

## Book Reviews

*Diminishing Returns. The New Politics of Growth and Stagnation.*

Edited by Luccio Baccaro, Mark Blyth and Jonas Pontusson

New York, NY: Oxford University Press, 2022. 541 pages, £ 22.99 (paperback)

This edited volume marks a milestone in a research agenda that Baccaro and Pontusson ignited with their 2016 article in *Politics & Society*. The title of the article already made the ambition of this research agenda clear: to rethink comparative capitalism research. This book presents another step in this pursuit.

The aim here is to re-focus a discipline which for the last two decades has been overly concerned with questions about firm competitiveness and supply-side institutions on the central issue of how to achieve economic growth. Growth has to take centre stage since it is growth that undergirds the stability and legitimacy of capitalism. To achieve this, the book argues for embracing a growth model perspective (GMP) for the comparative analysis of modern capitalism. Doing so, it is argued, allows researchers to analyse the different responses of countries to the common problem of declining growth rates that they have been faced with following the golden age of capitalism.

The GMP breaks with the New Keynesian macroeconomic foundations of much of comparative political economy scholarship and instead actively espouses a post-Keynesian perspective. Growth in the GMP is therefore fundamentally driven by demand. The classification of growth models is descriptive and follows a decomposition of national GDP growth rates. This exercise gives rise to two archetypes of growth models that have dominated the post-Fordist era: a consumption-led and an export-led growth model. In an era of financialisation and falling wage shares, both types are built on debt, either domestic (the former) or external (the latter), rendering both inherently fragile.

These and further theoretical considerations are treated in the introduction and the first part of the book. The remaining three parts, which are self-contained and can be read independently of each other, showcase the explanatory power of the GMP.

Part two of the book analyses how international system dynamics interact with national growth models. In their contribution on the euro area Alison Johnston and Matthias Matthijs, for example, present a lucid discussion of how, following the Eurozone crisis, the architecture of the currency bloc was re-written to favour countries with an export-led growth model to the detriment of other models. Individual country cases are considered in part three. Here, contributors provide readers with detailed accounts of the evolution of the political economies over the last decades of countries such as Germany or Sweden. The fourth part of the book, finally, discusses the interaction between

growth models and specific issues such as austerity, financialisation or the ecological transition. In their readable chapter on austerity, Hübscher and Sattler for example show that growth models better explain a country's fiscal stance than other economic indicators, government ideology or voter preference, as long as the growth model is pronounced enough.

The book is ambitious in what it sets out to do and this ambition is amongst its core strengths. Amongst other strengths are its attempts to build bridges with disciplines such as international political economy and post-Keynesian economics. Marrying insights from comparative political economy with international political economy enhances our understanding of contemporary capitalism and should prove a fruitful avenue for future research. For post-Keynesian scholars, the open embrace of their school of thought by the GMP is exciting and should be welcomed by the community. It opens up new spaces for collaboration and provides a chance to increase the reach of their research.

Where the GMP remains at times a bit too wedded to comparative political economy's old New Keynesian foundations is in its treatment of money, especially in the international dimension. Here, tropes such as countries with current account surpluses exporting capital to finance the current account deficits of other countries resurface. A closer engagement with the insights from the critical macro-finance literature from recent years would help in strengthening the theoretical foundations of the GMP (for an overview of critical macro-finance see, for example, Gabor (2020)).

Similarly, how politics matters for establishing and sustaining growth models could have been elaborated in more detail. Questions about the role of ideology, hegemony and the state are hardly touched upon. The editors write that this volume is not intended to provide a fully-fledged theory of the politics of growth models. Rather, it is meant as providing some common ground which allows for further 'exploratory research' (p. 30). While such an approach might provide flexibility, it risks elusiveness and genericness.

These minor criticisms aside, this edited volume represents an important intervention in the space of comparative political economy research. It is a stimulating and refreshing read and provides researchers with an eclectic toolbox for analysing the vagaries of modern capitalism. The book will surely turn into a useful compendium for political economists.

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Gabor, D. (2020). Critical macro-finance: A theoretical lens. *Finance and Society*, 6(1), 45-55. <https://doi.org/10.2218/finsoc.v6i1.4408>

*A Participatory Economy.*

By Robin Hahnel

Chico and Edinburgh: AK Press, 2022. 304 Pages, £18.07 (paperback).

*A Participatory Economy* is the latest book by Robin Hahnel, one of the founders of participatory economics. It sets out the principles of participatory economics (Parecon) and argues for its superiority over other systems. It constitutes one of the leading and most detailed visions of a post-capitalist economy.

