Book Reviews

Money, Method and Contemporary Post-Keynesian Economics
Edited by: Sheila Dow, Jesper Jespersen and Geoff Tily
Edward Elgar: Cheltenham, 2018. 208 pages, £67.50

This volume of thirteen papers arises out of two 80th birthday celebrations: that of Professor Victoria Chick, renowned Keynesian scholar and author of a series of papers oft-cited as intellectually formative in the history of banking and monetary theory, and of the publication of Keynes' *General Theory*.

The topic of each paper splits neatly into four areas: Goodhart, Rotheim and Tily (one of the three editors of the book) focus directly on the theory and historical practice of monetary policy from a largely Keynesian perspective, with due regard for matters of uncertainty and liquidity preference being one form of "a-rational" or non-rational decision-making. Tily concludes that the right policies could in the past have avoided poor economic performance and can in the future avoid structural stagnation, although interestingly this conclusion is not shared by Chick later in the book.

The next group of essays are framed through an evolution of banking perspective drawn from Chick's earlier work, dealing in turn with the fate of the African Bank (Hawkins), transformations of the banking sector in South Korea and Asia more widely (Ghosh), and the growth of the shadow banking in India (Sen). In each case, we see fragilities arising over time as regulations shift and new opportunities arise in terms of both liability and asset management. The importance of time and regulatory context is evident.

We then turn to explicit discussions of methodological issues, considering the role of the categories of history/time/evolution/process, of equilibrium and of uncertainty in building our understanding of credit, money and finance (Rodríguez-Fuentes, Tieben, Asensio), and a particularly engaging discussion on the development of Hick's thinking on time in economic theory (Ove Madsen). The question of whether Keynes was right to offer uncertainty a starring causal role in his theory of effective demand continues to be debated between Post Keynesians and others, and is strongly promoted by Jesper Jespersen, another of the editors. In my view the strongest arguments for taking uncertainty seriously are to be found in the writings on money, both by contributions such as found here, and further afield in for example Italian Circuit theory.

Alongside Dow (the final editor of the book), Chick is often placed on one side of a debate within Post Keynesian economics regarding how best to understand and develop the idea of endogenous money. One reading of this collection as a whole is as a demonstration that the "verticalist" position taken by Chick and Dow stands for more than concern about the shapes and shifts of schedules in a comparative static analysis of money. Critical histories and geographies of money and finance, as primarily on display in this book, require a detailed and dynamic sense of financial evolution, guided by Keynes' insight in linking money with uncertainty. This is less the case, for example, when building stock-flow consistent models for scenario testing.

The final grouping of essays deal with contemporary issues, namely coping with post-growth capitalism (Chick and Freeman) through committing to a Green New Deal, and getting a better sense of value and shifting from obsession over "gross domestic product" towards enhancing capabilities, in part through introducing a theory of care (McMaster). Criticism regarding lack of attention to both environmental matters and a proper appreciation of the "economic forms that transcend the standard economic understanding of the economy" (p. 163) have been made of Post Keynesians, so these contributions are timely. The paper by Studart, discussing the challenges of financing green strategies specific to developing countries, is also noteworthy.

Overall it is clear that Chick's particular lens for trying to make sense of the modern monetary economy continues to inspire new work in new areas. This is not doubt due to, as Rodríguez-Fuentes puts it, its combination of "intellectual rigour, scientific innovation and common sense" (p. 96).

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Money and Government
By Robert Skidelsky
Allen Lane: London, 2019. 512 pages, £25.00

"*La tua città […] produce e spande il maladetto fiore…*".[1] When Dante meets the troubadour and bishop Folquet de Marseille in the third heaven of Paradise (Canto IX), he receives scathing words with regards to what today could be considered as the monetary policy of the city of Florence. Its official currency, the Florin (named after the lily, symbol of the city), was accused to be corrupting the Christian faith of its inhabitants with the material obsession for wealth and power. It was perhaps the literary beginning of the modern saga of "*Money and Government*".

This is the evoking title of Robert Skidelsky's latest book, which deals with one of the two historical pillars of a sovereign State – the other being the Weberian monopoly of the legitimate use of force – the public control over an institutional currency. Nevertheless, the book is not merely a historical tale on monetary affairs in modern political entities. As the subtitle suggests, it aims to connect money and institutionalised power with a "challenge to mainstream economics".

