STUDIA EKONOMICZNE ● ECONOMIC STUDIES
NR 1 (LXXXIV) 2015

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KEYNESIANISM: MAINSTREAM ECONOMICS OR HETERODOX ECONOMICS?

INTRODUCTION

The broad area of research commonly referred to as "Keynesianism" was established by the book entitled *The General Theory of Employment, Interest and Money* published in 1936 by John Maynard Keynes (Keynes, 1936; Polish ed. 2003). It was hailed as revolutionary as it undermined the vision of the functioning of the world and the conduct of economic policy, which at the time had been established for over 100 years, and thus permanently changed the face of modern economics. But Keynesianism never created a homogeneous set of views. Conventionally, the term is synonymous with supporting state interventions as ensuring a higher degree of resource utilization. However, this statement is too general for it to be meaningful. Moreover, it ignores the existence of a serious divide within the Keynesianism resulting from the adoption of two completely different perspectives concerning the world functioning.

The purpose of this paper is to compare those two Keynesian perspectives in the context of the separate areas of mainstream and heterodox economics. Given the role traditionally assigned to each of these alternative approaches, one group of ideas known as Keynesian is widely regarded as a major field for the discussion of economic problems, whilst the second one – even referred to using the same term – is consistently ignored in the academic literature. In accordance with the assumed objectives, the first part of the article briefly characterizes the concept of neoclassical economics and mainstream economics. Part two is devoted to the "old" neoclassical synthesis of the 1950s and 1960s, New Keynesianism and the

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neoclassical synthesis of the 1990s, i.e. the classes of Keynesian beliefs that are generally incorporated into the mainstream economics. The third part presents the essence of Post Keynesianism as an approach representing heterodox economics and so, by definition, being meaningless for the dialog on the courses of modern economic theory and practice. By establishing the arguments on completely different assumptions creating incomparable visions of the world, it is impossible to strongly connect the two Keynesian perspectives into one stream, despite the fact that both underline the same roots.

1. NEOCLASSICAL AND MAINTSTREAM ECONOMICS

Dequech believes that neoclassical economics is based on three basic assumptions (Dequech, 2007, p. 280):

1. rationality among economic agents as well as the maximization of utility as a criterion of this rationality;
2. general equilibrium or partial equilibria;
3. certainty and risk (the neglect of strong kinds of uncertainty and particularly of fundamental uncertainty).

Lavoie, in turn, describes neoclassical economics using four characteristics related to methodology and one connected to the economic policy (Lavoie, 2006, pp. 6–12):

1. instrumentalism;
2. individualism;
3. formal rationality;
4. exchange and scarcity;
5. competitive markets.

According to the assumption of instrumentalism, the usefulness of a theory (or hypothesis) should be evaluated on the basis of the relevance and accuracy of the predictions generated for events that have not yet been experienced or have already occurred, but of which the researcher is not aware (Friedman, 1966). From this point of view, the descriptive feature of a theory ceases to have any significance. Hypothesis only serves as an analytical tool (instrument), regardless of the extent to which it reflects the actual elements of economic environment. In other words, what counts is not the realism of the theory but only its predictive power.

Methodological individualism implies that neoclassical economics adopts a microeconomic perspective. Macroeconomic phenomena are derived from formally modelled optimizing decisions made by individual agents, given market restrictions. By accepting an atomistic world as part of the analysis, in which there is a compatibility of interests at a micro- and macroeconomic level, the institutional structure is omitted. Hence, the whole process of its evolution and the impact that it may have on the individual motives and preferences is entirely ignored.

Formal rationality is most often defined on the ground of Muth's rational expectations hypothesis (Muth, 1961). According to this theory, agents behave as if they were acquainted with the best economic forecasting model, given the available set of information. This does not imply that their predictions are perfect or that they are all the same. It is assumed, however, that individuals do not make systematic errors and their anticipations deviate from actual events only as a result of unexpected occurrences ("surprises"). The agent is therefore able to correctly forecast and calculate economic results which guarantees the continuous maximization of economic results, given market frictions. The accurate predictions of future events are possible, since neoclassical economics uses the term of quantifiable risk. As a result the individual is capable of formulating reliable forecasts using all available information.

