Michał Kalecki:
A Pioneer of Modern Macroeconomics

Born in Łódź on 22 June 1899 Kalecki grew up in a Jewish family. In 1913, he witnessed the bankruptcy of his father’s spinning mill, and in 1925, of his uncle’s large shipping company where his father had worked after losing his own business. Kalecki had to discontinue his studies at Gdansk Technical University and return to Łódź to support his father financially.

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In late 1935, he got a Rockefeller fellowship and shortly after published his Essay on the Business Cycle Theory in which he not only laid the theoretical foundations for the cyclical nature of capital accumulation, but also — together with his other papers — set out the core of the business cycle, which was later recognized as his original version of the theory of effective demand. 

In his work on a centrally planned economy, Kalecki concentrated on problems of annual and long-run plans of Poland’s development on a basis of growing production, and on integrating it with his other papers — set out the core of his own theory of business cycles. The book earned Kalecki the status of a pioneer of modern macroeconomics.

During the Second World War Kalecki worked at the Oxford University Institute of Statistics, which gave shelter to many economists who emigrated. Kalecki’s academic and policy influence did not last long. Political infighting in the leadership of the Polish communist party in 1967–68 were intertwined with anti-Semitic motives. Many of Kalecki’s friends and collaborators were dismissed from their jobs, some were forced to leave the country. Kalecki’s economic theory was heavily criticized in a series of politically orchestrated conferences. Kalecki considered the argument presented in the conference papers of his critics: “verbal, vague, and their economic reasoning [of] low standard”. Following these developments, Kalecki once again submitted his resignation and took early retirement. In a couple of months, his school of thought ceased to exist. On 18 April 1979, he passed away.

Whatever economic system Kalecki dealt with, his main concern was full employment and the policies necessary to achieve and maintain it. From the viewpoint of this conference, two conclusions quoted from his papers Multilateralism and Full Employment seem particularly relevant: (a) that each country should maintain full employment based on domestic expenditure and on net foreign expenditure financed by international long-term lending; (b) that the current long-term lending from ‘not fully employed’ countries should be sufficiently high (this alternative may in some cases coincide with the first [...]. If this condition is not fulfilled, ‘full employment’ countries may experience difficulties in balancing current and capital accounts and may experience difficulties in balancing current and capital accounts and current and capital accounts may be a cause of depression in the ‘not fully employed’ countries’.

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In the atmosphere of McCarthyism and with his responsibilities at the Institute increasingly limited, he resigned from his job at the end of the year and returned to Poland to assume a high-ranking advisory position to the Government in the Planning Commission.

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The Rationale of the Conference

Michał Kalecki (1899-1970) was a distinguished and world-renowned Polish economist who, in 1933 alongside John Maynard Keynes, laid the foundations of what became known as the Keynesian Revolution. One of Michał Kalecki’s fields of interest was the relationship between multilateral trade and full employment policies. This issue continues to be of relevance today when we are analyzing the global economy from the perspective of an international equilibrium. This question had been discussed among the experts that founded the Bretton Woods Institutions exactly 75 years ago and is within the OECD’s scope of interest.

The conference, celebrating Kalecki’s 120th birthday, will focus on the problems of handling structural imbalances in current accounts, including in developing countries. It will also touch upon the issue of full employment policies and the role of structural reforms in promoting them.

Call for papers: Please send your abstracts (max. 300 words) before Friday, June 21, 2019 to: paryz.oecd.sekretariat@msz.gov.pl

Key Note Speakers

- Jerzy Osiatyński, Economics of Michał Kalecki and its Relevance Today.
- Jan Toporowski, International Debt Project.
- Esteban Perez, The Prebisch – Kalecki UNCTAD debate.
- Peter Clarke, The Keynes and White Plans at Bretton Woods.

Main Tenets of Kalecki’s Theory of Economic Dynamics and Bussiness Fluctuations

This capitalist economy operates, as a rule, below the capacity use of factors of production, and the market mechanism, left to itself, is unable to achieve and maintain full employment. The free competition assumption is rejected and slightly price fixing by producers of manufactured goods and of services rules. These two assumptions make the aggregate supply function close to horizontal (unit prime costs constant or only slightly rising) within the “normal” range of changes in the volume of output and employment in the neighborhood of full employment. It sharply rises.

The theory of income distribution according to marginal productivity is rejected and replaced by the class-conflict theory of distribution based on his concept of “degree of monopoly” that represents the competitive structure of the market.

Economic dynamics and business fluctuations are determined by changes in private investment, which through its fundamental profit equation and his theory of income distribution are functionally linked to changes in output and employment. Investment decisions are in turn a complex function of expected profits and of the degree of employment of the existing capital stock. As a rule, the income-generation effect of private investment when they are under construction is insufficient to achieve and maintain full employment. Therefore, in the absence of an export surplus, full employment requires government intervention through either (I) tax or other measures that stimulate private investment, or (II) debt-financed public spending financed, or else (III) redistribution of income to low-earning and therefore low-saving households.

To what extent these policy recommendations are viable in the present-day, international finance-dominated capitalist system is an open question much discussed by Post-Keynesians and Post-Kaleckians.