The volume is surely motivated by the economic and intellectual disaster of the Global Financial Crisis of 2007–8. The resulting economic crisis was so profound that it finally exposed the flaws and misconceptions of the complacent conventional economic thinking, which itself had played a significant role in shaping the policymaking attitude of "madmen in authority", as Keynes famously remarked at the end of the *General Theory*. Therefore, a central focus of Skidelsky's book is represented by the perverse relation between economic theory and policy. Although Part III is specifically devoted to the distributional and financial causes of the crisis and its subsequent fiscal and monetary policy responses, *Money and Government* cannot be reduced to an informed chronicle of the crisis and its developments. In fact, the attempt to understand recent events in relation to the dialectical recurrence of different theoretical debates is what gives *Money and Government* the flavour of a classical text in political economy.

In particular, its first two-hundred pages (Part I and Part II) constitute an engaging intellectual odyssey through the history of economic thought, from the debate between the essentialists and the nominalists, through the disputes that saw the bullionists against the real bills doctrine, the Currency School versus the Banking School, the supporters of the Gold Standards as opposed to the Silver standards, to the establishment of the dominant Quantity Theory of Money, which Keynes first espoused and later demolished, only to be replaced by the Ptolemaic counterrevolution of Monetarism. *Money and Government* pictures a historical and theoretical account of the function of State money relative to the role of the government in a capitalist economy, illustrating how this represents a defining element of modern political systems, which are recurrently shaped by alternative and competing intellectual paradigms.

Finally, the book exposes the profound and lasting impact of Keynes's revolution on the relation between money and government in the first decades after the Second World War. By the late 1970s, Keynesian economics was already out of fashion in most Western countries. Therefore, the economic crash of 2008 should also be understood as the result of a thirty-year assault on the intellectual foundations of the historically unprecedented economic prosperity of the *Trente Glorieuses*. Yet the recent crisis might not have been severe enough to enable the emergence of a "New Macroeconomics", as invoked and outlined in Part IV of the volume. "Reinventing political economy" around the lessons of Keynes in order to establish a new fiscal constitution will nonetheless be essential, if we genuinely want to avoid Dante's gloomy vision of the "damned money":

"*Which both the sheep and lambs hath led astray*
Since it has turned the shepherd to a wolf."[2]

Let then *Money and Government* be the Virgil of many "students of political economy, young and old", to which the book itself is dedicated.

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NOTES

1. Longfewllow's translation: "Thy city [...] Brings forth and scatters the accursed flower...", Canto IX, verses 127 and 130.

2. Canto IX, Longfellow's version, verses 131-132.

The Foundations of Real-World Economics: What Every Student Needs to Know
By John Komlos
Routledge: Abingdon, Oxon, 2019. 292 pages, £29.99

On February 6, 2019, the *Wall Street Journal* ran a piece: 'This One Here is Gonna Kick My Butt—Farm Belt Bankruptcies Are Soaring." The article goes on to say: "These struggles are driving consolidation shifting a greater number of acres under fewer, larger farms." This article was no doubt read by countless readers, most highly knowledgeable about mainstream economics, who unthinkingly read this piece without asking themselves if something is not missing in Economics 101. In the same unthinking way, they have read not that long ago about stock market crashes, unaffordable and bubble-driven house prices, sovereign debt crises, oil price crashes, and cryptocurrency crashes. The mainstream economics textbook orthodoxy is swallowed hook, line and sinker, attributing to free markets an intelligence that passes understanding, putting out of court further questioning.

The readers of this farm belt article would see how far their thoughts are pinned down by mainstream economics, however, if they read this new edition of John Komlos's book. Sir Francis Bacon famously wrote: "Some books are to be tasted, some to be swallowed, and some few to be chewed and digested." For those studying undergraduate economics, or economics professors that largely teach undergraduates, or anyone closely following economic, political and social events of the day, this book should be 'chewed and digested.' Perhaps mainstream economics is a stiff and mechanistic theory which cannot account for fitful and unsuspected economic and financial somersaults that reshuffle the places individuals hold in communities and families. The mainstream whitewashes this reshuffling as stray events which rarely recur.

