Jan Toporowski and Lukasz Mamica (eds), *Michał Kalecki in the 21st Century*. Palgrave Macmillan: London, 2014; Hardcover, e-book, 280 pp.: 9781137428295, RRP USD84.35.

Reviewed by: Robert Dixon, *The University of Melbourne, Australia*

Michał Kalecki was unquestionably one of the great economic minds of the 20th century.[1] In this volume, leading experts on Kalecki from around the world have contributed special essays looking at what economists in the 21st century have to learn from the theories of Kalecki and also how they relate to the issues raised by John Maynard Keynes. This volume is an excellent companion to the definitive biography of Kalecki by Jan Toporowski, also published by Palgrave.

The work includes an unusually informative introduction by the editors together with 15 chapters organised under two headings: 'Kalecki and macroeconomics' and 'Kalecki and the crisis in the 21st Century'.[2] One interesting feature of the work is the number of Australian authors – four (Roni Demirbag, Joseph Halevi, Geoff C Harcourt and Peter Kriesler) – more than from any other country except for the UK, and especially the number of authors (three) who are associated with University of New South Wales. Among the other contributors are other well-known post-Keynesian economists such as Amit Bhaduri, Edwin Le Heron, Marc Lavoie, Mario Nuti, Jerzy Osiatyński (the editor of Kalecki's Collected Works) and Malcolm Sawyer. I have written 'well-known post-Keynesian economists' but some might prefer to be known as *Post-Kaleckian economists*. Indeed, this book might be seen as arguing for the rise of a post-Kaleckian school to replace the existing post-Keynesian school and especially to replace the North American version of post-Keynesianism as exemplified by the writings of (say) Paul Davidson and Sidney Weintraub (both of whom were very influential editors of the *Journal of Post Keynesian Economics*).

I found a great many of the 15 chapters to be very interesting indeed, and I think any readers of the *Economic and Labour Relations Review* who look at this work would find the same. I set out below examples of some of the more interesting contributions.

The first substantive chapter in the volume is by Peter Kriesler and Geoff Harcourt and is titled 'The failure of economic planning: the role of the Fel'dman model and Kalecki's critique'. It examines the influence of the Fel'dman Model on Soviet planning,[3] and with Kalecki's criticisms of the model provides a good starting point for understanding the failures of planning in the Soviet Union and elsewhere in Eastern Europe. Anyone interested in Kalecki or events in Russia and Eastern Europe in the 20th century or in the theory of economic growth and economic development (or even in the arguments to be found in Rostow's *The Stages of Economic Growth*) will be fascinated by the ideas presented in this chapter.

Marc Lavoie's chapter, titled 'Kalecki and post-Keynesian economics', is a very thorough and suitably (in my view) critical discussion of Paul Davidson's objections to Kalecki's analysis and his (Davidson's) negative reaction to the growing attention being paid to Kalecki's ideas. Lavoie's work stands alongside that of Malcolm Sawyer, Peter Kriesler and Geoff Harcourt in making the case for a post-Kaleckian school of

https://doi.org/10.1177/1035304615620361 Published online by Cambridge University Press

economics which applies Keynes's ideas to Kalecki's foundations. Lavoie states in the conclusion to his chapter,

> Despite all the qualms expressed by Davidson, a large number of post-Keynesians believe that the economics of Kalecki provide a preferential foundation for an alternative to orthodox theory, at least when dealing with problems tied to the concept of effective demand. This is because Kalecki is concerned with the real world as it is, and not with some hypothetical economy with perfect competition, which would either be the idealised optimum to be obtained or the benchmark of the analysis. (p. 63)[4]

