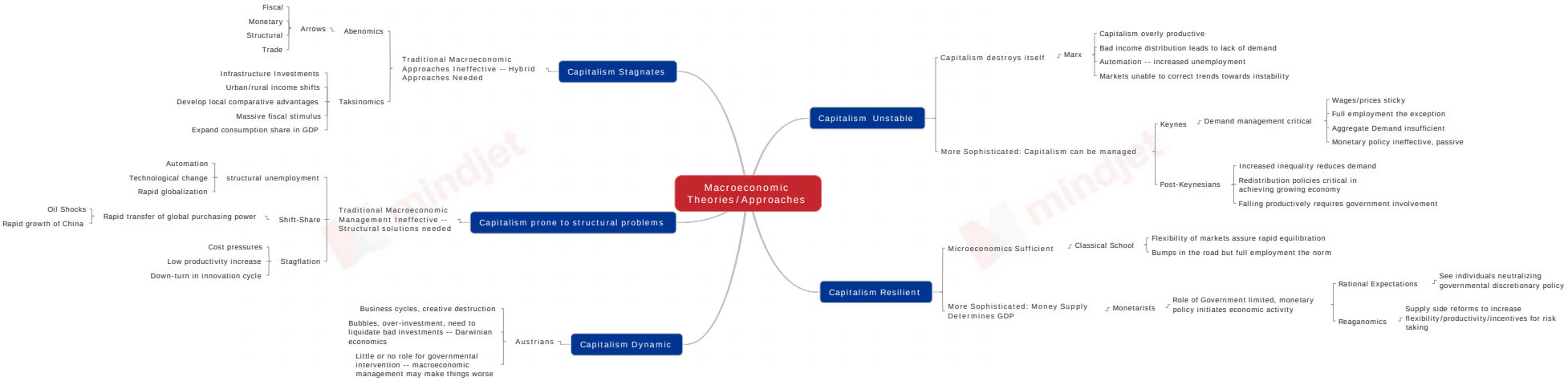
Macroeconomic Theories/Approaches
Capitalism Stagnates
Traditional Macroeconomic Approaches Ineffective -- Hybrid Approaches Needed
Abenomics
Arrows
Fiscal
Monetary
Structural
Trade
Taksinomics
Infrastructure Investments
Urban/rural income shifts
Develop local comparative advantages
Massive fiscal stimulus
Expand consumption share in GDP
Capitalism prone to structural problems
Traditional Macroeconomic Management Ineffective -- Structural solutions needed
structural unemployment
Automation
Technological change
Rapid globalization
Shift-Share
Rapid transfer of global purchasing power
Oil Shocks
Rapid growth of China
Stagflation
Cost pressures
Low productivity increase
Down-turn in innovation cycle
Capitalism Dynamic
Austrians
Business cycles, creative destruction
Bubbles, over-investment, need to liquidate bad investments -- Darwinian economics
Little or no role for governmental intervention -- macroeconomic management may make things worse
Capitalism Unstable
Capitalism destroys itself
Marx
Capitalism overly productive
Bad income distribution leads to lack of demand
Automation -- increased unemployment
Markets unable to correct trends towards instability
More Sophisticated: Capitalism can be managed
Keynes
Demand management critical
Wages/prices sticky
Full employment the exception
Aggregate Demand insufficient
Monetary policy ineffective, passive
Post-Keynesians
Increased inequality reduces demand
Redistribution policies critical in achieving growing economy
Falling productively requires government involvement
Capitalism Resilient
Microeconomics Sufficient
Classical School
Flexibility of markets assure rapid equilibration
Bumps in the road but full employment the norm
More Sophisticated: Money Supply Determines GDP
Monetarists
Role of Government limited, monetary policy initiates economic activity
Rational Expectations
See individuals neutralizing governmental discretionary policy
Reaganomics
Supply side reforms to increase flexibility/productivity/incentives for risk taking