

Introduction to post-Keynesian stock-flow consistent modelling

Post-Keynesian stock-flow consistent modelling: theory and methodology (lecture)

Dr Maria Nikolaidi, University of Greenwich

2 June 2017, 10:00-11:45, room QA020, University of Greenwich

Building a stock-flow consistent model in practice (lab session)

Dr Yannis Dafermos, University of the West of England

2 June 2017, 12:00-13:45, IT Lab KW015, University of Greenwich

Brief description:

Over the last years, post-Keynesian stock-flow consistent (SFC) modelling has become a dominant approach in heterodox macro modelling. SFC modelling has been used by various heterodox economists in order to formulate and analyse a plethora of macroeconomic, financial and environmental issues. This 4-hour session will provide an introduction to the theory, the methodology, the recent developments and the applications of SFC modelling.

The **lecture** will focus on the background and the main features of SFC models, the steps that are needed in order to build SFC models and the way through which SFC models can be used in order to analyse key topics in contemporary research, such as shadow banking, financialisation, income distribution and ecological sustainability. The role of money and finance in the SFC literature will also be discussed.

The **lab session** will show how discrete-time SFC models can be constructed and simulated using R. Students will learn how to build these models step-by-step, ensure consistency and analyse the dynamic properties of the models. The lab session will rely on simple models that include different forms of money, portfolio choice, functional income distribution and government debt.

Core readings:

- Dos Santos, C.H. (2006). ['Keynesian theorising during hard times: stock-flow consistent models as an unexplored 'frontier' of Keynesian macroeconomics'](#), *Cambridge Journal of Economics* 2006, 30 (4), 541-565.
- Godley, W. and Lavoie, M. (2012). [*Monetary Economics: An Integrated Approach to Credit, Money, Production and Wealth*](#). Palgrave Macmillan, Basingstoke, UK. chapters 1, 2, 4 and 7.
- Lavoie, M. and Godley, W. (2001-2002). ['Kaleckian models of growth in a coherent stock-flow monetary framework: a Kaldorian view'](#), *Journal of Post Keynesian Economics*, 24 (2), 277-312.
- Macedo and Silva, A.C. and Dos Santos, C.H. (2011). ['Peering over the edge of the short period? the Keynesian roots of stock-flow consistent macroeconomic models'](#), *Cambridge Journal of Economics*, 35 (1), 105–124.

Optional readings:

- Bezemer, D.J. (2010). ['Understanding financial crisis through accounting models'](#), *Accounting, Organizations and Society*, 35, 676-688.
- Caverzasi, E. and Godin, A. (2015). ['Post-Keynesian stock-flow-consistent modelling: a survey'](#), *Cambridge Journal of Economics*, 39 (1), 157-187.
- Dafermos, Y. (2012). ['Liquidity preference, uncertainty, and recession in a stock-flow consistent model'](#), *Journal of Post Keynesian Economics*, 34 (4), 749-776.
- Dafermos, Y. (2015) [Debt cycles, instability and fiscal rules: a Godley-Minsky model](#), Economics Working Paper Series 1509, University of the West of England.
- Dafermos, Y., Nikolaidi, M., Galanis, G. (2017). ['A stock-flow-fund ecological macroeconomic model'](#), *Ecological Economics*, 131, 191-207.
- Dafermos, Y. and Papatheodorou, C. (2015). ['Linking functional with personal income distribution: a stock-flow consistent approach'](#), *International Review of Applied Economics*, 29 (6), 787-815.
- Dos Santos, C.H. and Zezza, G. (2008). ['A simplified, 'benchmark', stock-flow consistent Post-Keynesian growth model'](#), *Metroeconomica*, 59 (3), 441-478.
- Jackson, T. and Victor, P.A. (2015). ['Does credit create a 'growth imperative'? A quasi-stationary economy with interest-bearing debt'](#), *Ecological Economics*, 120, pp. 32–48.
- Lavoie, M. and Daigle, G. (2011). ['A behavioural finance model of exchange rate expectations within a stock-flow consistent framework'](#), *Metroeconomica*, 2 (3), 434-458.

- Le Heron, E. and Mouakil, T. (2008). ['A Post-Keynesian stock-flow consistent model for dynamic analysis of monetary policy shock on banking behaviour'](#), *Metroeconomica*, 59 (3), 405-440.
- Nikolaïdi, M. (2014). ['Margins of safety and instability in a macrodynamic model with Minskyan insights'](#), *Structural Change and Economic Dynamics*, 31, 1-16.
- Nikolaïdi, M. (2015). ['Securitisation, wage stagnation and financial fragility: a stock-flow consistent perspective'](#), Greenwich Papers in Political Economy No. 27.
- van Treeck, T. (2009). ['A synthetic, stock-flow consistent macroeconomic model of 'financialization''](#), *Cambridge Journal of Economics*, 33 (3), 467-93.
- Zezza, G. (2008). ['U.S. growth, the housing market, and the distribution of income'](#), *Journal of Post Keynesian Economics*, 30 (3), 375-401.