Business cycle theory as a basis for economic policy

Edited by
Pascal Bridel and
Muriel Dal Pont Legrand

ROUTLEDGE

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This book aims to start a debate on the relationship between economic theory – and more precisely business cycle theory – and economic policy, emphasising the diversity of views on economic policy which characterised older periods, in contrast to the homogeneity of the analysis and diagnosis provided by current business cycles developments.

Since the 1970s, economic theorists excluding any economic policy interventions and favouring strictly supply-side economic policies have gained a growing influence. The development of Equilibrium Business Cycles theories coincides with the collapse, at least in academic circles, of the Keynesian consensus favouring stabilization policies. The alternative approach which emerged was based on an *a priori* hypothesis about the stability of the economy – or at least on its remarkable ability to stabilize itself. The direct consequence of this approach is that any stabilization objective for economic policy is not only misguided but also inefficient. There are many reasons why Keynesian policies ceased to be dominant in theoretical circles, but the most helpful circumstances for the rapid propagation of a new revolutionary theory is certainly the existence of an established orthodoxy, clearly inconsistent with the most salient facts of reality.

This book offers a sample of different theoretical approaches to business cycles, examining their respective views on economic policy with the objective of understanding business cycles that have been lost, and identifying those views which explain fluctuations and the way we conceive economic policy.

This book was originally published as a special issue of *The European Journal of the History of Economic Thought*.

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