Neoclassical economics takes for granted a Pareto-optimal equilibrium towards which the system will automatically head after each (even serious) disturbance. For this reason attention is focused above all on the exchange and efficient allocation of scarce production factors within the boundaries established by the level of their maximum employment. Hence, the distribution of produced real goods, guaranteeing the attainment of optimal results, is in the centre of interest.

Maximum outcomes at both the micro and macro levels are only achieved by competitive markets. If it were possible to eliminate various types of imperfection adversely affecting competition and access to full information, a flexible pricing system would result in a Pareto-optimal equilibrium. The state authorities should give up active interventions, especially those involving the instant stimulation of the economy, because they generate shocks resulting in market inefficiencies.

The term „mainstream economics", in turn, exists in the literature as, above all, a sociologically (not intellectually) defined category. According to Colander *et al*., mainstream economics is made up of opinions championed by key representatives of elite academic institutions whose works are financed by leading research organizations, published in the best periodicals and distinguished by prizes (Colander *et al*., 2004, p. 490). These opinions are widely accepted by the authorities in a given field and therefore they become a "mainstream" of thought. This is, therefore, a definition based upon prestige and influence exerted by the professional environment.

Dequech points out that mainstream economics defined in sociological terms is not and does not need to be internally consistent (Dequech, 2007, p. 283). Since this term does not refer to a specific, historically formed school of thought, it can extend to ideas which clearly contrast with each other. These contrasts result from the fact that the mainstream changes over time. The development of economic science as a result of the natural process of accumulation of knowledge and the new phenomena emerging in the economic environment may make some members of elite professional circles to change their stances. If their power and position remains unchallenged, then the mainstream will evolve together with their views.

Modern economics is characterized by such trends. The person who permanently changed the face of the mainstream was a prominent British politician and scholar, John Maynard Keynes. Keynes reached his status as a respected member of government, scientist, teacher, publisher and publicist, by promoting and reinforcing the neoclassical paradigm, according to which he was educated by such distinguished academics as Alfred Marshall and Arthur C. Pigou. The weakness of neoclassical theory in the presence of the disastrous consequences of the Great Depression, however, convinced Keynes to abandon his previously held views which exhibited faith in the favourable effects of undisturbed market forces. The new vision of the economy proposed by Keynes in *The General Theory* published in 1936, although in sharp contrast to the classical and neoclassical ideas dominant for more than 100 years, very quickly gained worldwide acclaim and a myriad of adamant followers. In this way a new set of views based upon the Keynesian "revolution" and rapidly growing in many different directions, became a part of mainstream economics alongside weakened, but still existing, neoclassical economics.

This meant that two major directions of evolution emerged in post-war mainstream economics. On the one hand, there are schools referring to the achievements of neoclassical economics, that is monetarism, new classical economics and the real business cycle. On the other hand, there are approaches drawing inspiration from Keynes's *The General Theory* but simultaneously showing a strong neoclassical influences, i.e. the neoclassical synthesis, New Keynesianism and the new neoclassical synthesis.

It is clear that the modern mainstream economics is dominated by the neoclassical way of thinking. However, it is possible to identify non-neoclassical or even anti-neoclassical stances that have managed to get enough publicity and prestige to be able to influence the discussions currently taking place in the field. The most popular approaches criticising neoclassical economics above all as a descriptive theory focused on the concept of utility maximization include behavioral economics, experimental economics, new institutional economics, evolutionary game theory and complexity theory (Dequech, 2007, pp. 286–287). The adaptation of a sociological definition of mainstream economics results in an inclusion of both neoclassical economics and stances that appear to be – at least partially – critical of it. This points to the heterogeneity of mainstream economics as well as the difficulty in finding common features within it. The only distinguishing characteristic of all the approaches which make up contemporary mainstream economics is the strong emphasis on mathematical formalization (Dequech, 2007, pp. 300–301).