Komlos is interesting. With real and penetrating insight, in fifteen close-packed chapters, spanning microeconomics and macroeconomics, he retraces the steps of mainstream economic textbooks. He subpoenas to the bar of economic thinking the work of psychologists, biologist, and heretical Nobel Prize winners in economics. Komlos cites statistics economists have missed such as happiness indices and longevity statistics to show that measures such as GDP growth do not tell the whole story.

For starters, Komlos finds the foundations of real-world economics far different than those assumed in mainstream textbook economics. Part of the appeal of the dismal science is that it flatters human beings with superhuman rationality and unerring optimization capabilities. It credulously assumes a species of humanoids that more closely resemble a deity than the humans known by psychologists and biologists. Komlos calls this species of humanoids 'homo oeconomicus.' He pours forth a Niagara of economic and psychological evidence that this conception of humanity is a myth. Besides assuming a species of homo oeconomicus,' the mainstream assumes an economic system that exhibits its own brand of rationality. The further the government recedes into the background, the better the economy performs. Individuals can be as selfish as they like in income earning activities and the economic system redirects all selfish efforts to advance the public good, the famous invisible hand. It almost sounds too good to be true, particularly if one recalls the unforeseen and whipsawing economic and financial fiascos that stubbornly recur.

Producing goods is the most fundamental purpose of the economy. The mainstream teaches that rational, utility-maximizing consumers decide what the economy produces. Komlos argues that the mainstream has too long glossed over the complexities of consumer behavior, claiming consumers make rational decisions when in fact many consumption decisions are made at an unconscious level. Media advertising starts conditioning consumers when they are children. Secret and hidden appeals to unconscious impulses persuade consumers to make buying decisions that the consumers consciously believe to be well thought out. Thoughtful weighing of buying decisions may only be rationalizing the instincts formed in earlier eras under different and even primitive environments.

Komlos would not be surprised with the bankruptcies in the farm belt and greater concentration of land ownership. With the upmost clearness and adequacy of analysis, he connects the growing idealization of markets with widening income inequality and the shrinking middle class.

This thought-stirring book covers a rich variety of topics and has many intelligent comments and clarifying suggestions. This review has not mentioned the innumerable cases where sellers and employers have the upper hand in setting prices and wages. This book is eminently serviceable as a college reader. It presents much sounder foundations of economics. Those who 'chew and digest' it will be rewarded with information and inspiration.

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China and Japan in the Global Economy
Edited by Tomoo Kikuchi and Masaya Sakuragawa
Routledge: Abindgon, Oxon, 2018. 218 pages, £105

China and Japan in the Global Economy, edited by Tomoo Kikuchi and Masaya Sakuragawa, is a collection of selected essays designed to address three main issues: one, how Japan and China can ensure peace and prosperity in Asia; two, how Japan and China can cooperate economically and politically to optimize resource allocation and channelize savings for productive investment in Asia; and three, how Japan and China and promote free trade in a way that would allow other Asian economies to upgrade their industries in the global supply chain. The first chapter introduces the project. Chapter Two discusses the rise of the Asian economy and the economic challenges faced by China, India and the ASEAN bloc. It explores the role of Japan and China in the realisation of what the authors call the "Asian Century." Chapter Three discusses geopolitics in the region; more specifically, the trilateral relationship and cooperation between the United States, Japan and China. It discusses the major problems in geopolitics in Asia, one of which is the uncertainty in Japan's role in Asia. Should Japan play an independent or a supplementary role? The author suggests some solutions to the threefold problem. Chapter Four discusses the possibility of replicating the European model. In that context, the author seeks to identify the roles of Japan and China in Asian integration. Chapter Five traces the performance of the Chinese economy during the last decade. It discusses the dramatic changes in consumption, investment and exports in China and attempts to explain the slowdown in China's economic growth. The chapter also reviews the economic relation between Japan and China and the challenges that the two countries face following the implementation of inward-looking policies of the Trump administration. Chapter Six discusses the conditions for infrastructure development in Asia, how to design and finance the infrastructure projects, how to account for the negative effects of the infrastructure projects and the extent of government involvement in infrastructure development. Chapter Seven discusses economic integration in ASEAN, the Japan-China-ASEAN economic cooperation, the similarities and the differences in their approaches. Chapter Eight discusses the possibility of using the Japanese yen as a trade invoice currency in financial transactions based on publicly available data. Chapter Nine discusses China's market power as a foreign policy in geopolitics. It also discusses the internationalisation of the Renminbi and its impact on geopolitics in the region. Chapter Ten discusses how to establish a multi-currency clearing system in Asia so that the Asian financial markets can become independent of the U.S. dollar dominance. Chapter Eleven discusses the policy proposals that would help attain the objectives outlined in the preceding chapters.

