

a.a. 2024-2025

Seminario Scienze Sociali

“The Importance of Power, Conflict and Group Behaviour in Economics: a Critical Perspective”

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Abstract

The purpose of this three-day lecture series is to offer an analysis of how power, conflict and group behaviour is recognised, studied and considered by various schools of thought, namely the mainstream and various heterodox schools of thought in economics.

We shall first begin the lecture series by defining what those concepts actually mean to most economists. We shall then consider carefully the basic methodological differences and frameworks of analysis that allow economists either to highlight the importance of these concepts of power and conflict or, conversely, to understand why some economists may even deny their existence or refuse to recognise these concepts as being relevant aspects to explain various economic phenomena. Special emphasis will be placed on the policy implications of those different perspectives on power and conflict and the competing policy views that ensue regarding the role of government: (1) which is often seen as the prime source of the problem or disturbances in the market context (the mainstream perspective); (2) while the second (the non-mainstream/heterodox viewpoint) often tends to see government as a chief source of resolution of problems through collective action via the apparatus of the state.

CLASS SCHEDULE

Wednesday, October 23, 2024 | 15:00-18:00

a three-hour class, with a 10-minute break after the first 90 minutes

Our first “introductory” three-hour class on Wednesday, October 23, will be dedicated to analysing the broad methodology of the different approaches (as discussed, in part, in Lavoie 2014, Chapter 1) and the historical/institutional perspective found, for instance, in Roncaglia (2024, especially Chapter 4). The dominant/mainstream approach emphasises methodological individualism in which the individual *homo economicus*, who is acting in a market setting, asserts his/her individual sovereignty as, for example, depicted in the theory of individual choice and consumer sovereignty. In contrast, heterodox perspectives refer to “organicism”, collective action and group or state “sovereignty”. To explain these contrasting views, we shall identify and explore the various presuppositions that are at the root of what are the principal competing paradigms that prevail in economics. In the following lectures, we shall then discuss

the applicability of these methodological approaches to a number of areas of primarily macroeconomic analysis that have been of some research interest to me.

Readings

**Marc Lavoie, *Post-Keynesian Economics, New Foundations*, Cheltenham, U.K.: Edward Elgar Publishing, 2022, pp. 1-32, at:

<https://www.elgaronline.com/monochap/book/9781839109621/book-part-9781839109621-6.xml>

*Alessandro Roncaglia, *Power and Inequality, A Reformist Perspective*, Cambridge: Cambridge University Press, 2024, Chapter 4, pp. 70-98

***Required reading* | **Recommended reading*

Thursday, October 24, 2024 | 09:00-11:00 – 14:00-16:00

a four-hour class, with a lunch break

On Thursday, October 24, during the first half of the class we shall tackle the topic of consumption behaviour as it has been theorised historically by neoclassical economists before John Maynard Keynes of the *General Theory*. These early neoclassical writers had approached the theory of interest, consumption and saving based on the modelling of the rational behaviour of a single utility-maximising economic agent that was then generalised to the whole community, often referred to as neo-Fisherian theories of the consumption function. We shall follow carefully the complete evolution of these historical debates. This debate pitted the individualist perspective of consumption behaviour against the organic or group behaviour that maps the structure of consumption through an analysis of class or social asymmetries, as well as group behaviour driven by the display of power and Veblen's analysis of social emulation. We shall also study how government policy, or its lack thereof, is framed within these two different perspectives on consumption.

Readings

****Mario Seccareccia, "What Determines Consumption and Saving? Mapping the Class Structure of Society."** In H. Bougrine, L.-P. Rochon, and M. Seccareccia (eds.), *Intermediate Macroeconomics: Theory, Policy and Competing Perspectives*, Cheltenham, U.K.: Edward Elgar Publishing, 2025, unpublished manuscript version, 18 pages.

*Francis Green, "Institutional and Other Unconventional Theories of Saving." *Journal of Economic Issues*, Vol. 25, no. 1 (March 1991), pp. 93-113.