2. KEYNESIAN VIEWS IDENTIFIED WITHIN MAINSTREAM ECONOMICS

Keynes's *The General Theory* questioned the hegemony of neoclassical economics thereby leading to a permanent change in contemporary mainstream economics. Keynes aimed at building a genuinely general perspective which could be applied to every possible state of the economy and not just focused on a mythical full employment equilibrium. It is true, however, that his considerations retained many typical neoclassical elements. For example, Keynes assumed a competitive goods market with elastic prices, he accepted the neoclassical postulate that wages must be equal to the marginal productivity of labour (in other words, that real wages fall together with an increase in employment) and he introduced the assumption of exogenous money supply. The reasons for this are numerous. Firstly, Keynes certainly did not find it easy to completely detach himself from his neoclassical roots which were reinforced and propagated by him in several earlier publications. Secondly, those assumptions which were strictly neoclassical could have been applied by Keynes in order to simplify the analysis and easily present his views, although he himself usually neglected to make this clear. Thirdly, Keynes could not have been inclined to present too many new questionable opinions in this publication which, to all intents and purposes, would already have been highly controversial (Foster, 1986, p. 956). Fourthly, as claimed by Robinson, Keynes did not have an alternative other than to accept certain orthodox economic assumptions in order to destroy them from the inside (Robinson, 1971, pp. 81–82).

As a result, a lot of evidence can be found in *The General Theory* indicating quite a strong influence of neoclassical economics. This prompted John R. Hicks to develop the famous IS-LM model where he claimed that Keynes's generalized model did not differ from the classical approach (Hicks, 1937). Dissimilarities are only noticeable in the specific case of the liquidity trap. Hence, according to Hicks there were no fundamental contradictions between Keynes's and the classicists' reasoning. This conclusion clearly suppressed the revolutionary character of *The General Theory*.

Hicks's arguments, which were followed by Franco Modigliani, gave an impulse to the birth of the neoclassical synthesis in the 1950s and 60s (Modigliani, 1944). The world economic situation also contributed to its development, as the stabilization of economic growth and low unemployment and inflation levels in most capitalist countries in the 1940s and 50s prompted economists to turn towards some neoclassical postulates. Alvin H. Hansen (1949, 1953) and Paul A. Samuelson (1948) became the well-known advocates of the neoclassical synthesis. They attempted to fit Keynes's short term model – used to analyze temporary disturbances caused above all by assumed *ad hoc* nominal wage rigidities – into the neoclassical general equilibrium model which rested on the idea that following any short-term problems the system would always return to a long-run Pareto-optimal equilibrium. Active government economic policy, especially fiscal policy, was seen as a precondition of achieving this equilibrium state. In this way, Keynes's theory was reduced to a special case of neoclassical theory.

The neoclassical synthesis was perceived as a considerable achievement. Firstly, it was meant to prove that there was no actual conflict on the ground of macroeconomics. In other words, *The General Theory* did not cause a break or paradigmatic revolution, but constituted just an extension of neoclassical economics. That is why, although the IS-LM model was commonly labelled as "Keynesian", it was treated as an illustration of reasoning in neoclassical terms. Secondly, due to its unique simplicity, the IS-LM model was deemed an useful tool for planning and conducting economic policy. In this way, the IS-LM model gained enormous popularity in theory and practice, reinforcing the belief that *The General Theory* was complementary in nature to the neoclassical model.

The IS-LM model began to loose its dominant role in the 1960s, when the first symptoms of rising inflation emerged. In the face of an ever more rapidly expanding price/wage spiral, this model appeared to be completely useless. It ignored the pricing process assuming given price and wage levels, completely omitted the supply side of the economy and failed to take into account expectations and microfoundations. This opened the door for a monetarist and, later, a new classical counter-revolution. Both of these schools were rooted in the neoclassical tradition. Their microeconomic models restored Walras's vision, according to which the elimination of state intervention was a precondition of a long-term Pareto-optimal equilibrium. In this way, the view implied by the IS-LM model that active government policy is necessary to cope with short-term frictions (caused by nominal rigidities) and bring the system back to an optimal state, was rejected. Monetarists and new classicists maintained that any state interventions destabilize the economy and as a consequence always lead to increasing inflation. It was monetarists who first began to build models whereby the expectations of individuals were not given but endogenously adapted to the changing environment, thereby facilitating the achievement of competitive equilibrium. The return to a long-term steady-state equilibrium after any shock is determined by the speed with which information spreads throughout the market as well as the adaptive process of forming expectations by individual agents. Consequently, in the 1960s the dominance of neoclassical economics within the mainstream was re-established, whilst Keynesian elements were almost entirely suppressed.

