

Bulletin of Political Economy

ABSTRACTS

Vol. 7

No. 2

December 2013

Fiscal Policy and Economic Perspectives: An Assessment of the Transitional and Steady State Effects

CHRISTOS F. STOURNARAS

The dynamic effects of fiscal policy in terms of budget deficits and the concomitant implications of public debt have been the dominant issues in macroeconomic literature. Of particular concern is the choice of the life horizon (finite or infinite) of economic agents, since it remains crucial for the characterisation of the transition process towards the steady state of the economy. This paper develops a simple equilibrium model suitable to examine such issues. The first part analyses the solvency constraint of the private sector, in the presence of a government, by focusing on the dynamic behaviour of savings, consumption and asset allocation. The second part explores the steady-state effects of fiscal policy, by clarifying the role of government spending and public debt in determining interest rates. A modified index of fiscal stance is then derived that embraces the effects of current and anticipated fiscal policy, including the effects of government finance, on aggregate demand.

Determination of Prices as Comparison of Market Prices to Natural Prices: Input Output Analysis of Japan for 1951-2000

AKIKO NAKAJIMA

Natural prices, i.e., value relative prices (prices relative to the total labour required to produce each commodity) are identically equal to income equalizing prices when capital costs are proportioned to capital goods' supplying sectors. This paper constructs natural prices as income equaling prices and they are compared to market prices. Empirical findings show that the gap between natural prices and market prices decrease over time according to one data set. According to another data set, gap between natural prices and market prices widens at times when the economy is in boom. International competition decreases the gap. Profitable industries at profitable periods increase the gap.

NAIRU: Studying its Theoretical Background and Implications

VASILIKI BOZANI

The current paper is a means of demonstrating our knowledge about macroeconomic theories, and its key variables, phenomena, and history. Given the pivotal role that the Non-Accelerating Inflation Rate of Unemployment (NAIRU) has in the macroeconomic theory as well as its role in determining employment theories, the need is raised for a thorough evaluation of its origins and a brief explanation of some of the claims surrounding it. On these grounds, this study aims at integrating and generalizing findings and presenting the changes within the macroeconomic field over the years by investigating theories, identifying the methodological strengths and the weaknesses in the body of the macroeconomic research about the concept of NAIRU. In order to help the reader to avoid misunderstandings we define the best descriptors and identify the best sources to use in the review literature related to our topic, we rely on primary sources in reviewing the literature, we examine all aspects of the research design and analysis, and we consider contrary findings and alternative interpretations in synthesizing quantitative literature.

Critical Realism: The Philosophical Underlabourer of Heterodox Economics

PASCHALIS A. ARVANITIDIS

One of the most refreshing philosophical perspectives introduced to economics and to social sciences in general over the last twenty years or so is this of Critical Realism (CR). It presents a new way of seeing socioeconomic reality, and, on these grounds, it advances discussion in philosophy and methodology, providing guidelines of how modes of reasoning and research might be fashioned for analysis within all sciences, social and natural. The current paper aims at presenting the fundamentals of the philosophy of CR. In particular, it delineates the key ontological and epistemological premises of CR together with an outline of the methodological implications for economics.