A History of Macroeconomics from Keynes to Lucas and Beyond

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This book retraces the history of macroeconomics from Keynes’s General Theory to the present. Central to it is the contrast between a Keynesian era and a Lucasian - or dynamic stochastic general equilibrium (DSGE) - era, each ruled by distinct methodological standards. In the Keynesian era, the book studies the following theories: Keynesian macroeconomics, monetarism, disequilibrium macro (Patinkin, Leijonhufvud, and Clower) non-Walrasian equilibrium models, and first-generation new Keynesian models. Three stages are identified in the DSGE era: new classical macro (Lucas), RBC modelling, and second-generation new Keynesian modelling. The book also examines a few selected works aimed at presenting alternatives to Lucasian macro. While not eschewing analytical content, Michel De Vroey focuses on substantive assessments, and the models studied are presented in a pedagogical and vivid yet critical way.

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“Michel De Vroey does not simply record what he finds. He has a vision of the kind of macroeconomics he would like to see, . . .”

Robert E. Lucas, Jr, John Dewey Distinguished Service Professor in Economics, University of Chicago

Michel De Vroey is a Professor Emeritus at the University of Louvain and visiting professor at the Université Saint Louis in Brussels. He has published several books, including Involuntary Unemployment: The Elusive Quest for a Theory (2007) and Keynes, Lucas: D’une macroéconomie à l’autre (2009). He has also published extensively in scholarly journals.

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Advance praise:

“Michel De Vroey does not simply record what he finds. He has a vision of the kind of macroeconomics he would like to see, perhaps one he developed gradually over the years he has worked on this book. What makes this book enjoyable is that he has high hopes for economics, he flatters us that we are important, and he praises the progress we have achieved. In the end he has the integrity not to hide his disappointments, his conviction that while there is no turning back, there is still a long way to go.”

Robert E. Lucas, Jr, John Dewey Distinguished Service Professor in Economics, University of Chicago

“No branch of economics has witnessed as many revolutions and counter-revolutions as macroeconomics, starting from Keynes’ General Theory eighty years ago. Michel De Vroey’s book provides a thorough but highly readable account of the main developments in the field over that period. It conveys a sense of the excitement generated by the advent of every new paradigm, as well as of the growing tension between the requirements of theoretical purity and those of empirical and policy relevance that macroeconomists keep facing these days.”

Jordi Galí, Research Centre for International Economics (CREI), Universitat Pompeu Fabra and Barcelona Graduate School of Economics

“Macroeconomics research has largely proceeded through ‘revolutions’. One wishes for a more linear and evolutionary process, one where most new contributions would naturally fit and the common core become steadily stronger. But the immense complexity of modern economies, the difficult methodological choices, may be such that ‘revolutions’ will keep happening, with their share of destruction, confusion, and eventual reconstruction. Understanding the nature of these revolutions is essential to understanding where we are today, and Michel De Vroey’s book does a masterful job of doing just that. A thoroughly illuminating and enjoying read.”

Olivier J. Blanchard, Robert M. Solow Professor of Economics, Massachusetts Institute of Technology

“Macroeconomics is a complex evolving system of thinking. Michel De Vroey’s latest book dives into that evolving complexity and, by distinguishing between Marshallian and Walrasian macroeconomics, helps make the history of macroeconomics a bit more understandable. It’s sad that more economists don’t make that distinction.”

David Colander, Distinguished College Professor, Middlebury College
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