This tendency was reinforced in the 1960s and 70s when the new classical economics arose on the ground of monetarist principles. It was an even more radical program, according to which markets are always equilibrated, wages and prices are perfectly elastic and rational agents (in Muth's sense) maximize their profits and utilities at every point in time. Economic equilibrium can be disrupted solely by unexpected events which rational agents were unable to incorporate when making their forecasts. Following each such shock, the system easily returns to an equilibrium state as rational agents react immediately neutralizing any deviations through adequate price and wage adjustments. These adjustments are much quicker than in the monetarist model as rational agents utilize not only past data, but also all current and announced signals. In effect, their behaviour and anticipations change continually together with changing environment. The appearance of new classical intertemporal general equilibrium models based upon dynamic optimization was recognized as a definitive proof of the complete failure of Keynesian thought and the absolute dominance of neoclassical economics within the mainstream.

Following the almost decade long crisis, Keynesian thought started to recover at the beginning of the 1970s in the form of New Keynesianism, which is currently one of the most prominent schools within mainstream economics. Since the beginning, the most characteristic feature of the New Keynesian research program has been its highly heterogeneous nature. On one hand, New Keynesians continue many of the numerous concepts developed by Keynes and post-war Keynesians such as the economic risk, information problems, price and wage rigidity, the impact of shocks in the product and financial markets on the labour market, coordination problems among individual decisions, the lack of investment and capital, the non-neutrality of money and monetary policy. Of course, they consider them with regard to the current state of economic knowledge and contemporary economic problems. The combination of various experiences and achievements of the post-war period together with the prevailing perspective enhances and spreads the phenomenon of New Keynesian heterogeneity. On the other hand, however, the heterogeneity of modern Keynesianism has been influenced by the monetarist and new classical schools. The return of Keynesian thought was based upon reinstating its traditional view that the economy was not perfect and that there could be temporary but significant fluctuations, however, based upon the vision of the economy as created and embedded by monetarists and new classicists. Keynesians tending to regain their lost status as the leading macroeconomic school, had to admit that many of the charges brought forward by monetarists and new classicists directed at their theories were in fact warranted. The renaissance of Keynesianism was therefore founded on the integration of prevailing diverse achievements realized within the Keynesian research program with the proposals of its adversaries. As a result, many New Keynesian theories include such typical neoclassical elements as:

1. voluntary unemployment (Alchian, 1969; Holt, 1970a, 1970b; Mortensen, 1970; Baily, 1974; Gordon, 1974; Azariadis, 1975);
2. perfect competition (in the sense that there is no limit to the number of market participants) as well as the *continuum* of homogenous agents (Azariadis, 1975; Calvo, 1983; Shapiro and Stiglitz, 1984; Stiglitz and Weiss, 1992);
3. rational expectations hypothesis (Fischer, 1977; Phelps and Taylor, 1977; Taylor, 1980);

4. long term equilibrium with neutral money and realized expectations (Alchian, 1969; Holt, 1970a, 1970b; Mortensen, 1970; Gordon, 1981; Layard, 1986; Layard *et al*., 1991);
5. risk and logical time (Stiglitz and Weiss, 1981, 1992);
6. emphasis on supply side policies (Shapiro and Stiglitz, 1984; Stiglitz, 1987).

Consequently, New Keynesianism should be treated as a school situated on the edge of the Keynesian paradigm, traditionally stressing the imperfections of the economy and the need of state interventions, and neoclassical economics emphasizing that the economic system is well-functioning in its nature, hence the role of public authority should be kept to a minimum.