The first three chapters of the book discuss the main values and principles of participatory economics. Chapter 1 'clarifies goals', defining what, as leftists, should be demanded of a post-capitalist economy. This translates into economic democracy, economic justice, efficiency, environmental sustainability, solidarity, and variety. Chapter 2 discusses why it is important to elaborate an end goal. Social democracy, though a clear improvement on neoliberalism, is unstable. Market socialism is inferior to Parecon as markets are tantamount to a cancer that spreads. The carcinogens include pervasive externalities, monopolistic tendencies, the generation of inequalities and, less discussed by economists, the erosion of solidarity. Parecon's main institutions, says Chapter 3, are workplace democracy, and consumer and worker councils.

Chapter 4 deals with work and income. Workers are to be compensated according to effort or onerousness of the work. This overcomes the injustices arising from remuneration due to possession of property or genetic gifts. Distinct from one vote each, decision-making is weighted as workers have a say in workplace decisions only to the extent to which they are affected by them. Similarly, jobs are to be balanced so that each has more or less similarly empowering work. Without this, power would inevitably accumulate in those whose work requires making the most important decisions and who have the most knowledge. Workers will evaluate each other's efforts and also the degree to which tasks are empowering. Slackers, it seems, will be subject to significant moral suasion.

Chapters 5, 7 and 8 deal with participatory planning, including consumer planning, investment and other types of long-run planning. The final chapter outlines how participatory economics principles can be applied to the international sphere. After reading and rereading I must admit that I, like others, do not have a firm grasp of participatory planning. Part of the reason is that its principles seem to stem from formal, logico-deductive reasoning from micro and welfare economics, which do not easily translate into a text intended to be accessible to a fairly wide audience.

Chapter 6 explores what 'reproductive labor' would look like in a participatory economy. Within the private/household sphere this consists of domestic and caring work, and socialisation of children. For practical reasons reproductive labor will be compensated with a flat payment, not based on effort. Within the public sphere, reproductive labour includes healthcare and education. As with the division of labor within the firm, it is to be expected that the division of

reproductive labor between the sexes in terms of occupations and housework is to be much more equal than it currently is. Again, various forms of social pressure and moral suasion are to equalise gender and other non-class differences, along with affirmative action policies. The undervaluing of reproductive labor is indeed a major injustice in a capitalist society.

Hahnel acknowledges that he cannot prove Parecon will work as it has not been implemented anywhere. In lieu of real-life examples, Chapter 5 presents results from simulations claiming that few iterations will be needed in participatory planning, so it will likely be administratively efficient. For this, Hahnel assumes Cobb-Douglas production functions, which were originally conceived for their desirable mathematical properties, not for any relationship with industrial processes. I found the analysis unpersuasive.

The moral logic of compensation according to onerousness is, for me, sound. Equally empowering tasks less so. Allowing people to just do the type of work they want to is at least as legitimate, and perhaps more practical, as making jobs equally empowering. Similarly, allowing women and men to just do the things they want to is preferable to me than equalising reproductive tasks, even if a path is chosen that ends up being somewhat gender segregated.

Empirically, Hahnel forgoes potentially revealing evidence. For instance, no discussion is offered on existing labour-managed and labour-owned firms, in which balanced jobs are a rarity, whereas elected and recallable managers are more common. There may well be a general trade-off between efficiency and participatory decision-making. In Ireland, for instance, master plans are drawn for regions, and for each construction development planning permission is granted or denied, with significant input from local residents and environmental groups. It is comparatively very democratic, and comparatively very expensive (Sweeney, 2022). Also, there was no mention of evidence of the few experiments in libertarian socialism to which Hahnel subscribes. The Israeli Kibbutz system attempted to completely re-engineer gender roles, for instance. While initially successful, the second generation reverted to more traditional roles and, importantly, did not find them unjust (Spiro, 2017).

The Parecon project has been hugely influential on the left. It is very well thought out and I, for one, used to be a subscriber. Many of its moral arguments remain compelling. However, I am unconvinced that one can map out in such detail a future society. Moreover, I believe there is sufficient evidence in today's world, which is absent from this book, that would question how well it would work in practice.

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Spiro, M. E. (2017). *Gender & culture: kibbutz women revisited*. Routledge.

Sweeney, R. (2022). Planning to freeze this winter, blog, TASC. Available at: <https://www.tasc.ie/blog/2022/09/08/planning-to-freeze-this-winter/>