Hanna Szymborska and Jan Toporowski echo these thoughts in their chapter which is titled '"Dr Kalecki" on Mr Keynes'. They conclude their study of Kalecki's 1936 review of Keynes's *The General Theory of Employment Interest and Money* by remarking that 'It is clear that it was Kalecki who truly broke with the traditional theory. In contrast, Keynes's breach with the classics was rather vague and, in places, rhetorical rather than analytical, as was noted by many of his contemporaries' (p. 114). Having said all that, one disappointing feature of this volume for me is that despite the amount of attention given in various chapters to the ideas of Keynes and the attempts by various contributors to compare and contrast his ideas with those of Kalecki, in the whole volume there is not a single reference to Keynes's 1937 *Quarterly Journal of Economics* article – something which I find odd. I also find it odd that despite a number of contributors specifically discussing Kalecki's theory of aggregate profits and, in particular, the connection between the level of investment and the level of profits in Kalecki's theory, there is only one reference to Keynes' *Treatise on Money* and thus only one reference to Keynes' 'widow's cruse' – and that is in a footnote (on p. 65) which is really in the nature of an aside(!). I would hope that as post-Kaleckians continue to explore the intersection of the economics of Kalecki and the economics of Keynes, they bear in mind that Keynes wrote many very insightful works on economics and that his contributions are not confined to *The General Theory*.

Mario Nuti in his contribution 'Michał Kalecki's capitalist dynamics from today's perspective' uses Kalecki's ideas to evaluate and criticise the slavish application of policies of austerity and fiscal consolidation. He argues that 'The time for a Kaleckian (and Keynesian) over-due revival is now, but until it takes place we are all condemned to suffer from the impoverishment and the unemployment caused by the deepest man-made economic crisis in human history' (p. 128). Malcolm Sawyer in his chapter titled 'Addressing the "Great Recession" using Kalecki's macroeconomic analysis' considers similar issues to Nuti. Sawyer writes that

> Kalecki argued that budget deficits were required to secure sufficient demand to achieve full employment, and he argued persuasively against the arguments used to promote fiscal consolidation. Redistribution of income would be an additional way to raise the level of demand … (p. 209)

Edwin Le Heron also has a very topical piece looking at the current crisis in his 'Economic policies for exit from crisis, in a post-Kaleckian model'. He develops a detailed post-Kaleckian stock-flow model (using data for France) to study the origins of the crisis and to evaluate alternative policies to overcome it. This is a very innovative

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piece of work. I notice also that he has a very interesting application of Axel Leijonhufvud's notion of 'a corridor', where small disturbances have little or no impact on underlying expectations and behaviour, while larger disturbances are destabilising. People interested in building a stock-flow model, in the application of Kalecki's ideas to macro policy and the empirical application of Leijonhufvud's notion of 'a corridor' to the modelling of inflation, are urged to read this chapter and other works by Le Heron.

One of the longest and most interesting chapters in the volume is written by Gary Dymski (he is Professor of Applied Economics at Leeds) and is titled 'Kalecki and Kowalik on the dilemma of "crucial reform" in the United States and Poland'. For people interested in neo-liberalism, labour and/or macroeconomic policy, this is a very informative contribution. Dymski looks at the challenge which neo-liberalism and its associated 'shock-therapy' posed to the 'crucial reforms' which Kalecki and Kowalik thought preferable as a pathway towards sustained growth in Poland. (Kowalik was an economist, a social activist and one of Kalecki's co-authors; he was also editor of a volume of *Selected Essays of Oscar Lange*.) Kalecki and Kowalik provided a vision of how likely future conflict between capital and the state might be surpassed by leaving the state in *democratic* control of investment and thus growth. Kowalik, who was involved with Solidarity and its predecessors, also argued that the countervailing power towards bureaucracy should be provided by worker's councils. Dymski's chapter examines why this dream (and the democratic and egalitarian vision of the Solidarity movement) was not realised. As events unfolded in the 1970s and 1980s in Poland and elsewhere in Eastern Europe, there was at the same time elsewhere in the world the rise of unfettered globalisation, massive deregulation of financial and other markets, and the formulation and application to emerging economics of the Washington consensus. All of this 'undercut the capacity of Eastern European political elites and economic planners to orchestrate a transition to a more democratic and decentralised, but still recognisably socialist (full-employment) society' (p. 166). Clearly the ideas of Kalecki and Kowalik – and Dymski – can be applied to the current Eurozone crisis.

