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### Book Review

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## Book review

Fischer, Lilian, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach Ward-Perkins and Catriona Watson (eds) (2018): *Rethinking Economics: An Introduction to Pluralist Economics*, London, UK and New York, NY, USA (141 pages, Routledge, softcover, ISBN 978-1-138-22268-9)

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This small book contains nine chapters, each chapter describing a school of thought that stands as an alternative to mainstream economics and being authored by an expert in the field. The idea of the book arose from a group of students at Kingston University, UK, involved in Rethinking Economics – an international network of students campaigning for a reform in the way economics is being taught in universities. The editors are all former graduate students coming from diverse universities. The intent of the book, as explained by the editors in their introduction, is to provide undergraduates with a range of views that goes beyond those of standard first-year textbooks, which rely on a single branch of economics: neoclassical economics, which they associate with individualism, optimization and clearing markets. Their purpose is to create the kind of book that the editors wished they had been assigned in their introduction to economics. Martin Wolf, from the *Financial Times*, says it well in his foreword (p. xiv): ‘Neoclassical economics has become something very like a secular religion. The solution will not be its replacement by another such religion, but it will, among other things, demand that we pay attention to other traditions of thought’. Accordingly, the editors claim that their aim is not to attack the mainstream or to endorse heterodox economics, but, rather, to promote pluralism. Their hope, and that of the Rethinking Economics organization, as explained in the epilogue to the book, is to make the standard undergraduate economics curriculum more pluralist, closer to real-world problems, and more open to critical thought.

The nine chapters deal with post-Keynesian economics, Marxist economics, Austrian economics, Institutional economics, Feminist economics, Behavioural economics, Complexity economics, Cooperative economics and Ecological economics. The essays are not homogeneous: chapters go from 12 to 16 pages, some deal with the recent financial crisis while others don't, and the number of references can be as small as 5 or as large as 70. Some students may prefer a more homogeneous single-authored book, such as the one written by John T. Harvey (2015), devoted to the first five schools of thought noted above. Otherwise, one can think of the older book of Sheila Dow (1996), which dealt from a methodological point of view with the first three paradigms in addition to mainstream economics.

I will convey the main message that I got from each chapter. About post-Keynesian economics, Stockhammer underlines its holistic approach, fundamental uncertainty, the principle of effective demand and path dependence. Wage cuts are said to be usually counter-productive, and economic activity and investment is constrained by bank credit, not by saving. But too much credit may generate financial fragility, and thus post-Keynesians believe that the main role of central banks should be to avoid financial instability, not

inflation, by making use of macro-prudential regulations, not by raising interest rates. Fiscal policy is believed to be a powerful motor of the economy.

The name of Marx appears nearly 30 times in the entry on Marxist economics by Fine and Saad-Filho. Half of the entry is devoted to the labour theory of value and the exploitation of workers. This is explained by the excessive length of the working day, the coercive power of capitalist owners, and the appropriation of increases in labour productivity. Capitalism is described as a force of change and progress, but also as a source of degradation. The authors describe Marxist political economy as offering 'the strongest intellectual threat to the mainstream' (p. 31). Like the post-Keynesians, Marxists wonder whether wages or profits are the leading drivers of the economy, and they adopt a holistic approach based on social classes.

Austrian economics, as defined by Méra and Hülsmann, rejects mathematical formalization (as do some post-Keynesians). They doubt that any economic relationship can be verified or falsified. Still, some key concepts need to be taken for granted: scarcity, marginalism and time preference, as well as fundamental uncertainty (again, like the post-Keynesians). Here consent is associated with market exchange, while coercion is due to government intervention. There exists a pervasive financial fragility (as in Minsky), but the authors argue that it is due to financial regulation and the presence of the central bank as lender of last resort, as well as overly low interest rates. Fiat money is said to constitute a gigantic moral hazard, just like the lender of last resort, and should be abolished. The lack of saving is said to make investment projects unsustainable. The authors admit that Austrian policy conclusions are more orthodox than those of the other heterodox paradigms.

