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

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.30–12.00</td>
<td>Arrival and registration</td>
</tr>
<tr>
<td>12.00–12.30</td>
<td>Welcome and introduction</td>
</tr>
<tr>
<td></td>
<td>by Eckhard Hein (IMK, Düsseldorf)</td>
</tr>
<tr>
<td>12.30–14.30</td>
<td><strong>Plenary Session</strong></td>
</tr>
<tr>
<td></td>
<td>Global imbalances and financialisation</td>
</tr>
<tr>
<td>14.30–15.00</td>
<td>Coffee break</td>
</tr>
<tr>
<td>15.00–17.00</td>
<td><strong>Parallel Sessions</strong></td>
</tr>
<tr>
<td></td>
<td>A1, B1, C1, D1, E1</td>
</tr>
<tr>
<td>17.00–17.30</td>
<td>Coffee break</td>
</tr>
<tr>
<td>17.30–19.30</td>
<td><strong>Parallel Sessions</strong></td>
</tr>
<tr>
<td></td>
<td>A2, B2, C2, D2, E2</td>
</tr>
<tr>
<td>19.30–20.00</td>
<td>Graduate student meeting (conference Room 1: Steglitz)</td>
</tr>
<tr>
<td></td>
<td>organised by Eckhard Hein, Torsten Niechoj (IMK, Düsseldorf), and</td>
</tr>
<tr>
<td></td>
<td>Engelbert Stockhammer (WU Wien)</td>
</tr>
<tr>
<td>20.00</td>
<td>Dinner</td>
</tr>
</tbody>
</table>

### Saturday, 27 October

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.00–11.00</td>
<td><strong>Parallel Sessions</strong></td>
</tr>
<tr>
<td></td>
<td>A3, B3, C3, D3, E3</td>
</tr>
<tr>
<td>11.00–11.30</td>
<td>Coffee break</td>
</tr>
<tr>
<td>11.30–13.30</td>
<td><strong>Parallel Sessions</strong></td>
</tr>
<tr>
<td></td>
<td>A4, B4, C4, D4, E4</td>
</tr>
<tr>
<td>13.30–15.00</td>
<td>Lunch</td>
</tr>
<tr>
<td>15.00–17.00</td>
<td><strong>Parallel Sessions</strong></td>
</tr>
<tr>
<td></td>
<td>A5, B5, C5, D5, E5</td>
</tr>
<tr>
<td>17.00–17.30</td>
<td>Coffee break</td>
</tr>
<tr>
<td>17.30–19.30</td>
<td><strong>Plenary Session</strong></td>
</tr>
<tr>
<td></td>
<td>Financial stability and financial crises</td>
</tr>
<tr>
<td>20.00</td>
<td>Dinner</td>
</tr>
</tbody>
</table>
## Programme

### Plenary Session

**Friday, 26 October: 12.30–14.30**

**Global imbalances and financialisation**

**Conference Room 1: Steglitz-Zehlendorf**

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: Steglitz-Zehlendorf**

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: Steglitz**
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: Zehlendorf**
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: Lankwitz**
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 Minskyan crisis and inflation target: a North-South Kaleckian model of financial fragility
<table>
<thead>
<tr>
<th>Speaker</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Özlem Onaran</td>
<td>Labor’s share and financial crisis: the case of manufacturing industry in Korea, Mexico, and Turkey</td>
</tr>
<tr>
<td>(FHTW Berlin)</td>
<td></td>
</tr>
<tr>
<td>Eleonora Cavallaro</td>
<td>The macrodynamics of external debt and financial fragility in a currency board: the case of Argentina</td>
</tr>
<tr>
<td>(University of Rome),</td>
<td></td>
</tr>
<tr>
<td>Bernardo Maggi,</td>
<td></td>
</tr>
<tr>
<td>Marcella Mulino</td>
<td></td>
</tr>
<tr>
<td>Elisabeth Springler</td>
<td>Endogenous money, housing finance and prices</td>
</tr>
<tr>
<td>(WU Wien)</td>
<td></td>
</tr>
<tr>
<td>Diarmid J. G. Weir</td>
<td>The macroeconomic significance of household lending demonstrated in stock-flow consistent models</td>
</tr>
<tr>
<td>(University of Stirling)</td>
<td></td>
</tr>
<tr>
<td>Francesca Spinelli,</td>
<td>U.S. Growth, the housing market and the distribution of income</td>
</tr>
<tr>
<td>Gennaro Zezza</td>
<td></td>
</tr>
<tr>
<td>(University of Cassino)</td>
<td></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Speaker</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stefanie Bahr, Thomas</td>
<td>Macroeconomic resilience in times of financial globalisation: The experience of the Nordic EU-countries</td>
</tr>
<tr>
<td>Sauer, Lena Sauer (FH Jena), Lena Vogel,</td>
<td></td>
</tr>
<tr>
<td>Eckhard Hein, Achim</td>
<td>Fiscal Policy in the Macroeconomic Policy Mix: France, Germany, Sweden and the UK compared</td>
</tr>
<tr>
<td>Truger (IMK, Düsseldorf)</td>
<td></td>
</tr>
<tr>
<td>Jérôme Creel (OFCE, Paris), Paola Monperrus-Veroni, Francesco Saraceno</td>
<td>Has the golden rule of public finance made a difference in the UK?</td>
</tr>
</tbody>
</table>
Parallel Sessions

