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**Book Review — Digitized Version**

[Book Review of] Blinder, Alan S.: Macroeconomics under debate, New York, Harvester Wheatsheaf, 1989

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**Blinder, Alan S.**, *Macroeconomics under Debate*. New York, London, Toronto, Sydney, Tokyo 1989. Harvester Wheatsheaf. XIII, 199 pp.

The volume collects eleven essays of the author, two of which are published for the first time. Chapter 1 is a reprint of the well-known “Does fiscal policy matter?” (with Robert Solow). The following five chapters address the link between bank credit and economic activity. According to the author the main stimulus for writing these papers has come from the breakdown of the traditional link between money and GNP in the United States after 1979 and the suggestion by Benjamin Friedman to consider bank credit rather than monetary aggregates as a target for Federal Reserve policy.

Chapter 2 (written with Joseph Stiglitz) as well as the two following chapters deal with various theoretical aspects which result from credit rationing. Chapter 5, which is published in this volume for the first time, contains a collection of stylised facts about credit aggregates. Blinder, *inter alia*, finds that (a) credit extended in customer markets is more important than credit in auction markets, and also more cyclical; (b) household borrowing is more volatile than business borrowing; (c) government borrowing tends to crowd out business borrowing, not household borrowing. A shortcoming of this collection can be seen in the fact that data are only compiled up to 1983. Important recent developments such as increased securitization and the implied shift to auction rather than customer markets are not covered.

Chapter 6 (written with Ben Bernanke and also published for the first time) directly addresses the question whether bank credit would be a superior target for Federal Reserve policy than a M1 target. The authors find that while the relationship between M1 and GNP has been closer than the relationship between bank credit and GNP up to 1979, the opposite has been true for the first half of the 1980's. They, however, point out that this result does not mean that one should ignore money and, instead, focus on credit, since it is conceivable that the relative size of money-demand and credit-demand shocks reverts once again to the earlier picture. It should also be noted that with respect to monetary aggregates the analysis only considers M1 and does not include other aggregates such as base money, M2 or M3.

Chapters 7 to 9 contain a critical assessment of the contribution which new classical macroeconomics, and in particular the work of Robert Lucas, have made to economic science. While conceding some valid points which have been made by the new classical macroeconomics, such as the Lucas-critique of econometric policy evaluation, Blinder harshly criticises several elements of this school of thought, such as the idea of immediate market clearing. Blinder argues that research along the Lucas agenda has done little to improve economic policymaking. In his view, research in this field largely represents a misallocation of economic resources. Blinder instead proposes another research agenda which starts from the Keynesian IS-LM framework (plus supply-side considerations of the Bruno/Sachs type) by improving on its elements, e.g., looking for a better explanation of money demand or investment behaviour. Blinder's adherence to Keynesian thinking is also strongly voiced in his Ely Lecture on “The Challenge of High Unemployment” which is reprinted as Chapter 10 in the volume. While this essay contains some stimulating ideas for work in this field (i.e., wage stickiness which is explained by notions of fairness) the reader may be astonished to read Blinder's statement that the Phillips-curve (adjusted for some supply shocks) is happy and alive and that “academic economists jettisoned the Phillips-curve not because of empirical failures, but because of a priori theoretical objection”. This view, of course, is strongly debatable. First, the empirical failure of the traditional Phillips-curve is obvious and an attempt to save it by attributing all stagflationary moves in the past to exogenous supply shocks is highly dubious. Second, the empirical study by Robert Gordon which Blinder quotes as evidence, does not support the view of a stable tradeoff between the level of inflation and the level of unemployment. What Gordon has found is that an

*acceleration of inflation* has contributed to a lower level of unemployment in the U.S. Third, the observation that an acceleration of inflation has lowered the unemployment rate has been made for a period where this relationship has not been systematically exploited by policymakers; the existence of such a relationship – and this is a demonstration why the Lucas-critique is so important – could not be presupposed any longer if policymakers would openly attempt to reduce unemployment via accelerating inflation. As a consequence, Blinder's policy recommendation to reduce unemployment in Europe via a demand expansion and more inflation stands on weak ground. European experience has shown that such attempts have not only failed in the past but have been even counterproductive since the induced acceleration of inflation could only be stopped by severe recessions which in turn have led – via hysteresis effects – to higher structural unemployment.

The volume closes with a suggestion for a financial innovation in the form of indexation of contracts via a "National Inflation Mutual Fund". Blinder here develops an interesting concept but concedes that actual demand for such a product may be low due to the remaining inherent weaknesses of the proposal.

Harmen Lehment

**Bohnet, Armin**, Finanzwissenschaft: Staatliche Verteilungspolitik. München 1989. Oldenbourg-Verlag. XIII, 276 S.

Der Einfluß der staatlichen Finanzpolitik auf die funktionelle und personelle Verteilung von Einkommen und Vermögen bildete über eine lange historische Periode ein Hauptobjekt der finanzwissenschaftlichen Forschung. In der jüngsten Vergangenheit und Gegenwart sind es nicht mehr so sehr die distributiven Fragen, die im Vordergrund der wissenschaftlichen Forschung stehen, sondern die der optimalen Allokation der Ressourcen und der gesamtwirtschaftlichen Gleichgewichtsanalyse. Es mag hier dahingestellt bleiben, ob die Vernachlässigung der Verteilungsprobleme wegen der theoretischen Verknüpfung zwischen beiden Fragestellungen sowie im Hinblick auf die praktische Gestaltung der Finanzpolitik angemessen ist.

Dem Verfasser kommt das Verdienst zu, daß er die staatliche Verteilungspolitik zum Hauptobjekt seiner Untersuchung gemacht hat. Dies gilt um so mehr, als einseitige staatliche Transferleistungen, insbesondere im sozialen Bereich, bei der staatlichen Budgetgestaltung weitaus bedeutsamer geworden sind als in früheren Zeiten. Die distributive Funktion ist geradezu ein Hauptmerkmal moderner Budgetpolitik.

Der Verfasser beschränkt seine Untersuchungen im wesentlichen auf die Analyse der staatlichen Einnahme- und Ausgabeströme; die Nutzenanalyse der staatlichen Transformationsleistungen bleibt weitgehend außer Betracht. Dies muß für den Aussagewert der empirischen Untersuchungsergebnisse beachtet werden.

Einleitend wird in der Studie ein Überblick über die Ziele der staatlichen Verteilungspolitik in bezug auf Einkommen und Vermögen geboten. Der Verfasser verzichtet auf eine nähere Analyse der Beziehungen zwischen beiden Verteilungsobjekten ebenso wie auf die mit der Rechtfertigung der Ziele verbundenen Werturteilsproblematik. Die besonderen Schwierigkeiten, die mit der „richtigen“ Bestimmung der Einkommens- und Vermögensgrößen verbunden sind und die empirischen Untersuchungsergebnisse entscheidend prägen, werden deutlich gemacht. Zu Recht wird im Hinblick auf die praktische Gestaltung der Finanzpolitik auf die notwendige Faktenkenntnis der gegebenen Einkommens- und Vermögensverteilung hingewiesen.

Die verfügbaren empirischen Daten der gegebenen Einkommens- und Vermögensverteilung in der Bundesrepublik Deutschland, die der Untersuchung zugrunde gelegt werden mußten, sind für die Gruppe der Selbständigen wegen ihrer besonderen Bedeu-