Book Review

Reviewed by Junaid B. Jahangir

Email: junaid@ualberta.ca

Making Money Work for Us
by: R. Wray
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In an earlier book edited by Fullbrook and Morgan (2020), Wray offered a primer on MMT, stating that a currency-issuing government faces real resource constraints but not financing constraints, that spending is not dependent on taxes and borrowing, and that budget deficits crowd-in private investment. He mentioned that MMT does not justify deficit monetisation and that excessive spending can cause inflation.

Nevertheless, the volume contained several critiques of MMT: Bonizzi, Kaltenbrunner, and Michell stated that MMT prescriptions for monetary sovereignty do not apply to developing countries, as did Lavoie and Rochon in their articles. For the Eurozone, Andresen found MMT's prescription of reverting to national currencies insufficient. Mayhew criticised MMT's simplistic solutions and its downplaying of debt. Similarly, Colander critiqued MMT for downplaying the rules on budget balancing and the limits on debt. Sawyer found MMT's prescription of job guarantee programs problematic. Finally, Murphy criticised MMT for not deeming taxes necessary for redistribution, and Palley critiqued MMT for debt monetisation.

Notwithstanding these important critiques, Wray (2022) has returned with a book that is situated between a primer and an academic text, intended for readers already familiar with the 'basics of MMT' (p.9). This complements Kelton's (2020) arguments that the economy faces real, not financial constraints, and that taxes and borrowing are not needed for a currency-issuing government. She challenged the crowding-out story, upheld MMT's prescription of a federal job guarantee, and generally shifted the focus away from deficits. In my own teaching, I have assigned Kelton (2020) for a book review project,[1] and I intend to add Wray (2022). In this regard, I highlight the salient points made by Wray.

In the introduction, Wray emphasises that MMT challenges the orthodox views by highlighting that a monetary sovereign government cannot be insolvent, that taxes and borrowing are not required for government spending, that real constraints pertain to resources and inflation, and that when unemployed and under-utilised resources are available, finances can be readily found to employ them (pp.2–5). In Chapter 1, he highlights that money, whether issued by the state or by banks, is the liability of the issuer (p.13). He reiterates in the next chapter that currency holders are creditors, with the currency-issuing government as the debtor (p.32). Thus, he adds that when taxes are paid,

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both taxpayers and governments are redeemed, as the former no longer owes taxes and the government is no longer the debtor (p.18, p.32). Overall, he highlights that the government is not financially constrained even facing real resource constraints, and that currency is the debt of the issuer, which is redeemed when taxes are paid.

In Chapter 2, Wray notes that whereas a central bank creates reserves and currency as money, private banks create deposits as money through the 'loan making process' (p.33, p.47); and that government spending precedes taxes, as taxpayers cannot pay taxes until the government spends currency (p.32). Moreover, the central bank does not need tax revenues, as it simply uses keystrokes to credit reserve accounts (p.39). Similarly, private banks do not need deposits to issue loans, as they simply credit the accounts of borrowers (p.49). Finally, he states that the functional impact of monetary policy (when the central bank sells treasury bonds) and fiscal policy (when the treasury sells bonds) is the same, as both 'drain reserves from banks' (p.54). He reiterates that banks must have reserves before they can pay for bonds, that the government must issue reserves before it can sell bonds, and that therefore, the government 'does not need to borrow at all' (pp.54–55). Overall, like Kelton (2020), he emphasises that taxes, borrowing, and deposits do not precede the creation of state and bank money, as they are simply brought into existence through keystrokes.

In Chapter 3, Wray highlights that government spending is not determined by the government but by the sellers of resources to the government when they decide how much currency to demand to pay for taxes, to use as medium of exchange, and for a store of value (p.61). Thus, he states that the purpose of taxes is to 'move resources to the public sector' and that the size of the budget deficit is determined by the private sector demand for currency (pp.62–64). He adds that even when government spending is greater than tax obligations, prices will not increase and the currency will not lose value if the price paid by the government for the real resources is fixed (p.62). On the other hand, even when government spending is less than tax obligations, inflation and depreciation will ensue if the government increases the price paid for the real resources (p.63). Finally, he cautions about 'too much money creation' by the private sector, as it incentivises risky debt for speculative purposes and therefore leads to a financial crisis (p.69). Overall, Wray argues that the purpose of taxes is not to provide revenues but to shift resources to the public sector, that inflation does not arise from government spending unless the government bids higher prices to take resources from the private sector, and that the issue of excessive money creation is not inflation but a financial crisis, as the private sector uses the created money to engage in speculation activities.

