VICTORIA CHICK'S MONETARY ECONOMICS IN CONTEXT

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Summary

1. Introduction;
2. Sayers and the Radcliffe Report;
3. Critique of the neo-classical synthesis: the wage unit as a real or monetary phenomenon?
4. Critique of Post-Keynesian monetary theory I (the theory of the monetary circuit):
5. Critique of Post-Keynesian monetary theory II (horizontalism vs. verticalism);
6. Stages of banking (monetary or macro theory?)

Introduction

- Ambiguity/incompleteness of Keynes’s monetary theory;
- Re-reading the *General Theory* vs. reading Keynes’s library.

2. Sayers and the Radcliffe Report

- R.S. Sayers (1908-1989) ‘heir’ to Keynes vs. Ralph Hawtrey (1879-1971) and monetary business cycle.
- Radcliffe Report denial of money (vs. ‘near money’ and ‘quasi-money’); controls on bank lending (vs. ‘money supply’ or reserves); yield curve control (vs. short-term rate of interest as policy rate).
- ‘The practical result of Radcliffe, however, was a more or less complete abandonment of control over the money supply. This was not viewed as important…’
- The theoretical result: Establishment of the Money Study Group… (and Chick: ‘Unresolved Questions in Monetary Theory’ 1971)

3. The neo-classical synthesis: the wage unit as a real or monetary phenomenon?

- In neo-classical synthesis treats ‘wage unit’ in *GT* reduces Keynes’s macroeconomics to ‘real’ analysis, analytically separate from monetary system (Hicks/Samuelson; or Lange on Say’s Law); + Tobin, portfolio equilibrium view of money.

- For Chick: macroeconomic variables were money flows: Wage units measured money paid to workers and spent by workers.

4. Critique of Post-Keynesian monetary theory I (the theory of the monetary circuit)

- Keynes’s draft *The General Theory of Employment* (from Tilton laundry-basket) and later paper in interest rate, as interpreted by Augusto Graziani: Bank credit advances for production (‘initial finance’) circulate and return to capitalists, who repay loans (problem of interest);
- Chick: With continuous production, new credit is only needed for *increase* over the previous period’s production.

5. Critique of Post-Keynesian monetary theory II (horizontalism vs. verticalism);

- Following Kaldor/Friedman/Davidson Post-Keynesian monetary theory reverts to short-term rate of interest and its control through supply of bank reserves.
- Post-Keynesians adopt ‘horizontalism’ vs. monetarist ‘verticalism’, to allow for ‘lender of last resort’ and stabilise short-term rate of interest.
- Chick and Dow 2002 reject this ‘dualism’in favour of liquidity position in Radcliffe (‘structural endogeneity’) in form of banking evolution.

6. Stages of banking (monetary or macro theory?)

- 1986 ‘The Evolution of the Banking System and the Theory of Saving, Investment and Interest’

- Showing how Investment comes to determine Saving through the evolution of banking, with the rate of interest as a purely monetary phenomenon.

- A macro outcome of banking evolution.