***Required reading | *Recommended reading*

For the second half of the class on Thursday, October 24, we shall discuss how inflation is explained by both mainstream and heterodox economists starting from the micro pricing theories of the firm to the macro analysis of aggregate price formation by considering the different notions of power in their analyses. Already at the micro level we can see how these different pricing theories of business enterprises, resting on either marginal cost pricing or mark-up pricing, offer different ways of modelling pricing behaviour: the first does so by allowing demand to influence individual pricing decisions, while the

other that denies its direct relevance in the setting of the price-cost mark-ups within the industrial sector of an economy. This difference then becomes critical to how mainstream and heterodox economists explain aggregate price formation and the inflationary process. The mainstream maintains an obvious disconnect between the micro-level of relative price formation and the aggregate or absolute price level, with the latter explained by variants of either the quantity theory of money or its neo-Wicksellian counterpart based on some loanable fund theory of interest. In contrast, heterodox post-Keynesian and institutionalist theories of aggregate price formation espouse a conflict theory of inflation that focuses on conflict or power relations among social groups, which can describe the dynamics of the wage-price spiral and the conflict between industrial firms and the primary producers. Although some mainstream economists, such as Olivier Blanchard, have recognised and modelled wage-price spirals and have embraced aspects of conflict theory of inflation in more recent years, they still subscribe to aspects of neo-Wicksellian theory which remains a demand-driven theory of aggregate price determination.

Readings

**Marc Lavoie, *Post-Keynesian Economics, New Foundations*, Cheltenham, U.K.: Edward Elgar Publishing, 2022, Chapter 8, pp. 592-608.

*Mario Seccareccia, "Are There Real Fears of a Low Unemployment Wage-Price Spiral or Is the Bank of Canada Trying to Kill a Dead Horse?" *Monetary Policy Institute Blog*, June 13, 2023, at: <https://medium.com/@monetarypolicyinstitute/are-there-real-fears-of-a-low-unemployment-wage-price-spiral-or-is-the-bank-of-canada-trying-to-37935e1b650a>

*Guillermo Matamoros, "Are Firm Markups Boosting Inflation? A Post-Keynesian Institutional Approach to Markup Inflation in Select Industrialized Countries." *Review of Political Economy*, Vol. 36, no. 3 (2024), pp. 1042-1063.

***Required reading* | **Recommended reading*

Friday, October 25, 2024 | 09:00-12:00

a three-hour class, with a 10-minute break after the first 90 minutes

Following our analysis of inflation, in the final class on Friday, October 25, we shall extend our understanding of what can be described as the “contested terrain” of how macroeconomic policy is hijacked by certain groups and is framed within these different perspectives. Given the pro-market bias of the mainstream view, it is easy to see why fiscal policy ought to be restricted to micro-level tinkering of imposing taxes and undertaking spending/transfers, while remaining completely “neutral” at the macro level, especially through the rejection of Keynesian deficit spending. Regardless of whether it is the quantity theory/monetarist view or the neo-Wicksellian approach to inflation, government deficit spending is seen as the prime source of instability in terms of consumption or investment “crowding-out” effects. Because of the rejection of macro fiscal policy by the mainstream, the heavy work of stabilising the macroeconomy, which is often reduced to achieving an inflation target of 2 percent, is left to monetary policy. We shall see how, despite the appearance that monetary policy is “neutral” by relying on such purely technical operating procedures, such as the Taylor Rule, central banks intervene directly in the power relations and conflicts as they manifest themselves by taking sides in favour of certain social groups.

Readings

**Louis-Philippe Rochon and Mario Seccareccia, “A Primer on Monetary Policy and its Effect on Income Distribution: A Heterodox Perspective.” In *Central Banking, Monetary Policy and Income Distribution*, ed. by S. Kappes, G. Vallet and L.-P. Rochon. Cheltenham: Edward Elgar, 2023, pp. 20-34.

*Mario Seccareccia, “Which Vested Interests Do Central Banks Really Serve? Understanding Central Bank Policy since the Global Financial Crisis.” *Journal of Economic Issues*, Vol. 51, no. 2 (June 2017), pp. 341-50.

*Mario Seccareccia and Guillermo Matamoros Romero, “Is ‘Inflation First’ Really ‘Rentiers First’? The Taylor Rule and Rentier Income in Industrialized Countries.” Institute for New Economic Thinking, Working Paper No. 209 (July);



https://www.ineteconomics.org/uploads/papers/WP_209-Seccareccia-Matamoros-rev.pdf
[for a short summary of that 50-page working paper, see the INET blog at:
<https://www.ineteconomics.org/perspectives/blog/central-banks-and-income-distribution-does-the-taylor-rule-push-up-rentier-incomes>]

***Required reading | *Recommended reading*