Friday, 26 October: 17.30–19.30

A2 Global imbalances
Conference Room 1: Steglitz
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: Zehlendorf
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: Lankwitz
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 and Sylvia Kaufmann (Austrian National Bank) - The role of credit aggregates and asset prices in the transmission mechanism. A comparison between the Euro area and the US
<table>
<thead>
<tr>
<th>Title</th>
<th>Speaker(s)</th>
<th>Abstract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset prices and monetary policy: should central banks adopt asset-based reserve requirements?</td>
<td>Entela Myftari, Sergio Rossi (University of Fribourg)</td>
<td></td>
</tr>
<tr>
<td>D2 Financial systems and growth in Latin America</td>
<td>Barbara Fritz (FU Berlin), Laurissa Mühlich</td>
<td>South-South monetary and financial integration: towards a research framework beyond the theory of optimum currency area</td>
</tr>
<tr>
<td></td>
<td>Adriana Amado, Frederico G. Jr. Jayme, Marco-Flávio Resende</td>
<td>Economic Growth Cycles in Latin America and Developing Countries</td>
</tr>
<tr>
<td></td>
<td>Edmar L. Bacha, Fernando M. Gonçalves, Márcio Holland (São Paulo School of Economics)</td>
<td>Is Brazil different? Risk, dollarization, and interest in emerging markets</td>
</tr>
<tr>
<td>E2 Distribution and growth I</td>
<td>Eckhard Hein, Lena Vogel (University of Kent)</td>
<td>Distribution and growth in France and Germany – single equation estimations and model simulations based on the Bhaduri/Marglin-model</td>
</tr>
<tr>
<td></td>
<td>Lucas Grafl (WU Wien), Eckhard Hein, Engelbert Stockhammer</td>
<td>Functional income distribution and aggregate demand in Germany</td>
</tr>
<tr>
<td></td>
<td>Oliver Allain (Université Paris Descartes), Nicolas Canry</td>
<td>Distribution and growth in France (1970-2006): a cointegrated VAR approach</td>
</tr>
</tbody>
</table>
### Parallel Sessions

**Saturday, 27 October: 9.00–11.00**

#### A3 Finance-led accumulation regimes? I

**Conference Room 1: Steglitz**  
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 Milia 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 and economic growth

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

- **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

- **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: Lankwitz**  
Chair: Thomas Palley (Washington)

- **Peter Flaschel**  
  (Bielefeld University), Gangolf Groh, Florian Hartmann, Willi Semmler  
  Finance-led world capitalism in a nutshell
<table>
<thead>
<tr>
<th>Topic</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>D3 Interest rates and credit</td>
<td><strong>Conference Room 4: Atrium</strong>&lt;br&gt;Chair: Jochen Hartwig (ETH Zürich)</td>
</tr>
<tr>
<td>Peter Flaschel, <em>Gangolf Groh</em> (Bielefeld University), Christian R. Proaño, Willi Semmler</td>
<td>International capital flows in a Mundell-Fleming-Tobin framework</td>
</tr>
<tr>
<td>Peter Flaschel, <em>Christian R. Proaño</em> (IMK, Düsseldorf)</td>
<td>Gradual wage-price adjustments and international macroeconomic interactions in a semi-structural two-country model</td>
</tr>
<tr>
<td>Jonathan Perraton (University of Sheffield)</td>
<td>Interest rates trends and financialization</td>
</tr>
<tr>
<td>Marisol Esteban (University of Basque Country), Amaia Altuzarra</td>
<td>A model of the Spanish housing market</td>
</tr>
<tr>
<td>Óscar De-Juan, <em>Eladio Febrero</em> (University of Castilla-La Mancha)</td>
<td>Interest rates, output growth and income distribution. Lessons from the Spanish experience of nil interest rates</td>
</tr>
</tbody>
</table>

| E3 Issues in public policies | **Conference Room 5: Studio**<br>Chair: Jérôme Creel (OFCE, Paris) |
| 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: Steglitz**  
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: Zehlendorf**  
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: Lankwitz
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: Atrium
Chair: Dany Lang (Institute d’Etudes Politiques, Toulouse)

- Thomas Bernhardt (WU Wien)
  Dimensions of the Argentine crisis 2001/02. A survey of politico-economical explanations
- 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: Studio
Chair: Engelbert Stockhammer (WU Wien)

- Roseline Misati (University of Benin)
  Financial sector reforms and private investment in Africa: a dynamic panel data approach
- Ayca Sarialioğlu-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: Steglitz
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), Soon Ryoo Macroeconomic implications of financialization

B5 The US financial market boom and after
Conference Room 2: Zehlendorf
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: Lankwitz
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
- Stefan Ederer (WU Wien), Özlem Onaran, Engelbert Stockhammer

Functional income distribution and aggregate demand in the Euro-area

---

**D5 Perspectives on unemployment and labour income**

(graduate student session)

**Conference Room 4: Atrium**

Chair: Achim Truger (IMK, Düsseldorf)

- **Ansgar Rannenberg** (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: Studio**

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