In Chapter 4, Wray discusses the Soddy principle whereby debt grows faster than economic growth, so that interest rates greater than growth rates increase the concentration of wealth (p.80). Thus, from Babylonia to Rome, the balance of power was restored via debt cancellation (p.80, p.86). He expresses concern that in the absence of debt cancellation, this balance of power is skewed in contemporary times when 'global financial elites' amass too much power (p.86). In this context, he adds that pegged exchange rates serve the interests of elite groups, as the nation becomes a colony when it loses control of fiscal and monetary policy and becomes susceptible to exchange rate crises and bankruptcy (p.89, p.90). Moreover, such nations are pressured to maintain sufficient net exports (by lowering domestic wages, imports, and via austerity measures) just to maintain the exchange rate and to service foreign debt (p.90, p.151). Finally, he is critical of both the financialisation of the economy that stokes asset bubbles and austerity measures that reduce government spending (p.92, p.93).

In Chapter 5, Wray critiques several ideas that have been encapsulated in the principles of economics courses. For instance, he argues that choices are influenced less by rationality and more by evolution and that greater choice inhibits decision making (p.97). He mentions the fallacy of composition that extrapolating from individual behaviour to the aggregate leads to erroneous conclusions (pp.98–99). In this context, he states that while individual spending is constrained by income, spending at the aggregate level determines income (p.98). Based on this understanding, he critiques the idea of trade-offs, stating that instead of creating a binary choice between two options, we can spend on both at the aggregate level (p.99). Thus, he challenges the ECON 101 lesson on the crowding out effect that 'more government spending means less private spending' by underscoring the erroneous underlying assumption that the private sector would operate at full employment in the absence of government spending (pp.99–100). Moreover, he states that instead of increasing interest rates, deficits decreased them when government spending is undertaken without selling bonds (p.109). This runs counter to the ECON 101 idea on higher interest rates via the crowding-out effect. Indeed, he mentions earlier in the book that the Bank of Japan has kept overnight interest rates close to zero despite the 250 percent government debt to GDP ratio and the 'biggest sustained budget deficits in the world' (p.45). Later in the book, he points out the recession of 2009, where despite the increase in debt, both inflation and interest rates remained low (p.143). Additionally, he emphasises that interest rates are not determined by markets but by central bank policy (p.148), which further provides support against the crowding out story.

Wray challenges that government spending is inefficient by highlighting the government's role in providing infrastructure, education, healthcare, and regulation, in mobilising unemployed resources, and in addressing pandemics and climate change (p.100, p.101). Among other ECON 101 lessons, he critiques that resources are scarce, wants are unlimited, and that there is 'no such thing as a free lunch' (p.104). He argues that human labour based on 'imagination and innovation' is not scarce and that such human capability can be expanded through education and training (p.108). He continues that wants are manufactured by private advertising and that many wants are for public goods that cannot be provided by private markets (pp.108–109). Moreover, he states that hiring unemployed resources to build capacity provides a free lunch, which allows more employment, income, and output both today and in the future (p.111, p.112). He adds that such capacity building must be led by the public sector, as private firms are disincentivised to invest in 'labour productivity enhancing capital' in times of slower growth and higher unemployment (p.113).

Wray objects that government spending to combat unemployment will cause inflation or alternatively that a pool of unemployed workers is required to prevent wages and prices from rising (p.113, p.115). He notes that since the financial crisis of 2008, many economists have found the Phillips Curve not supported by the data (p.115). However, he adds that high aggregate demand, whether from government or private spending, can lead to inflation but that this depends on various factors including competition from cheap labour abroad, 'strength of labour unions', and 'collusion among producers' (p.115, p.117). Finally, he criticises the ECON 101 lesson that inflation is a monetary phenomenon or that it is due to 'high aggregate demand' by alluding to supply side factors including oil price shocks manufactured by OPEC and the disruption of supply chains with the COVID pandemic (pp.116–117). Thus, he rejects austerity measures to fight 'supply-side induced inflation' (p.116).

In Chapter 6, he states that an alternative framework is required that does not rest on markets, individual choice, and utility maximisation, and is instead based on public interest and the positive role of the government (pp.120–121). Based on this framework, he builds a narrative of MMT in a way that engages moral issues akin to the strategy adopted by the orthodoxy (pp.122–123). Thus, he frames taxes as reducing the competition between government and private use of resources and therefore as instrumental to combat inflation (p.124). He also frames taxes as preventing excessive inter-generational wealth concentration through unearned inheritances (p.125). He adds that progressive taxes combat inflation by stemming discretionary spending on conspicuous consumption and curbing the influence of the rich, which in turn can threaten democracy (pp.128–129). Moreover, through capital controls and capital gains taxes, the value of the currency can be maintained, and speculation can be discouraged (p.129).

Wray frames government deficits as private saving, government debt as financial wealth, and austerity measures as destroying that wealth (pp.130–132). Earlier in the book, he graphically illustrates that the government sector deficit is paralleled by the non-government sector surplus, so that private saving requires a government deficit (pp.82–83). Finally, he highlights that happiness is based on relative income and that excessive inequality leads to 'hoarding money' instead of production and employment (pp.135–136). Overall, he projects the MMT narrative by framing taxes as combating inflation, maintaining currency value in face of the rich pulling out of domestic currency, countering the threat to democracy, and the government deficit and debt as private saving and financial wealth.

