

## Institute for New Economic Thinking Young Scholars Initiative Festival of Economics

Trento  
May 29 – June 2, 2013

### Program

#### Overview

University of Trento	<b>Workshop 1: Stock Flow Consistent Modeling</b>	<b>Workshop 2: Economic Crisis and Theoretical Progress</b>	<b>Workshop 3: Money and Banking</b>
<b>Wednesday, May 29:</b> 11:00 – 13:00	Registration and lunch		
13:00-14:30	Session I	Session I	Session I
14:30 – 15:30	<i>Break</i>		
15:30-17:00	Session II	Session II	Session II
<b>Thursday, May 30:</b> 10:00 – 11:30	Session III	Session III	Session III
11:30 – 12:20	<i>Lunch</i>		
12:20 – 13:20	YSI Lunch Panel		
13:30-15:00	Session IV	Session IV	Session IV
<b>Friday, May 31:</b> 11:00 Palazzo Geremia	<b>INET Lecture: The Big Wave</b> Andy Haldane, Bank of England		
13:00 – 14:00 University of Trento	<b>YSI Comparative Student Experience Panel</b>		
15:30 – 16:30 Facoltà di Giurisprudenza - Aula Magna	<b>INET Lecture: Financial Globalization and the Future of Central Banking</b> Perry Mehrling, Columbia University/ INET		
<b>Saturday, June 1:</b> 11:00 Rovereto - Teatro Melotti	<b>Young Scholars Initiative Keynote Address -- Restoring Accountable Governance: Collective Action When Market Forces Overwhelm the Nation State</b> Robert Johnson, Executive Director of INET		
15:30 – 17:00 University of Trento	<b>Young Scholar Presentations: Macroeconomic Imbalances in the Euro Zone</b>		

Wednesday, May 29 / Thursday, May 30

## Workshop I: Stock Flow Consistent Models – An Introduction to Theory and Technique

Taught by Neil Lancaster (University of Leicester), Antoine Godin (University of Pavia), Eugenio Caverzasi (University of Pavia)

Location: University of Trento

Stock flow consistent (SFC) models unify stocks and flows in a framework such that 'everything comes from somewhere and everything goes somewhere' (Godley and Lavoie, 2007:6). The approach is grounded in Barrere, Graziani, Parguez and Poulon, and rediscovers Marx's 'monetary economy of production'. It has strong ties to the Cambridge (UK) School of Keynesian Economics, and to the current post-Keynesian economists (Lavoie, Zezza, Keen, Pilkington and others).

Wednesday, May 29: **(I) The crisis in mainstream**

13:00-14:30

**(II) From Aristotle to Godley**

15:30-17:00

**(I) SFC models in a nutshell Salient features**

**(II) A Schumpeterian model**

Thursday, May 30: **(I) Simulating models: PK-SFC package**

10:00-11:30

**(II) From model SIM to model PC**

12:15 – 13:15

**YSI Lunch Panel - Italy: The Domino that is Too Big To Fall?**

Roberto Tamborini, University of Trento

Paolo Collini, University of Trento

Moderator: Marshall Auerback, INET

13:30-15:00

**(I) From model PC to model INSOUT**

**(II) Wrap-up: Structuralism and SFC**

**Requirements:** Bring your laptop with R (<http://www.r-project.org/>) installed. Please also install the following package (website: [www.antoinegodin.eu/sfc](http://www.antoinegodin.eu/sfc)). Download the workshop program for detailed reading list:

<http://ineteconomics.org/sites/inet.civicaactions.net/files/Trento%20Workshop%20FINAL.pdf>

## Workshop II: Economic Crisis and Theoretical Progress

Taught by Goncalo Fonseca, INET

Location: University of Trento

Economic Crisis and Intellectual Progress: A survey of early history

The economic crisis that has recently enveloped the industrialized world has concentrated the attentions of economists and policymakers. Set solutions have been found to be wanting, and a wave of new economic thinking has been provoked. This dynamic, of course, is nothing new in intellectual history. Crisis has always been a great teacher, the forge of new ideas, forcing changes in old thinking to explain and address new challenges. Success, by contrast, tends to be a poor teacher, breeding complacency and intellectual self-satisfaction. The questions asked when things are going wrong are usually deeper and more penetrating than those asked when things are going right. Nations in crisis tend to look to more successful neighbors for example and instruction, but the lessons are often ambiguous.

Our series conducts a brief survey of the history of early economic thought. Rather than conduct a battle of the books, we embed it in economic history, and trace how real economic crises challenged old formulas, and forced thinkers to come up with new ideas and new concepts, that were subsequently incorporated into the construction of the field of economics. The history of economic thought is the history of economic crisis.

We selected four eras for our survey, all taken from before professionalization of economics: Medieval Scholasticism, Early Modern Mercantilism, Enlightenment Liberalism and 19th C. Classicism.

Wednesday, May 29: **Scholasticism: Commerce and Progress**

13:00-14:30

The European Dark Ages was broken by the commercial revolution. Gathering speed in the 13th C. European thinkers were confronted with a new and unusual phenomenon upsetting the stability of feudalism. We outline how the Scholastics tried to make sense of it all.

