

## **Rethinking Economics – Winter Semester 2021/2022 Lecture Series.**

### **Exploring the foundations of Macroeconomics – diverse perspectives on an evolving field**

Our goal for this semester's lecture series is to get diverse point of views on Macroeconomics and its foundations. Beginning with perspectives on the Microfoundations of Macroeconomics (MIFs) we will explore a variety of Macroeconomic models and finally discuss their implications on Macroeconomic Policy. Our goal in the end is to get an intuitive sense on what the thought process and reasoning for microfoundations in macroeconomics was. We also would want to know, but not limited to, the motivation behind different models of macroeconomics were as well to try to get an overview on the diversity of opinions and research in this field.

The first block of the lecture series is conceptualized as follows. There are various arguments for and critiques of the MIFs. The basis of MIFs was heavily influenced by the Lucas critique, which basically criticized the use of historical data on macro variables relationships to predict the happenings of a future policy change. As individual behavior changes when policy changes, the relationship between the two as shown by the historical data may no longer be true. A point of criticism is the use of representative households or firms then aggregated to represent the whole economy. The questions are raised on how to justify the use of assumptions that are not evidently true in reality and what impact this has on the models in general? The lecture series aims at providing a diverse range of opinions and insights on these questions, including lectures that defend the validity and necessity of microfoundations in macroeconomic models using representative agents and those that criticize this approach. Points of criticism may range from the attempt to render microfoundations more realistic (e.g., by using heterogeneous agents) and those that attack the idea of microfoundations on the basis that macroeconomic dynamics cannot necessarily be derived from such ideas and instead proposing the study of macroeconomic dynamics independent of microfoundations.<sup>1</sup>

Answers to these lead to Macroeconomic models in theory that are ideal and good leverages for policy making, which will be dealt with in the second block of the lecture series. Going by this quote generally attributed to the statistician George Box - "All models are false, but some are useful", we want to investigate what some of the useful models are and how useful they might be. The lecture series will explore the variety of macroeconomic models in contemporary economics, bad models and their usage and philosophical arguments on what constitutes a good model.

The final section will deal with what is considered in the making of economic policies. Economic indicators such as the standard of living in a country can be tools that induces citizens to live according to policy makers assumptions or could be a tool that incorporates values of its citizens without becoming relativist. We will present lectures that deal with the processes policy makers go through in the making of policies and the role of macroeconomic models therein. From the pluralistic point of view we ask whether, and if yes in what respect, these macroeconomic models used for policy making are pluralistic.

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<sup>1</sup> See e.g. Shaikh, A. (2016) Capitalism, Conflict and Crisis. Oxford University Press.