Nowadays any work, which is looking at what economists in the 21st century have to learn from earlier writers, would ideally refer to the issues identified by Thomas Piketty and his (rather confused in my view) discussion of how we should understand the sources of wealth and income inequality and what policies might address them. While the articles in this volume were written before the publication of Piketty's book (they are edited versions of conference presentations given in 2012), there are three chapters which bear directly on the matters raised by Piketty. One chapter is that by Gary Dymski mentioned above. In addition, there are two contributions which deal directly with the profit share and with income inequality. The first is by Kazimierz Łaski and Herbert Walther and is a study of the share of profits in the US since 1960; it is titled 'Kalecki's profits equation after 80 years'. The second is by Tracy Mott and Mark Evers and is titled 'A Kaleckian perspective on changes in the aggregate income distribution in the US'. While both papers precede the appearance of Piketty's book and neither addresses the issue of wealth inequality directly, one hopes that they foreshadow the rise of a post-Kaleckian critique of Piketty.

I enjoyed reading this volume; I learned many new things and found it full of illuminating insights into economic theory, economic history and current issues of political

https://doi.org/10.1177/1035304615620361 Published online by Cambridge University Press

economy, such as the post-GFC crisis. I recommend that anyone who has an interest in labour and/or in contemporary economic policy issues should dip into it.

Notes

1. JK Galbraith once stated that Kalecki was 'the most innovative figure in economics I have known, not excluding Keynes' (cited on p. 64 of the volume under review).
2. A complete listing of all the contributors and the titles of their chapters may be found here: http://www.palgraveconnect.com/pc/doifinder/view/10.1057/9781137428288.0001
3. The model is also known as 'the Fel'dman-Mahalanobis Model', as in the hands of Mahalanobis it played an important role in Indian planning.
4. It is interesting that Lavoie refers to perfect competition as the reference point in orthodox economics. In fact, these days it is more likely to be monopolistic competition (but the point being made by Lavoie is unaffected by this criticism).

Damien Cahill, *The End of Laissez-Faire? On the Durability of Embedded Neoliberalism*. Edward Elgar: Cheltenham, 2014; 9781781000274, RRP USD110.

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On the heels of the global financial crisis, many on the left of the political spectrum anticipated the end of neoliberalism. The financial and economic crisis—global in scope—had supposedly discredited over two decades of neoliberal rule. The massive state interventions required to curtail the worst vagaries of the crisis demonstrated to everyone paying even the remotest attention that deregulated markets are unstable, that bankers cannot be trusted with increasing the money supply and that government intervention could help steer the economy in a more positive direction should politicians be willing. Moreover, the aftermath of the crisis spawned the worldwide Occupy movement, with *The Guardian* recording at least 750 Occupy events across the world. These protests drew ever greater attention to the fact that neoliberal policies have been an abject failure for the non-owning classes of the world. However, at the same time, the policies in question have been highly profitable for dominant owners around the world—what Occupy called the 1%. This may be one of the major reasons why neoliberal policies continue to be pursued despite their consequences for popular social forces.

Unlike the rush to declare the death of neoliberalism, Damien Cahill's latest book argues that far from its death knell, we may actually be experiencing its intensification post-crisis. The reason why this is so, Cahill argues, is that neoliberal policies and practices are socially embedded in three interconnected social spheres: class relations, institutions, and ideological norms. This is a materialist reading of neoliberalism and contrasts heavily with that of Cahill's main intellectual opponents: scholars who argue for a more idealist account of the rise of neoliberalism. This approach puts ideas at the center of understanding political and economic transformations. Cahill does not deny the importance of ideas but he argues that if we focus only on the role of ideas, we will misinterpret the current conjuncture. Is his argument convincing? Yes.

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