The book makes for an interesting reading on cooperation amongst the Asian countries, especially the roles of Japan and China that are necessary to achieve economic and financial integration in Asia. The authors provide detailed statistics wherever necessary to support their arguments. Each chapter is followed by a discussion in which the authors provide responses to the questions raised on their research. More detailed discussions on inequality of income distribution and education, gender discrimination, crime, declining population and environmental sustainability are areas for improvements. There is some reference to income inequality in Asia, for instance; however, the arguments could be strengthened with case studies. The book could serve as the basis for more advanced and in-depth empirical research in the future.

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Commodity: The Global Commodity System in the 21st Century
By Photis Lysandrou
Routledge: Abindgon, Oxon, 2019. 102 pages, £45

Commodity is a rich and thought-provoking analysis of capitalism in the 21st century. The book grapples with the materiality of production, forms of governance and transformations in the world of finance. It contributes to the literatures on the globalisation of production, financialisation, inequality and unequal exchange, and welfare. The main argument is that the turn of the millennium represented a turning point in the global political economy because this was when what is called the 'global commodity system' emerged as an 'operational totality'.

Chapter One outlines the book's theoretical framework and presents the 'two-space perspective', which includes 'physical space' and 'commodity space'. It discusses the commodity principle and elaborates on the three levels of analysis through which the world economy is analysed: nation states, organisations and individuals. It introduces the concepts of 'labour power capacity', 'capital capacity' and 'public capacity of government, of which the former two draw on Marx's concepts of capital and labour.

Chapter Two periodises the global commodity system. Its prehistory dates back to around 1750, but only 250 years later had the commodity principle come to embrace not only private capacities of capital and labour and their material outputs, and the entire planet, but also public capacity of government and financial securities. An essential feature of the global commodity system is the commoditisation of financial securities, particularly the rise of governments' dependence of bond markets. The author rejects teleological approaches to history as far as physical space is concerned, but argues that in contrast, commodity space follows 'a single, determinate law of evolution'.

Chapter Three analyses global inequality at the level of individuals and countries. It argues that the global commodity system causes economic deterioration for the majority of the world's population, and the root cause of this is exploitation. Concerning inequality between core and peripheral countries, the author stresses the uneven character of international financial flows and the hegemonic role of the US dollar. Chapter Four argues that the 2007-8 crisis was caused by inequality. At heart of it were the toxic assets connected to the US subprime sector, particularly MBSs and CDOs. Their proliferation was driven by a global demand for financial assets among the super-rich, and on the supply side, their creation was connected to the material needs of Americans who had seen their wages stagnate. Finally, Chapter Five makes the case for the creation of a Global Tax Authority.

One of the book's major strengths is the way in which underscores the *materiality* of financial assets and their connection to real streams of money from production (or tax collection in the case of government bonds). The book provides an intriguing contribution to the nascent literature on 'the financialisation of the state' through its analysis of public debt and the parallels between corporate and government bonds. Among the strongest parts of the book are those that analyse the US financial system, the hegemony of the dollar, and the developments concerning MBS and CDOs. It is successful in making the case that the latter, combined with a *demand* for financial assets among institutional investors and the super-rich, were key drivers of the 2007–8 crisis.

Despite these strengths, the book has some limitations. The arguments are extremely original, but they sometimes come across as disorganised, and could be presented in a more linear way. Some of the insights offered could to a greater extent be brought into conversation with existing literatures, particularly that on global value chains, and to a much lesser extent, that on financialisation, with which the author engages critically. Finally, more could be done to justify the need for new concepts and to clarify where the arguments build on Marx and where they break with him, for example with regards to the relationship between capitalism, the profit motive, surplus value production, exploitation and class. These are addressed in footnotes but would merit elaboration in the main text. Despite these reservations, *Commodity* provides a fascinating analysis of the state of capitalism, which could form the basis for much debate.

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