The process of blurring the boundaries between the schools within mainstream economics has been exacerbated by the appearance of the real business cycle in the 1980s, whose elements have been used to create the new neoclassical synthesis. The emergence of the real business cycle has been a challenge not only for New Keynesians but also monetarists and new classical economics. On one hand, this school criticised the possibility of monetary shocks to the economy (which was asserted by both monetarists, new classicists and New Keynesians), in exchange emphasizing the role of technological shocks. On the other hand, it denied the existence of serious imperfections, especially rigid prices and wages justifying the active role of the state (emphasized by New Keynesians). Given the rational expectations hypothesis and the assumption that agents aim to optimize their economic results, the supporters of the real business cycle attempted to provide a quantitative explanation of economic fluctuations caused by real (not nominal) changes in the framework of competitive equilibrium model. In this way, even more attention was paid to the supply side and determinants of changes in potential output. Although monetarists and new classicists also stressed this issue, they focused mainly on the reaction of prices and inflation expectations on the temporary deviations of real supply from potential output assuming that the later is given. As a result, monetarists and new classicists agreed with Keynesians that the observed fluctuations reflect the departure of current output from its potential level. The real business cycle school, however, assumed that actual output is always equal to its potential level and therefore any changes which are observed are not fluctuations around a potential level but fluctuations in the potential level itself. However, the view that money plays no role and market imperfections can be ignored in explaining the fluctuations in the economy since only technological shocks matter turned out to be unconvincing for most economists. This weakness reinforced the status of New Keynesians. Using the pricing models with barriers and frictions to immediate adjustment, New Keynesians began to simultaneously adapt dynamic stochastic general equilibrium models developed by the real business cycle school, in which supply side factors play an equally if not more important role than demand side factors.

This lead to the formulation of the new neoclassical synthesis at the beginning of the 1990s (Goodfriend and King, 1997; Galí, 2009; Woodford, 2009). Similarly to the aims of the "old" neoclassical synthesis from the 1950s and 60s, an attempt is made to combine the strong elements of competitive mainstream standpoints. Elements such as intertemporal optimization of agents, endogenously modelled rational expectations and continuously equilibrated markets are taken from new classical macroeconomics and the real business cycle school. They provide macroeconomic analysis with dynamic micro-foundations based upon the behaviour of a representative agent. On the other hand, the new neoclassical synthesis adopts from the New Keynesian school the idea of monopolistic competition where nominal prices change only occasionally. As a result of temporary price rigidities, the level of economic activity is determined by the aggregate demand which can be influenced by unexpected changes in monetary policy. Simultaneously however, the typical New Keynesian view that the main sources of economic fluctuations stem from the changes in the level of the money supply has lost its meaning. Instead, the new neoclassical synthesis following the real business cycle school suggests that the most important for temporary economic fluctuations are real shocks (coming from technology, preferences, fiscal policy etc.). Hence, the conclusion that the variations in the level of production and employment should not be treated as economic problems requiring state interventions. Such changes are natural reactions to real disturbances.

3. POST KEYNESIANISM AS A HETERODOX APPROACH

The main characteristics of heterodox economics include (Lavoie, 2006, pp. 7–12):

1. realism,
2. organicism,
3. procedural rationality,
4. production and growth,
5. state intervention.

One of the key assumptions of heterodox economics is realism, namely the attempt to explain how the actually observed economy behaves, not an abstract non-existent neoclassical world. For this reason analysis can not utilize hypothetical, idealistic assumptions but must be based upon prevailing structures and recognize that reality is always highly complex and unpredictable. Although any theory is by definition an imperfect simplification of the real world, it must possess the feature of descriptivism.

The heterodox approach is also based on the assumption of organicism (holism) implying that macroeconomic outcomes are not a simple sum of microeconomic performances. Individual agents are seen as social beings under institutional and environmental influences where culture or class structures are of special importance. The power relationships and asymmetries which are observed in reality prompt heterodox economists to stress the problem of income distribution between various social classes, sectors of the economy as well as institutions which play a dominant role in the economic environments (such as banks or corporations).

Another characteristic of heterodox economics is procedural rationality in the sense of Herbert Simon (1976). Individuals and institutions face serious obstacles when trying to gather and process data. Information is often insufficient or does not exist at all. Consequently, agents often rely on "satisfactory" results as no one is aware of – or can be aware of – the optimal outcomes. In order to be able to deal with widespread uncertainty, individuals act according to certain norms, traditions, rules of thumb or create institutions aimed at limiting its influence and repercussion.

