

empirical evidences and complex research questions require multiple inductive techniques to reduce the risk of blinding investigations. Thus, by recognising that knowledge is often partial and imperfect, Shaffer restrains researchers from limiting the array of analytical tools used.

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*Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth*

Palgrave Macmillan, Basingstoke, 2e 2012

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*Monetary Economics* is an impressive work that offers the readers a complete and systemic new approach to analyse the economy. In the complex relations among households, firms and the various institutions of every country and of the world, the behaviours of every one of them is well explained both through a good narrative and a structured and solid framework. With the aim of giving a better understanding of the suggested scenarios, simulations also accompany the descriptive analysis.

While chapter 1 gives an overview and the basic idea of the approach offered inside the Post-Keynesian (PK) literature it also underlines the key features of what the authors name their SFC — Stock Flow Consistent — approach. In fact, through its solid accountability analysis, it traces the stocks such as the flows of each sector and institution during every moment of the equilibrium and disequilibrium situations. In such a PK framework it is underlined how, in the real world, the production of goods and investments take time and firms and households expectations regarding their decisions are in general falsified. This implies that loans (and a banking sector) from outside the production sector are systematically needed.

Chapter 2 explains the needs and the reasons of building a SFC model together with the characteristics of its Balance Sheet and the Transaction Flow matrix.

Chapters 3-5 present models that, despite different degrees of difficulty, describe a service economy where it is assumed that all services could be produced on demand, without any need to hold inventories of goods or services and where therefore production is in a sense instantaneous. In these models only outside money (the one provided by the government) is supposed to work. Chapter 3 develops the simplest SFC model, with government money as the only asset. Chapters 4 and 5 add to this characterisation portfolio choice, by adding respectively short-term bills and long-term bonds as investable assets.

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

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*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'