Integration of Growth and Cycle: An Alternative View of the History of Macroeconomics

Yoshihiro Yamazaki

Most historians of economics so far have regarded the history of macroeconomics as a process of rivalry among schools or paradigms. In the usual approach, they have attempted to describe it by establishing clear differences between one school and another. A commonly accepted view of history, therefore, is the story of the Keynesian revolution and the anti-Keynesian counter-revolution. We now understand, however, that this familiar approach cannot completely account for the heterogeneity in American Keynesian and the divergence in neoclassical macroeconomics.

This paper proposes an alternative view of the history of macroeconomics. Keynes did not create the field of macroeconomic theory; he simply transformed the structural emphases of a field of study that had existed since before his arrival as an economist. Keynes overemphasized short-term fluctuations of economy or business cycles, and that accidental event in the history of the field had the effect of separating two viewpoints and macroeconomists swung heavily to one side.

The apparently lost viewpoint of growth, however, was revived beneath the surface of the cycle view, gathering steam and then giving birth first to the neoclassical theory of growth and soon thereafter to the optimal growth theory. Following a period of ferment and confusion, what is called real-business cycle theory integrated the two viewpoints. Their reintegration was not simply a return to the old framework but was part of the serious process being undertaken by researchers endeavoring to build optimal dynamic models more completely.

In the minds of macroeconomists, the conflict among schools is now a thing of the past. In this paper I argue that we historians of economics must also change our perspec tive as we describe our histories of macroeconomics. Our thinking should be oriented toward integration and fusion instead of divergence and alternation.

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