For heterodox economics, the cornerstone of any analysis is production and growth. They focus on the sources and possibilities of increasing the employment, supply of goods and services and technological progress which jointly result in the expansion of social welfare. Since heterodox economics does not introduce the assumption of full employment, the issue of optimal allocation of existing resources becomes of minor interest. More important are the reasons for the prevailing level of resource utilization and the possibilities of expanding production boundaries.

Whilst neoclassical economists believe in the "invisible hand", heterodox economists challenge the reliance upon market mechanisms. They question the efficiency and honesty of free markets and, above all, the *ad hoc* assumption that they exist at all. The lack of government interventions in the private sector causes instability and, in consequence, the waste of resources. The authorities must be involved in the regulation of market processes especially on the demand side of economy.

Moreover, an informal approach is one of the most important features of heterodox economics. It is presumed here that formal mathematic and econometric methods should be deprived of their current dominant position, albeit not completely disregarded. They should be supplemented with other economic analysis tools as well as various other non-statistical sources of data (Mearman, 2007, pp. 3–4).

The contemporary heterodox approaches include, among others, marxism, public choice theory, neo-Austrian school, institutionalism, schumpeterian (evolutionary) economics, feminist economics, ecological economics and Post Keynesianism. Since heterodox economics is so heterogeneous, it has not been possible to create a common alternative to mainstream economics (Ratajczak, 2011, pp. 203–204). As a result, heterodox economics is perceived as centred on criticising given assumptions typical of mainstream economics and emphasizig their weaknesses and failures, rather than on displaying any aspirations to create an alternative influential economic approach. That is why heterodox economics acquired much less appreciation and prestige. It is commonly treated as an attitude of secondary importance, incapable of constructing an alternative research program better than that offered by mainstream economics.

The same argument applies to one of the most important group of views identified as part of the heterodoxy, namely Post Keynesianism. It emerged in the 1970s in reaction to the interpretations of Keynes's achievements developed within the mainstream framework. Post Keynesians, considering themselves to be the sole true heirs to Keynes's intellectual legacy, vigorously resisted *bastard Keynesianism,* namely the neoclassical synthesis which in their opinion entirely distorted the revolutionary nature of *The General Theory*. Post Keynesians maintain that Keynes definitively broke any associations with neoclassical economics. Hence, the mainstream research programs such as "old" neoclassical synthesis, New Keynesianism or the new neoclassical synthesis, have nothing in common with Keynes's genuine intentions. At the same time, however, Post Keynesianism never succeeded to create a common standpoint which could be recognized as a school of thought. The most characteristic feature of all Post Keynesians is their disregard for neoclassical economics, or even the whole mainstream dominated by neoclassical tradition. Among other threads in Post Keynesian analyses, one could identify:

1. historical time,
2. fundamental uncertainty,
3. endogenously created money,
4. effective demand and investment.

Historical time is a concept fundamentally different from the logical time[1] which is used in mainstream economic analyses. The neoclassical model is a set of equations where past, present and future are determined simultaneously. In this way, the path along which the economy shifts moving from one equilibrium to another is omitted. By ignoring the processes that provoke any changes in the system, the attention is paid only to the comparison of the features and parameters of the old and new equilibrium states. This comparison is made as if time were non-existent. Placing an emphasis on historical time means that current situations are considered as a result of the sequence of all unidirectional and irreversible events. The observable state must not be examined in isolation from past cause-and-effect relationships which can not be removed mechanically from the analysis.

Historical time as well as another important concept of limited rationality, implying imperfect knowledge about the world, are both linked to fundamental uncertainty. It is completely different from the idea of risk which forms the basis for neoclassical models. In the case of fundamental uncertainty, the future is

[1] A distinction between logical and historical time was made by Joan Robinson (1980).

unknown and unpredictable, making it impossible to calculate probabilities of future events or their possible outcomes. The world is nonergodic, so results reported in the past may not necessarily be repeated in subsequent periods (Davidson, 1988). Hence, the fact that the world is nonergodic undermines the conclusions and predictions formulated by the means of statistical analyses and econometric studies. According to Post Keynesians, institutions are one way to mitigate the adverse effects of uncertainty on the economy.

