

Chapter 7 to 11 consider a production economy. As a consequence, it is necessary to consider the formation of capital goods that allow to produce the goods and also the privately issued money created by banks to finance the production process. Chapter 7 gives the very first simple step toward the explanation of that system, while chapter 8 offers a deep explanation of the tools and concepts that are used in all the following chapters such as the inventories formation and evaluation, costs and profits. Chapter 9 is the first model where inside money (the one provided by commercial banks) is considered within a situation of disequilibrium in the goods market that gives rise to inventories. Chapters 10 and 11 deal simultaneously with privately issued money and government-issued money, with Chapter 11 reaches the highest level of complexity, by doing so in a growth context.

The remaining chapters 6 and 12 are dedicated to open economy. In the former, fixed exchange rates and no private transaction in foreign assets are assumed while the latter relaxes those strong assumptions toward a more realistic world, with cross-border financial flows.

The key message of the book is offered through a structured and realistic explanation of the world phenomena that is able to merge many PK features in a formal and organic way without any black hole. A monetized economy of production (where endogenous money is claimed again and where firms go into debt before attempting to recover monetary proceeds), the principle of effective demand (according to which real markets of products and labour are demand led while market clearing through prices does not usually occur) and procedural rationality of agents are brought together in a dynamic way to constitute a masterpiece for the next generations of Post-Keynesian economists who look for new solid tools to understand the world and the interaction among sectors.

Paul Auerbach

*Socialist Optimism. An Alternative Political Economy for the Twenty-First Century*

Palgrave Macmillan, Basingstoke, 2016

Francis Green

*Institute of Education, University College London.*

*Socialist Optimism* is a rarity, both setting out a scholarly analysis of twentieth century capitalism and setting out a vision of an alternative socialism based on education for equal human development. It starts from the viewpoint that conventional socialist analyses have misinterpreted both capitalist development and the reasons for the failure of the Soviet planning experiment. It draws, first, on a deep knowledge of Marx, Hayek and others to dissect early debates on the roles of planning, state regulation and the 'spontaneous order'

of the market. This analysis is set against the emergence of the giant firm, and with this behind him Auerbach traces the debacle of the planning paradigm. He argues that a 'key reason for the failure of the socialist project in all its variants in the twentieth century is.. rooted in its incorrect analysis of capitalist development.' (p8). In the second part of the book Auerbach then proceeds with an extensive critique of the conception by human capital theorists of the role of education in economic growth and development, emphasising that education is a social process which 'interacts with a broad range of other aspects of social functioning'. He has strong words of criticism for the treatment of technological change in conventional analyses of economic growth and in the works of Schumpeter. Writing particularly in the context of the US as the leading capitalist nation, he dissects the 'mystique' of abstract technological progress, emphasising instead the 'substantive social context' in which innovation took place. The conventional concept 'economic growth', as an object to be maximised, is also attacked. Auerbach highlights, nevertheless, the long-term transformative role of education that can be read from the histories of countries such as Japan and the US.

The third part of the book comes with the intriguing title 'Socialism and Human Possibilities'. It is a socialist agenda emphasising human development, equality and democratic control. Auerbach advances the argument that formal education is crucial both for human liberation and the functioning of the democratic polity. The optimism of an approach based on education is contrasted with the 'fatalism' of the IQ-based world-view which leads to acceptance of existing hierarchies. The education agenda is then linked to an agenda for learning in other spheres, including the household and the workplace. Just as Marx saw the seeds of a future society within the existing one, Auerbach holds that examples of good education can be taken as similar indications of what can be achieved in a society devoted to human development in an equal and democratic framework.

The opening sentence of this book, penned even before the events of 2016, notes how we live in 'dispiriting, pessimistic, cynical times'. Against this pessimism, Auerbach has written an original, striking and substantive volume, which has the capability to inform and inspire new writers and thinkers prepared to make the effort to re-imagine their visions for equality and human development. It is extraordinarily well written and full of incidental insights, born of many years immersion in political economy, in ways that I cannot do justice to in a short review. Especially brilliant is the way that it brings together insights from economics, political economy, history and sociology. I hope that it gets the attention that it deserves from readers of all persuasions, whether or not they like to call themselves socialist.