of Regulation approach and neo-Cambridgian modelling
- **Guglielmo Forge Davanzati** (University of Salento), Riccardo Realfonzo
  - A Veblenian monetary theory of production, consumption and waste
- **Trevor Evans** (FHW Berlin)
  - Finance driven capitalism and the role of international capital flows in the US
C4 Financial instability and stabilisation
(graduate student session)

Conference Room 3
Chair: Peter Spahn (University of Hohenheim)

- **Romuald Morhs** (University of Ottawa) Financialisation and unemployment in the Euro area: a Kaleckian perspective
- **Christian Ambrosius** (FHTW Berlin) Financial stabilization through remittances? Some remarks on the macroeconomic effects of migrant remittances
- **Thorsten Drautzburg** (University of Essex) Real exchange rate volatility, openness, and growth
- **Ulaş Şener** (University of Potsdam) Turkish monetary policy in the post-crisis era: a case of growth through debt?

D4 Currency crises and crisis prevention
(graduate student session)

Conference Room 4
Chair: Dany Lang (Institute d’Etudes Politiques, Toulouse)

- **Matthieu Charpe** (EHESS, PSE), Michael Brei Distributive aspects of currency crises: debt dynamic, financial transfers and borrowers heterogeneity
- **Nishtha Khurana** (FHTW Berlin) Crisis prevention and capital controls in India

E4 Financial structure, investment and financial crisis
(graduate student session)

Conference Room 5
Chair: Engelbert Stockhammer (WU Wien)

- **Roseline Misati** (University of Benin) Financial sector reforms and private investment In Africa: a dynamic panel data approach
- **Ayca Sarialioglu-Hayali** (University of Sheffield) Financial stability and financial crises: the role of derivative instruments in international financial crises
- **Cornelia Staritz** (WU Wien; New School for Social Research, NY) Financial structure, investment, and economic development
Parallel Sessions

Saturday, 27 October: 15.00–17.00

A5 Financialisation and stock flow consistent modelling

Conference Room 1
Chair: Eckhard Hein (IMK, Düsseldorf)

- **Marc Lavoie** (University of Ottawa) - Financialisation issues in a Post-Keynesian stock-flow consistent model
- **Till van Treeck** (IMK, Düsseldorf) - A synthetic, stock-flow consistent macroeconomic model of financialisation
- **Peter Skott** (University of Massachusetts), Ryooy Soon - Macroeconomic implications of financialization

B5 The US financial market boom and after

Conference Room 2
Chair: Trevor Evans (FHW Berlin)

- **Michael Hudson** (University of Missouri) - The balance-of-payments dimension of today’s financialisation
- **Christian E. Weller** (UMass, Boston/Center for American Progress), Kate Sabatini - On shaky ground: the US mortgage boom and its economic consequences
- **David F. Milleker** (Union Investment) - The rise and fall of the US subprime mortgage market

C5 Distribution and growth II

Conference Room 3
Chair: Christian R. Proaño (IMK, Düsseldorf)

- **Peter Flaschel** (Bielefeld University), Daniele Tavani, Lance Taylor, Timo Teuber - A structuralist model of the wage-price spiral with non-linear demand pressure terms
- **Thomas Dallery** (Lille 1 University) - Kaleckian models of growth and distribution revisited: how relevant are they to the study of economic growth in the twenty-first century? A simulation-based analysis
Functional income distribution and aggregate demand in the Euro-area

D5 Perspectives on unemployment and labour income
(graduate student session)

Conference Room 4
Chair: Achim Truger (IMK, Düsseldorf)

- **Ansgar Renneberg** (University of St. Andrews)
  The NAIRU and monetary policy in a New Keynesian model

- **Paul Ramskogler** (WU Wien)
  The effects of wage bargaining coordination on inflation: a preliminary analysis

- **Simon Sturn** (WU Wien)
  An update and expansion of Laurence Balls paper ‘Aggregate demand and long-run unemployment’

- **Karin Fischer** (WU Wien)
  Policy reform and income distribution: the case of manufacturing industry in Honduras

E5 Consumption, saving and money
(graduate student session)

Conference Room 5
Chair: Torsten Niechoj (IMK, Düsseldorf)

- **Wolfgang Fellner** (WU Wien)
  How do consumption and its social contingencies influence people’s happiness?

- **Jan-Oliver Menz** (University of Warwick)
  Precautionary saving in a macroeconomic perspective: A comparison between Newkeynesian and Postkeynesian consumption theory

- **Tai Young-Taft** (New School for Social Research, New York)
  Hedging, valuation, and revolution: An essay on the contemporary money commodity