

Book Reviews

Ciaran Driver and Paul Temple
The Unbalanced Economy
Palgrave Macmillan, 2012
ISBN 978-0-230-28031-1

Peter Swann
Nottingham University Business School

Last autumn, students of economics at the University of Manchester attracted a lot of press attention in calling for an overhaul of their economics curriculum.¹ They argue that modules are dominated by theories that were incapable of predicting the financial crisis of 2007 onwards. It will be interesting to see how the University of Manchester, and other institutions, respond to this challenge. Obviously, there can be problems when students who, by definition, do not know the whole of a subject, seek to take the lead in curriculum design. Nonetheless, the students have a good point. If recent historical events pose a serious challenge to conventional economic wisdom, then economists should make it a priority to reappraise that conventional wisdom, and to consider alternatives.

This is precisely what Driver and Temple have done in their book, *The Unbalanced Economy*. They take a careful look at the market-centred economic policies followed in the UK since 1979, and consider whether these have actually delivered the benefits that were foretold. The book is very welcome indeed. And moreover, discontented Manchester students should surely approve if this book is added to their reading lists!

In some ways, the book is broader in scope than the title would suggest. Driver and Temple offer a very broad-ranging critique of market-centred economic policies in the UK. These were first introduced by the Thatcher government of 1979-1990, and have continued with surprisingly little change since then. Indeed, while the author of *Where there is Greed*,² Gordon Brown, might have wished to pursue a very different direction in policy, he was unable to do so because he was so heavily pre-occupied with the financial crisis, which started a few weeks after he became Prime Minister.³

Driver and Temple stress that they do not seek to criticise markets as such. They recognise that the market has been a powerful economic institution for many centuries. But they do attack the uncritical belief in markets

which conveniently overlooks their deficiencies. They also attack the way that the term, *market-centred*, has been hijacked by the political right, to describe policies that prioritise the interest of capital above all other interests.

Within this broader mission, the main focus of the book is on the *unbalanced economy*. In particular, Driver and Temple are concerned about imbalance in the sectoral composition of output and the neglect of investment and R&D. They are concerned about the consequent destruction of wealth-creating capacity and the associated damage to social cohesion.

The core of their argument is that the market-centred approach is the very cause of this imbalance in the economy. Policy-makers must recognise that the problem of imbalance cannot be resolved within a market-centred approach.

That is quite a challenge to mainstream economics and Conservative economic thinking. After all, the notion of *equilibrium* is deeply ingrained in economic thinking, and market forces are generally considered to play an essential role in achieving such a balance in the economy. However, such beneficial effects are outweighed by various forms of market failure, and it is these combined with the march towards increasing concentration, that lead to an unbalanced economy. As one ‘captain of industry’ put it to me some years ago (I paraphrase): ‘usury is of questionable social value, but it is very profitable’.

As I read Driver and Temple’s book, it struck me that the idea of the unbalanced economy is a most useful concept to describe a variety of undesirable trends in the modern economy. In fact, we can identify at least five types of imbalance.

The first two are the growth and dominance of financial services at the expense of manufacturing, and the decline of investment and R&D; these lie at the core of the Driver/Temple thesis. A third is the growing economic imbalance between the South and North of the UK — or, more accurately, between the South-East (the ‘golden triangle’ of London-Oxford-Cambridge) and the rest of the UK. A fourth is the disproportionate influence of the South-East on economic policy.⁴ And a fifth is the growing inequality of income, and a growing sense that the market economy admirably serves the wishes and aspirations of the best-off, but does not serve even the basic needs of the worst-off.

If any readers doubt the political significance of imbalance, they should reflect on two final points. First, part of the momentum behind the Scottish independence movement stems from a strong reaction against the way that London-based policy makers have either ignored these imbalances, or have actually pursued policies that accentuate them. These sentiments are not only to be found in Scotland, but also in the Midlands and the North.

Second, the unbalanced economy is now important enough to attract the attention of the Chancellor of the Exchequer, in his recent Autumn Statement.⁵ In that, he talked about the dangers of an unbalanced economy, and his concern that recovery should be based on investment as well as con-

sumer spending. Driver and Temple may be gratified that the Chancellor is talking of the very same theme: *The Unbalanced Economy*. But it seems improbable that this Chancellor will change the market-centred approach to policy. And without that change, the implication is that the unbalanced economy is here to stay.

Notes:

1. <http://www.theguardian.com/business/2013/oct/24/students-post-crash-economics>
2. Gordon Brown, *Where there is greed: Margaret Thatcher and the Betrayal of Britain's Future*, Mainstream, 1989
3. Many date the start of the financial crisis in the UK to 9th August 2007, when BNP Paribas blocked withdrawals from hedge funds. Brown was appointed Prime Minister on 27th June of that year.
4. For example, people in my part of the North Midlands listen with bewilderment to recent calls from the South-East to moderate the 'house price bubble'. Assuredly, there is no bubble here: indeed, it is arguable that house prices in some parts of the North Midlands are still falling!
5. <http://www.bbc.co.uk/news/uk-politics-25256147>

Janek Toporowski

Michal Kalecki: An intellectual biography, Volume 1: Rendezvous in Cambridge 1899-1939

Palgrave Macmillan 2013

ISBN 978-0-230-21186-5

Malcolm Sawyer

University of Leeds

This book covers the first 40 years of Kalecki's life from his early years in Poland through to his employment in England prior to the outbreak of World War II. It is an intellectual biography which interweaves in depth elaboration of aspects of Kalecki's intellectual writings particularly on the finance side (much of which has been neglected).

The material in the book can be conveniently grouped under three headings. The first covers Kalecki's life and career in Poland, taking us through his family background and the experiences of unemployment, his education (including his earlier departure from a degree course in engineering), and his political activities against the threatening background of inter-war Polish politics. His political involvements focused on political debate and economic journalism, for as Toporowski writes 'Kalecki was too cautious or insufficiently extrovert to throw himself into political activism' (p.15). The mid to late 1920s saw Kalecki supporting himself through a combination of tutoring and credit investigation 'the better casual employment that Kalecki was