Pervasive uncertainty in a given institutional environment leads Post Keynesians to a quite different view on the role of money comparing to neoclassical one. Money is not just a “veil” anymore and its quantity independently adjusts itself to the changes in individuals’ needs. In other words, in Post Keynesians’ opinion, the money supply in a developed financial system is endogenous and not exogenous as maintained above all by monetarists, new classicists and New Keynesians. If the banking system meets the additional demand for money balances, then planned expenditures (owing to loans) can be converted into actual outlays. Banks can therefore create the economic activity by facilitating – or not – the realization of expenditures planned by the private sector. The amount of delivered funds will depend above all upon expectations regarding the future economic situation and the creditworthiness of the agent applying for additional funds.

For Post Keynesians, investments constitute the most important component of aggregate spending. Owing to the adjustable banking system, they can be realized independently of the current level of savings. Fluctuations in the level of investments, dependent upon long-term forecasts, determine the observed volatility of economic activity in the capitalist system and long-term growth trends. Changes in the rate of investments influence also the distribution of income between profits and wages. Hence, the conclusion that from the Post Keynesian standpoint, the principle of effective demand is always valid, regardless of the time horizon considered. There are many possible long-term conditions which depend upon the constraints imposed by effective demand as well as established institutions and not by supply or the existing resources. In the long run, it is the supply side that adjusts to the demand side (Lavoie, 2006, pp. 12–13; Snowdon *et al*., 1994, Polish ed. 1998, pp. 388–390).

CONCLUSIONS

New Keynesians and Post Keynesians have the same purpose, namely to explain the reasons for involuntary unemployment of existing resources (especially labour) and to specify ways in which it can be eliminated through stabilization policies. Both New and Post Keynesians agree therefore that the market system is imperfect and can generate severe fluctuations in real economic variables. However, this is where the similarities end. Their aims are realized based upon fundamentally different analytical foundations. The New Keynesian perspective (as well as both of the neoclassical syntheses) is affiliated with mainstream economics which is dominated by strong neoclassical influences. For this reason it is rejected by Post Keynesians. As representatives of heterodox economics, they oppose all attempts to embed traditional Keynesian ideas into the neoclassical framework. Post Keynesians believe that the idealistic and abstract assumptions of neoclassical economics entirely pervert the message of Keynes's works. Although it is difficult to find strong links between the two neoclassical syntheses and New Keynesianism with Keynes, their affiliation with mainstream economics has resulted in the term "Keynesian" being associated just with their achievements (Bludnik, 2010a, 2010b). On the other hand, the Post Keynesian approach, despite the fact that it demonstrates much deeper ties with the traditions initiated by Keynes, has earned itself the "stigma" of a secondary way of reasoning and therefore, in essence, has no influence on the professional discussions.

The recent financial crisis and the problems of the euro zone challenged the notion of the robustness and reliability of the highly mathematical, theoretical structures proposed by the mainstream economics. There are opinions that building more and more complicated models based on unrealistic assumptions is first and foremost an illustration of the un-criticised pursuit of the current fashion to make economics a "hard" science at any cost. Too often it appears that they do not allow for reliable and unambiguous resolution of specific practical problems. Instead they only prove that there is a possibility to achieve a higher level of abstraction in economic analysis. They do so to satisfy formal requirements imposed by mainstream economics rather than actual needs of the economy.

For now, neither Post Keynesianism nor any of the aforementioned heterodox approaches was able to take the advantage of the current situation. Post Keynesians continue to stress their closer ties with real phenomena through the inclusion of "true" and not artificially created behaviour of economic agents as well the relationships that take place between them in a dynamically changing uncertain environment. Yet, they have not demonstrated that they are able to justify current events in a fuller and more useful manner and predict their future developments more precisely. There are at least two reasons for this. Firstly, as previously pointed out, Post Keynesianism does not constitute a homogenous group of views which would be able to compete with long-established mainstream beliefs. Secondly, the Post Keynesian approach, not amenable to being expressed in the form of a universal quantifiable model, cannot be empirically verified. Therefore Post Keynesian arguments are usually presented in the form of enormously extensive deliberations reminiscent of mediaeval treaties that are unable to challenge precisely calibrated, elegant neoclassical constructions. It seems, therefore, that despite the current phenomena, which may raise justifiable doubts regarding the validity of the models widely used by economic theorists and practitioners, the position of mainstream economics dominated by neoclassical influences will remain unthreatened for many years to come.