Hodgson deals with Institutional economics, old and new. He argues that these two streams are now much closer to each other. He defines Institutional economics as the study of economic institutions: money, banks, firms, rules, even language. Most leading institutional economists note that individuals have limited information and a limited capacity to treat complex information, thus adopting Simon's bounded rationality. Transaction costs and property rights are key, with the author making a reference to the distinction between possession and legal ownership, citing the post-Keynesians Heinsohn and Steiger. Hodgson also notes the role of power, which may be forceful coercion, but which is also tied to customs and institutions. Examples are provided through historical studies of economic development.

Himmelweit starts by arguing that 'all economists should become feminist economists' (p. 60). For her, feminist economics recognizes that 'gender relations are a structural characteristic of any economy' (p. 61). For instance, public investment in infrastructures is likely to have a relatively small impact on the employment of women. Feminist economics goes beyond market relations, analysing non-market activities and unpaid household work. As was pointed out to me in a conference, the household is not the basic unit of analysis, it is composed of several individual gendered members. As in Institutional economics, social norms are said to influence individual behaviour with subsequent feedback on norms. The author argues that a distinct contribution is the analysis of care provision, and its link with Baumol's disease.

Young notes that Behavioural economics is a fast-growing field. Public policy, worldwide, has embraced it, in order to 'nudge' people to change their behaviour, although much of this is really applied social psychology. Behavioural economists believe that their field 'increases the explanatory power of economics' (p. 88). They argue that there is slow thinking, based on marginalism and optimization, and fast thinking, which would rule most of our decisions. Fast thinking is however associated with a series of anomalies and biases, such as loss aversion, and depends on how the information is framed. In addition, information overload can produce bad choices – a feature of Simon's

bounded rationality. Young concludes by wondering whether Behavioural economics is part of heterodox economics or whether it is standard economics properly modified.

For Kirman, Complexity economics is defined by Simon's assertion, made in 1962, that 'the whole is more than the sum of the parts' (p. 91). It rejects optimization and the representative individual, as well as general equilibrium theory, arguing that it is best to model a multitude of individuals and firms interacting with each other by following simple rules, thus leading to some complicated aggregate behaviour that never settles down. There is a relationship with Evolutionary economics, as agents modify their behaviour in reaction to their successes or failures and in reaction to the changing economic environment. Financial markets, with their herd behaviour and their network of arrangements, are a good example. Complexity economics is also known as agent-based modelling.

Cato argues that the system of cooperatives requires an alternative economic theory – Cooperative economics. Cooperatives are said to be a paragon of democracy, with one person one vote. At the origin of the Cooperative movement is the (Marxist) labour theory of value, the idea being to distribute the surplus value to the workers, and not to an owner. Cato also finds inspiration in the work of Polanyi, similarly taking a holistic perspective on the economy, believing that firms should try to maximize neither profits nor growth. Higher productivity and the elimination of the middleman is the goal. Cooperative economics extends to international trade, with the notion of fair trade. Surprisingly, there is nothing on the now fashionable and closely related concept of the commons.

The final chapter deals with Ecological economics. Spash and Asara also refer to Polanyi and emphasize the importance of democracy, grassroots organizations and local production. They differentiate Ecological economics from environmental and resource economics, which are subfields of neoclassical economics, but also from what they call new environmental pragmatists. Their own preferred brand is Social Ecological economics, which rejects pragmatic proposals such as green accounting, green bonds, carbon trading and natural capital. They argue that the laws of thermodynamics as first introduced in economics by Georgescu-Roegen are such that growth, even with some decoupling, is ecologically unsustainable. Thus the need for degrowth, radical social transformations, and a rethink of heterodox economics.

Obviously, there are some close connections between some of the schools of economic thought presented here. I believe these nine essays could be really useful to those students wishing to foray into heterodox economics. Besides providing key references, the chapters would help them to choose the research programme that best fits their interests and inclinations.

## REFERENCES

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