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Review of J. E. King, Advanced Introduction to Post Keynesian Economics, *Cheltenham (UK), Edward Elgar Publishing, 2015, pb, ISBN 978-1-78254-843-0, x + 139 pages*

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Review of J. E. King, *Advanced Introduction to Post Keynesian Economics*, Cheltenham (UK), Edward Elgar Publishing, 2015, pb, ISBN 978-1-78254-843-0, x + 139 pages

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Post Keynesian Economics (PKE) belongs to a 'dissident school' in economics, and this visiting card is presented in the book's very first line. The students of economics, especially those 'coming to the subject for the first time' whom this Elgar series targets, can thus know in advance how to calibrate their expectations. They are about to enter a theoretical domain prone to theoretical clashes: with the mainstream, identified with the traditions of Monetarism, New Classical, and New Neoclassical Synthesis, and even with some other *Keynesian* streams of thought – Old Keynesian and New Keynesian. Intra-disciplinary divisions are common among scholars, and the Kuhnian model of science acknowledges their constructive role. However, the message they convey within economics is not one about the imminence of a paradigm shift, as it might have appeared in the promising start of the 20th c., when institutionalism, historical school, and neo-classicism could have found a convergent path in their radical departure from the orthodoxy. On the contrary, today's divided economics resembles a fratricidal siege, well illustrated by this slim yet penetrating volume. It is for this reason that this *Advanced Introduction* succeeds not only in serving admirably the professed goal of the Elgar eponymous series to offer 'concise and lucid surveys of the substantive and policy issues', but also in exposing the perplexing nature of economics, a field of study unable to winnow out diametrical interpretations.

The PKE scholarship grew out of the alluring intellectual influence of Keynes's first and last masterpieces: *A Treatise on Probability* (1921) and *The General Theory of*

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Employment, Interest and Money (1936). The *Treatise* bequeathed Keynes's concern for issues of methodology so much in need, then as now, for an economics practice inclined to substitute 'distortion of reality' for 'approximation of reality' (35). The *General Theory* laid the groundwork for PKE, which the author identifies with six fundamental theoretical principles asserted by A. P. Thirlwall in 1993, all revolving around Keynes's principle of effective demand. On these twin pillars, but permeable to insights from other schools of heterodox economic theory too, PKE has emerged as a virtually different branch of economics, with its ontology, a different approach to methodology, and, of course, distinctive academic journals.

Ontology is the most characteristic part of PKE and, correspondingly, makes up or rather is supportive of the bulk of the present volume; in contrast, the discussion of methods had to be squeezed on two pages only. The universe of Post Keynesians differs from the mainstream's due to the presupposition that to comprehend it requires, in Keynes's words, an 'amalgam of logic and intuition, and the wide knowledge of facts, most of which are not precise' (36). In this world, the prediction is difficult, uncertainty and social conflict pervasive, small changes produce large effects, markets are imperfect, and power is omnipresent, an outlook that enables Post Keynesians' connections to other heterodox economists – institutionalists, evolutionists, feminists, ecologists, behaviourists, and Austrians. PKE's brand of heterodoxy defines a political economy approach, which eschews 'narrowly economic analysis' in favour of a 'multi-disciplinary' study of 'political influences, labour market institutions and (especially) the class power of capital relative to labour' (20). Ultimately, Post Keynesians do not end up with an ontology *per se*; households, firms, investors and so on continue to inhabit the economic universe, whereas novel affinitive philosophical interpretations, for example, critical realists' concept of 'deep social structure', are frowned upon with caution (38). What they do, however, is to recast those key characters and replay the whole economic process from the start.

Inevitably, a theoretical framework able to address such a diverse world has to accommodate factions of its own, although none inimical to 'Thirlwall's core'. Three of them are dominant: a fundamentalist Keynesian approach, which has left its imprint for 'almost half a century', with Paul Davidson, Victoria Chick, and Mark Hayes among its leaders; a Kaleckian variant, the depositary of PKE's 'Marxist twist', also a legacy of Keynes, with its emphasis on the important yet distinct economic roles of capitalist employers and workers; finally, the newly resuscitated 'money manager capitalism' of Hyman Minsky, a 'loner' and dissident (30), whose 'financial instability hypothesis' would become central to the present debates on the prolonged recession. Despite their different accents, all found common ground in rebutting Say's Law and the claim of money neutrality, two *idée-forces* of Post Keynesian thinking which helped rewrite the scenario of how the capitalist economy works – in fact, to turn almost every conjecture of the mainstream upside down. In PKE, the pair assumption of 'insufficient aggregate demand' and 'endogenous money' is key to understanding the macroeconomic problem, which lies mostly with four targets of economic policy: full employment; low and positive inflation rate; fair distribution of income and wealth; and financial stability.

