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Book Review of Krämer, Hagen M., Proaño, Christian R. and Setterfield, Mark: *Capitalism, Inclusive Growth, and Social Protection. Inherent Contradiction or Achievable Vision?*

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Capitalism, Inclusive Growth, and Social Protection is a groundbreaking exploration of the complex and dynamic nature of capitalism. Drawing on the insights of Karl Marx, John Maynard Keynes, and Joseph Schumpeter, the book presents a comprehensive framework for understanding the evolution and functioning of modern capitalist economies. The authors build on the foundational work of Richard Goodwin and others to argue that integrating the ideas of these three economists offers the best analytical approach to capitalist macrodynamics. The book also celebrates the intellectual legacy of the late Peter Flaschel, whose innovative contributions have significantly shaped the analysis of the Marx–Keynes–Schumpeter (MKS) system and the concept of 'social capitalism'.

The book is divided into three main parts, each focusing on different aspects of the MKS system and its application to contemporary economic issues.

The first part of the book lays the theoretical groundwork for the MKS system by exploring the contributions of Marx, Keynes, and Schumpeter. Marx's analysis of the dynamics of production, class struggle, and the accumulation of capital serves as a critical foundation for understanding the structural aspects of capitalist economies. Next, the authors delve into Keynes's theory of effective demand and its implications for macroeconomic stability. They highlight Keynes's critique of classical economics and his emphasis on the role of aggregate demand in determining economic output and employment. Keynes's insights into the interaction between financial markets and the real economy are presented as crucial additions to Marx's production-focused analysis. The final theoretical pillar of the MKS system is Schumpeter's theory of cyclical capital accumulation and creative destruction. The authors discuss Schumpeter's concept of long waves or Kondratieff cycles, which describe the periodic surges of economic development driven by technological innovations.

The second part of the book shifts focus to the contemporary phase of capitalism, characterized by neoliberalism. Krämer, Proaño and Setterfield provide a detailed analysis of the institutional and technological changes that have defined the neoliberal era, particularly in the context of the United States. The authors describe how neoliberal policies, including deregulation, privatization, and a reduced role for the state, have reshaped the economic landscape. They discuss the phenomenon of financialization, which has transformed financial markets and the structure of households and firms. Financialization is characterized by the increasing dominance of financial motives, financial markets, financial actors, and financial institutions in the economy. The authors argue that this shift has had profound implications for economic stability and inequality, contributing to the recurring financial crises and growing disparities in wealth and income.

Part II of the book culminates in Chapter 6, which describes the current crisis of capitalism, especially in the US, as a combination of inequality, financialization and macroeconomic instability: The advent of neoliberalism in the 1980s has resulted in a three-act tragedy for the US economy. Initially promised as a supply-side revolution to boost prosperity, it primarily led to weakened labor and institutionalized worker insecurity, creating an 'incomes policy based on fear'. This reduced inflationary pressures by minimizing real income conflicts but decoupled wage growth from productivity, increasing income inequality and undermining consumption-led demand. The demand weakness was temporarily masked by household borrowing, but became evident post-Great Recession when debt accumulation ceased. Currently, the US remains in the third act of this neoliberal tragedy with no clear resolution in sight.

The authors also critique the prevailing economic theories that have supported neoliberal policies. They argue that mainstream economics, particularly the neoclassical and New Keynesian frameworks, have failed to adequately address the complexities and contradictions of capitalism. These theories, which emphasize market efficiency, rational expectations, and equilibrium, are seen as insufficient for understanding the periodic crises and structural changes that characterize capitalist economies. The authors advocate for the MKS system as a more robust analytical framework that can better capture the dynamic interactions between goods, labor, and financial markets.

The final part of the book is dedicated to exploring potential alternatives to neoliberal capitalism. The authors advocate for a future of 'social capitalism', which they define as a system that balances profit-seeking behavior with social advancement and democratic decision-making. They argue that while capitalism has demonstrated remarkable capacity for innovation and growth, it must be transformed to address its fundamental conflicts and contradictions.

Krämer, Proaño and Setterfield outline a vision for social capitalism that includes robust public policies to regulate markets, protect workers, and promote inclusive growth. They emphasize the importance of state intervention in mitigating the negative effects of capitalism and ensuring that economic development benefits all members of society. The authors draw on Keynes's advocacy for social planning and public investment to argue for a more interventionist approach to economic policy.

A key component of the authors' vision for social capitalism is the promotion of inclusive growth and social protection. They discuss the need for policies that address income inequality, provide social safety nets, and ensure access to education, healthcare, and other essential services. The authors argue that inclusive growth is not only a moral imperative but also a pragmatic necessity for sustaining long-term economic stability and social cohesion. The authors also emphasize the importance of democratic decision-making in shaping the future of capitalism. The authors advocate for greater participation of workers and citizens in economic decision-making processes, including the management of firms and the formulation of public policies.

A distinctive feature of *Capitalism, Inclusive Growth, and Social Protection* is its intellectual engagement with the work of Peter Flaschel and Sigrid Luchtenberg (see the interview with Peter Flaschel in *EJEEP*, Hein/Niechoj 2013). Flaschel's extensive work on integrating the theories of Marx, Keynes, and Schumpeter into a cohesive analytical framework provided a crucial foundation for this book.

Overall, *Capitalism, Inclusive Growth, and Social Protection* makes a significant contribution by offering a robust analytical framework for understanding the complexities and contradictions of modern capitalism. The authors' call for a future of social capitalism is both timely and necessary, offering a hopeful vision for a more equitable and sustainable economic system. This book is a valuable resource for scholars, policymakers, and anyone interested in understanding and addressing the challenges of contemporary capitalism. Through their celebration of the intellectual legacy of Peter Flaschel and Sigrid Luchtenberg, the authors honor the rich tradition of interdisciplinary scholarship that informs their work, making this book not only an academic achievement but also a tribute to the enduring influence of their esteemed colleagues.

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Hein, E., Niechoj, T. (2013): 'You have to regulate capitalism, otherwise the criminals will dominate it'. Interview with Peter Flaschel, in: *European Journal of Economics and Economic Policies: Intervention*, 10(1), 2–7, doi: https://doi.org/10.4337/ejeep.2013.01.01.