

Book Reviews

Macroeconomics after Keynes and Kalecki. Post-Keynesian Foundations.

By Eckhard Hein.

Edward Elgar Publishing Ltd, 2023, 382 pages, £38.95 (paperback).

Macroeconomics after Keynes and Kalecki covers the fundamentals of macroeconomics at an advanced level. It begins (chapter 2) with a discussion of the foundational features of Post-Keynesian Economics (PKE) and an historical overview of its development since Keynes. Chapter 3 discusses effective demand and finance in Marx, Kalecki, Keynes and the monetary circuit approach. Chapters 4, 5 and 6 are the main parts of the book which develop carefully and by means of extensive model building, comprising almost half of the overall book. These models are based on class theoretical, sociological foundations on the assumption that workers save more than capitalists, that investment depends on demand and (autonomous) animal spirits and that money is endogenous (with a horizontal credit supply). After the core model, extensions with differentiation of the working class and gender pay gaps are presented. Chapter 5 extends this by allowing for conflict inflation, i.e. treating inflation as the outcome of unreconciled distributional conflicts between capital and labour. These competing income claims are mediated by unemployment (dampening workers' wage demand), which gives rise to short-run stable inflation rate of employment (a counter piece to the non-accelerating inflation rate of unemployment). This inflation-neutral unemployment rate, however is (unlike in mainstream economics) endogenous in the medium term. A strength of the book is that after careful presentation and analysis of the core models, policy implications are derived from these models and thus a PK macroeconomic policy package is theoretically grounded (Chapter 6).

Chapters 7, 8 and 9, offer extensions and applications of the core model. Chapter 7 discusses approaches to long-run growth. It presents neoclassical, Marxian and four versions of PKE: Kaldor-Robinson, Kalecki-Steindl, the Sraffian Supermultiplier and an Kalecki-Kaldor model. These PK approaches differ with respect to their assumptions about capacity utilization, investment function and the how they incorporate technological change. Chapter 8 discusses different growth models (and economic policy regimes) in the context of comparative political economy. Different from other chapters, this has an empirical orientation. Chapter 9 discusses the possibility of and conditions for zero growth in Hein's PK macro model (zero growth is a possibility under a set of restrictions).

The book is somewhere between an advanced textbook and a research monograph. Its main chapters 4, 5 and 6, have a textbook feel: step by step they walk the reader through the core model and its extensions with clarity, logical development and accessible material. The later chapters are drawing heavily

on recent research articles. Here, detailed discussion of the model mechanics, often less on substantive findings run the danger of coming at the expense of discussion of the significance of the findings (in chapter 7 and 9).

A main contribution of the book is the extensive discussion of the conflict inflation model and a robust, if polite, defensive against alternative PK modelling approaches, in particular Blecker and Setterfield (2019) and Lavoie (2014). The main difference being that the latter do not include full inflation adjustment in the workers' target wage share.¹ Inflation is an important topic that is only slowly receiving the necessary attention within PKE; and Hein deserves credit for featuring it so prominently. Writing this review with the benefit of hindsight shortly after the cost of living crisis (it is likely that the book manuscript was completed prior to the energy price shock), it seems that an explicit discussion of an energy price shock in the model would have been useful.

There are absences in this book, the most significant one is financial instability. While there has been energetic research of financial cycles and a rediscovery of Minsky since the global financial crisis, this is largely missing in this book. Endogenous money is at the core of the book, but not endogenous financial cycles (nor does the book offer a discussion of the pricing and price dynamics of financial assets). The early chapters on monetary circuit theory have firms borrow to finance the running cost and, in the final finance, for investment. Borrowing for financial transactions is not considered, nor is financial speculation.

Macroeconomics after Keynes and Kalecki is an impressive work in terms of clarity, coherence, comprehensiveness and its consistent eye for policy implications. It confirms Eckhard Hein's standing as one of the leading contemporary post-Keynesian economists.