A mixture of modelling and business acumen construes an epistemology that keeps that basic hypothesis valid. Roy Harrod, the 'first biographer of Keynes' (63), transposed the key insights of *General Theory* in a three-pronged model of economic growth [1], albeit on 'simplifying assumptions' further relaxed in the works of Nicolas Kaldor, Luigi Pasinetti, Edward Nell, and Anthony Thirlwall (65-69). In this standard PKE view, the economy functions at a growth rate (G) that most likely does not attain the maximum level (G_n) – the sum of the growth rates of the labour force and labour productivity – and correspondingly fails to maintain full employment. At the same time, the entrepreneurs decide to invest on the basis of their anticipation of profit, which does not result from 'precise calculations of future costs and revenues', but rather from 'conservative conventions and rules of thumb' and 'reason by common sense' for most of the time (8-9). Accordingly, investors employ factors intending to attain a 'warranted' rate of growth (G_w) that would leave them 'satisfied with their productive capacity' (63). Stable growth with full employment, which would imply $G = G_w = G_n$, is a condition 'both desirable and highly unlikely to occur in practice', as Joan Robinson remarked in 1956 (65). The 'golden age' of capitalism between 1945 and 1973 has been but the exception that proves the rule.

This theoretical framework benefits from inputs of disciplinary origins as varied as organization theory, management accounting, Marxian political economy, management theory, or institutionalism. Marxism, for example, proves helpful in explaining why a capitalist society may resist deficit spending on the misleading argument of 'sound finance.' As Kalecki put it in 1943 (13), the real reason may consist of obscuring the threat, which full employment would pose to 'discipline in the factories' although it may be of help to correct the volatility of investors' expenditure in anticipation of profits. In its turn, institutionalism proves essential to unearth the actual workings of markets with involuntary unemployment, 'deeply embedded in social relations' and for which 'power relationship' rather than some 'simple negative relationship between the real wage and the level of employment' is a more realistic descriptor of market forces.

The variety of disciplinary range leads to a variety of methodological approaches. Formal modelling is necessary (74), taken for granted at one extreme (40), probably due to 'a pragmatic question of career advancement (or sheer survival)' (41). Candid yet ambivalent, the author does not neglect to underscore throughout the book the role in PKE of reasoning that draws 'upon history, politics, and institutional change' (41). The reader is advised that 'above all, realism (or at least "realisticness") is regarded as much more important than mathematical tractability' (48). The point is made the more so convincing in light of Post Keynesians' belief that economic theory should be 'socially and historically specific' and change 'as capitalism itself changes' (39). It is, however, the striking contrast between radical ontology (or at least, the view of how the world functions) and relatively conventional methodological stance that signals a possible weakness of the present stage of PKE development.

Matters of economic policy place Post Keynesians apparently to the left not only of the political spectrum but also 'of the majority of the profession' (78). In practical terms, this implies the advocacy of policy instruments that unequivocally would provoke dissent on the side of mainstream economists. Policies that are needed to correct deficient demand consist largely of market interventions on a large scale. They may involve, for example, democratic control of the central bank (79); control of wages and capital flows; taxing financial transactions to temper financial instability (98); or, equally important, 'global scale' efforts to ensure employment coordination, financial stability, and correct debt/trade imbalances. All these conditions, Post Keynesians assert in a somewhat vindictive claim, were in place during the Golden Age of 1945-1973, a period of high employment, low inflation, rapid growth, and financial stability (88), and gradually dismantled in the neoliberal climate that followed since.

Disciplinary divisions are no less important. Causality is as much dear to Post Keynesians as to the mainstream only to the opposite effect. Causation runs from investments to savings and not vice versa (6). In the Equation of Exchange, the direction of causation reads from right to left (PT → MV), not from left to right (MV → PT) because fluctuations in the economy create fluctuations in the money supply and not the other way round (8). Money is not 'neutral': it does affect the price level, but also, directly determine real output and employment. Accordingly, the economists should not see the economy divided between 'real' and 'monetary' parts as there is no such thing as 'money things' and 'other things' (21).

In conclusion and because of not despite its merits, this book conveys a troubling message to the aspiring economist. S/he seems apparently caught in a 'Clash of the Titans', in which lessons taught by some reputed publication outlets in the PKE tradition, say, *Cambridge Journal of Economics*, may lead to policy implications opposite to those expounded by publications in the neo-classical tradition, say, *American Economic Review*. So, taking care for intellectual integrity at the same time, what will s/he do? At some point in the development of PKE, internal criticism estranged Post Keynesians from the 'concern with the philosophy of science' as it represents a distraction from theory and policy (34). It would be now a wonderful opportunity to see how their remarkable legacy measures up against the demand of modern philosophy to right those distressing feelings once and for all.

Endnote

[1] This Journal published an extended account of the model, including of its role in the heterodox thinking; see Van den Berg, Hendrik (2013), 'Growth theory after Keynes, part I: the unfortunate suppression of the Harrod-Domar model', *The Journal of Philosophical Economics*, VII:1 and Van den Berg, Hendrik (2014), 'Growth theory after Keynes, part II: 75 years of obstruction by the mainstream economics culture', *The Journal of Philosophical Economics*, VII:2.

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