15:30-17:00

**Mercantilism: Money and Progress**

The New World breaks the Scholastic worldview, but instead of the promised rational Humanist utopia, Europe sinks into fanaticism, division and war. Money, the "sinews of war", takes on a dramatic importance and raising it becomes the primary concern. The Great Inflation and the Dutch paradox turns attention to the



relationship between money and trade. A new active role for the State is found, and Mercantilist policy comes to dominate thinking.

Thursday, May 30: **Liberalism: Taxes and Progress**

10:00-11:30

The French state is bankrupt, the country broken. Enlightenment thinkers blame archaic institutions and misgovernance, and propose deep reform along rationalist principles. The good doctor Quesnay unravels the anatomy of the economy - and shows where the State's incision should be made. In the meantime, poor, feudal Scotland is suddenly thrown into an economic union with dynamic, capitalist England. Apprehensive of her fate, Scottish philosophers contemplate how civilizations change, on growth, trade and public morals.

12:15 – 13:15

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13:30-15:00

**Classicism: Poverty and Progress**

Liberalism has hardly taken its seat when it is swept by a surging wave of the poor. So many of them, where did they come from? And what is to be done with them? Attention of thinkers turns to the welfare of the bottom quartiles, scrambling to understand and address the crisis of the poor - population growth, wages, employment, trade unions and the poor laws come under scrutiny and reform.

*Required reading to follow.*

## Workshop III: Money and Banking

Taught by Perry Mehrling, Columbia University / INET

Location: University of Trento

Introduction to a “money view” of economic activity for modern times, building on the intellectual traditions of British central banking and American institutionalism. Implications for future development of economics and finance, both theory and practice.

Wednesday, May 29: **Analytics of the Money View: Part I**

13:00-14:30

Video: <http://youtu.be/3h-LhHi68Jw>

15:30-17:00

**Analytics of the Money View: Part II**

Video: [http://youtu.be/4kHpo\\_EI5e4](http://youtu.be/4kHpo_EI5e4)

Thursday, May 30: **Applications and Implications: Part I**

10:00-11:30

Video: <http://youtu.be/MQ-vuVXbbZM>

12:15 – 13:15

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13:30-15:00

**Applications and Implications: Part II**

Video: [http://youtu.be/ocRsg6iOc\\_I](http://youtu.be/ocRsg6iOc_I)

**Requirements:** Watch each video. Required reading: *The Hierachy of Money*. Suggested reading: *Arrow of time*; *Vision of Hyman Minsky*; *Excerpt from New Lombard Street*. Download: [http://ineteconomics.org/sites/inet.civicaactions.net/files/papers\\_052213.zip](http://ineteconomics.org/sites/inet.civicaactions.net/files/papers_052213.zip)

**Friday, May 31**

**INET Lecture: The Big Wave**

Friday, May 31, 11:00, Palazzo Geremia

Andy Haldane, Bank of England

Several economists, Robert Gordon among others, had forecast a period of slow growth or stagnation at the global level. The big wave impact from the industrial revolution is running out. Others would point out the lack of R&D investment as a stimulus for future innovation. What are therefore the mechanisms underlying these gloomy forecasts? How can the political economy and economic policy contribute to alter the path we are on?

**YSI Comparative Student Experience Panel**

Friday, May 31, 13:00, University of Trento

In this discussion we will explore the challenges students and young researchers face within the particular institutional settings of their respective universities and countries.

Moderated by Jay Pocklington, Manager Young Scholars Initiative, INET

**INET Lecture: Financial Globalization and the Future of Central Banking**

Perry Mehrling, Columbia University; Director of Educations Programs at INET

Friday, May 31, 15:30, Facoltà di Giurisprudenza - Aula Magna

Globalization of financial markets, both capital markets and money markets, poses the central challenge facing central banks today, since their base of operations is inherently national. So-called “cooperation” between the top five central banks, which takes the form of more-or-less coordinated quantitative easing backstopped by mutual swap lines, is the current response to that challenge. Is this response adequate, and what does the future hold?



**Saturday, June 1**

**Young Scholars Initiative Keynote Address -- Restoring Accountable Governance: Collective Action When Market Forces Overwhelm the Nation State**

Robert Johnson, Executive Director of INET

Saturday, June 1, 11:00, Rovereto - Teatro Melotti

We are living in a world where the resources available to corporations are overwhelming relative to those of individual citizens, and where the power of international markets that private actors can tap in to often exceeds that of any given sovereign state. This dynamic creates great difficulty for modern democracies, as evidenced in the decreasing responsiveness and accountability of many democratic political systems to their electorates. The way democratic societies deal with these challenges will shape much of the 21st century.

**Young Scholar Presentations: Macroeconomic Imbalances in the Euro Zone**

Saturday, June 1, 15:30, University of Trento

Dirk Ehnts (Berlin School of Economics and Law): A Simple Model of a Currency Union with Endogenous Money and Saving-Investment Imbalances

Enno Schröder (New School for Social Research, New York): European Trade Imbalances: Measuring the Contribution of Expenditure Switch and Expenditure Volume

Joao Paulo A. de Souza (University of Massachusetts-Amherst, Boston): Intersectoral Financial Flows and External Imbalances in Europe: Trends Before the Crisis (1995-2007)

Daniel Gros, Centre for European Policy Studies (CEPS), serves as discussant.