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ABSTRACT

The broad research program commonly referred to as "Keynesianism" is associated with two fundamentally different traditions. One incorporates the neoclassical synthesis dating back to the 1950s and 1960s, New Keynesianism and the new neoclassical synthesis from the 1990s, and fits into the mainstream economics. Whilst it is difficult to find strong links to J.M. Keynes's views, by including them into the mainstream economics the term "Keynesianism" is usually associated with their achievements. The second group of views includes Post Keynesianism and is affiliated with heterodox economics. Despite the fact that it displays significantly stronger ties with the tradition initiated by J.M. Keynes, it has earned the stigma of inferiority. Therefore it has practically no influence on the direction of the discussions in which the academic world is currently engaged.

The purpose of this paper is to present the main stages in the evolution of Keynesian thought in the context of the separate areas of mainstream and heterodox economics. Given the role traditionally assigned to each of these alternative approaches, one group of ideas known as Keynesian is widely regarded as a major field for the discussion of economic problems, whilst the second one – even referred to using the same term – is consistently ignored in the academic literature.

Using literature survey and comparative studies, the paper shows that because of different assumptions creating incomparable visions of the world, it is impossible to reach any persistent connections between both Keynesian perspectives regardless of the fact that they claim the same source of inspiration. The paper suggests also that the dominant position of Keynesian ideas recognized as mainstream seems to be as yet unchallenged.

Keywords: neoclassical economics, mainstream economics, heterodox economics, neoclassical synthesis, New Keynesianism, new neoclassical synthesis, Post Keynesianism.
JEL Classification: B10, B20, B41, B50, E12.

KEYNESIZM – GŁÓWNY NURT CZY HETERODOKSJA?

STRESZCZENIE

W ramach szerokiego programu badawczego określanego wspólnym mianem "keynesizmu" funkcjonują dwie zasadnicze grupy poglądów. Jedna, obejmująca syntezę neoklasyczną z lat 50. i 60. XX w., neokeynesizm oraz nową syntezę neoklasyczną z lat 90., mieści się w ramach głównego nurtu ekonomii. Choć trudno znaleźć mocne ogniwa łączące te poglądy z J.M. Keynesem, to zaliczenie ich w skład głównego nurtu sprawiło, że termin „keynesizm" jest zwykle kojarzony właśnie z ich dokonaniami. Natomiast druga grupa poglądów, obejmująca

postkeynesizm, zaliczana jest do ekonomii heterodoksyjnej. Mimo, że wykazuje ona znacznie silniejsze związki z tradycją zapoczątkowaną przez J.M. Keynesa, zyskała „stygmat" podrzędnego, a więc nie mającego większego wpływu na kierunek dyskusji toczących się w środowisku profesjonalistów.
Celem artykułu jest zaprezentowanie zasadniczych etapów ewolucji myśli keynesowskiej w kontekście podziału na ekonomię głównego nurtu oraz ekonomię heterodoksyjną. Z uwagi na rolę zwyczajowo przypisywaną każdemu z tych alternatywnych podejść jedna grupa poglądów określanych mianem keynesowskich jest powszechnie traktowana jako poważny grunt do dyskusji o problemach gospodarczych, natomiast druga – choć nazywana tym samym terminem – jest konsekwentnie ignorowana w literaturze przedmiotu.
Wykorzystując badania literaturowe i studia porównawcze, w artykule pokazano, że oparcie rozważań na odmiennych założeniach, tworzących nieporównywalne wizje świata sprawia, że niemożliwe jest jakiekolwiek trwałe połączenie obu keynesowskich perspektyw, mimo, że wskazują na to samo źródło inspiracji. Z przeprowadzonej w tekście analizy wynika ponadto, że dominująca pozycja poglądów keynesowskich mieszczących się w głównym nurcie wydaje się jak na razie niezagrożona.

Słowa kluczowe: ekonomia neoklasyczna, ekonomia głównego nurtu, ekonomia heterodoksyjna, synteza neoklasyczna, neokeynesizm, nowa synteza neoklasyczna, postkeynesizm