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- Hein, E, Stockhammer, E, 2010. Macroeconomic policy mix, employment and inflation in a Post-Keynesian alternative to the New Consensus Model. *Review of Political Economy* 22, 3: 317-54
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NOTE

1. For disclosure, Chapter 5 is partly based on joint work with myself (e.g. Hein and Stockhammer 2010); thus it may not be surprising that I find Hein's argument here convincing.

Economic Policies for Sustainability and Resilience.

By Arestis, P., & Sawyer, M. (Eds.).

Springer Nature, 2022, 372 pages, £39.99.

This volume provides a comprehensive examination of the complex challenges facing modern economies and offers an analysis of sustainable and resilient economic policies, highlighting the urgent need for systemic changes and global cooperation. The authors integrate diverse economic theories with historical lessons and advocate for interdisciplinary approaches and coordinated policies. As potential solutions for achieving sustainability and resilience, the independent chapters present innovative policy approaches, from transforming the international financial system to adopting universal services and rethinking monetary policy, emphasising financial stability, the management of natural resources, corporate diversity, and the rebalancing of rights.

In Ch. 1, Arestis argues for financial stability to be the primary focus of central banks, alongside fiscal and monetary policies. He stresses the importance of coordination among these policies to achieve economic sustainability and resilience. In Ch. 2, combining insights from ecological economics, evolutionary and complexity economics, and post-Keynesian economics, Pollitt suggests a multifaceted approach to understanding and managing economic growth and its limits. Michie (Ch. 3), calls for policies that promote diverse corporate forms and greater regional resilience to counter the negative effects of globalization and financial crises.

Elson advocates rebalancing commercial rights with economic and social rights to reduce inequality and enhance sustainability. In Ch. 4 she proposes legal changes and transformation of social security systems to support this shift. Pettifor, in Ch. 5, emphasises the need to move away from capitalism's globalized, carbon-intensive financial practices and argues that a radical transformation of the global financial system must focus on the reduction of carbon emissions and on promotion of economic and ecological justice.

Social justice and equity underline a policy proposal developed in Coote's Chapter 6. Instead of Universal Basic Income, she proposes Universal Basic Services (UBS) as a more equitable and sustainable solution. UBS aims to provide essential services collectively, funded through taxation, to ensure access to life's necessities. In Ch. 7 Keward & Ryan-Collins suggest a mission-oriented approach to the transition to a green economy, with the states playing an active role in directing these policies. The authors argue that the new approach must involve comprehensive policy coordination while addressing global inequalities and historic injustices through the mechanisms of redistribution and compensation towards Global South. Pérez-Moreno et al. make a case for using monetary policy to address economic inequality and environmental sustainability. In Ch. 8 they suggest that central banks should integrate considerations of equity and ecological risks into their decision-making processes.

Each chapter presents a completed piece of a thorough academic research. There are, however, some gaps that would need further consideration. For example, traditional policies frequently leverage market mechanisms to achieve policy goals. The authors' proposals, particularly in chapters advocating for a departure from capitalism or market-driven approaches, could give more consideration to how market-based solutions can be adapted to support sustainability. While the authors provide theoretical frameworks and broad policy recommendations, one would like to see more examples of specific, actionable steps for implementing these innovative policies at a practical level.

Furthermore, the radical nature of some proposals, such as abandoning capitalism or drastically reducing commercial rights, may face strong political resistance. The transition away from established financial and economic systems could lead to substantial economic disruption, leading to job losses and decreased economic growth in the short term. Achieving consensus on these transformative policies could be difficult in politically diverse and polarized environments. In a similar vein, another criticism of the proposed policies, such as UBS or transforming the global financial system, is that they can be impractical or prohibitively expensive. Implementing these policies could require significant public funding and structural changes that may be challenging to achieve.

This critique does not diminish the importance of the analysis and policy proposals presented in the volume. As other volumes in this series, it offers a multitude of unorthodox approaches to contemporary problems, grounded in economic theory and data. These insights are invaluable for policymakers and researchers committed to fostering a resilient and equitable future.

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