In Chapter 7, he notes that while MMT was initially panned in the media, it was embraced by governments as they dealt with the COVID pandemic (p.8, p.138). He also reiterates that instead of focusing on budget deficits, the focus should be on the 'demand for resources that might cause inflation', and on building capacity along 'environmentally sustainable paths' (p.141). He shifts the focus from financial to political constraints, stating that the latter is always relaxed when it comes to tax cuts, corporate subsidies, and the military budget (p.145, p.148). Additionally, he reiterates that spending cuts today do not facilitate more future spending, as production capacity based on unemployed resources is foregone (p.145). On the billionaire wealth tax, he notes that the proposed rates are too low to change the 'consumption patterns' of the rich (p.146). Thus, he argues that the top 1% should be taxed much higher than the amount required to spend on targeting low-income households (p.146). Additionally, he is critical of tax cuts that redistribute income to the wealthy and rejects the idea that tax cuts pay for themselves through 'trickle-down economics' (pp.148–149).

Wray notes that the billionaire wealth tax or the Green New Deal do not directly emerge from MMT, which instead directly offers three policies: floating exchange rates, interest rate targeting, and job guarantee programs (p.148, p.149). On interest rate targeting, MMT proposes (and following Keynes) near zero overnight interest rates to eliminate interest for the rentier class and to benefit borrowers with low income, and to facilitate infrastructure projects (p.152). MMT also proposes eliminating government bonds since it provides income to the wealthy, and to dispel the myth that borrowing is required to finance spending (pp.152–153). While this ostensibly contravenes the idea that government debt is private financial wealth, Wray states that bond ownership should be allowed for pension funds and college savings to serve the 'public interest' (p.153). On the job guarantee program, he states that the government can act as the 'employer of

last resort', establish an 'effective minimum wage' and working conditions that would set the standard for all employers (p.154, p.155). Finally, he critiques "putting simple ideas into mathematically complex models" in economics as 'intentional obfuscation' and highlights that 'stories win the debates, not math' (p.159).

To recapitulate, Wray presents a comprehensive exposition of MMT but does not directly engage in addressing its criticisms. This is perhaps because he believes that a strategy that uses the orthodox worldview as a frame of reference for engagement and argument is bound to fail (p.120). It seems that he applies this orientation towards post-Keynesian critics of MMT as well. Thus, his focus remains on delineating the salient points of MMT, e.g., that the government is not financially constrained, and that taxes and borrowing are not required for government spending. He adds that the government cannot run out of keystroke credits to support spending although it faces real resource constraints. Therefore, taxes are imposed to shift resources to the public sector and to contain inflationary pressures.

Finally, Wray raises several critiques of the principles and lessons of ECON 101, which echo Komlos (2019): choices are not rational; choice inhibits decision making; wants are manufactured by advertising; government spending does not crowd out private spending; free lunches exist when unemployed resources are hired to build capacity; unemployment is not required to combat inflation; the government plays a positive role in providing infrastructure, education, and healthcare, and in addressing pandemics and climate change; high wealth taxes are justified, and that excessive use of mathematics in economics obfuscates. Overall, even though the book does not engage with post-Keynesian critiques of MMT, it can be used to broach MMT ideas on money and policy. The main MMT ideas encapsulated in both Kelton (2020) and Wray (2022) are the same, through the presentation is different. While Kelton (2020) structures her book on dispelling six myths around deficits and their supposed impact, Wray (2022) focuses considerably more on the nature of money before delving into policy issues. This focus on issues pertaining to money was missing in Kelton (2020). Thus, Wray (2022) is an excellent complement to Kelton (2020) to introduce students to MMT, as it adds a grounding on issues pertaining to money to complement the dispelling of deficit myths.

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Notes

1 I designed a new course at my university titled humanistic economics where I use Komlos (2019) as the primary textbook because it gels best with standard ECON 101 textbooks as a critical commentary on what students have been exposed to. However, in a bid to introduce students to pluralism in economics, I assigned eight books for book review projects. Each student group picked one book. Moreover, instead of asking them to write a report where they could have drawn from online sources, I asked them to do a ten-minute class presentation where I gauged their understanding of the books they had read. I was pleasantly surprised that the students got quite involved in the books in contrast to their usual response to standard textbook theory. It was as if they had been waiting for such perspectives in economics. These books included Kelton (2020), Krugman (2020), Blanchard and Rodrik (2021), Piketty (2021), Raworth (2017), Osberg (2018), Yueh (2018) and Fischer et al. (2018).

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Reviewed by Junaid B. Jahangir

Email: junaid@ualberta.ca

Value(s): Building a Better World for All
by: Mark Carney
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Mark Carney served as the Governor of the Bank of Canada from 2008–2013, and as the Governor of the Bank of England from 2013–2020. In doing so, he led the former through the financial crisis, and headed the latter prior to the onset of the COVID pandemic. Thus, it is not surprising that in addition to the existential threat of climate change, he addresses financial crises and pandemics as the three main challenges of our times, amidst a backdrop of public distrust, globalisation, and rapid technological change (p.2, p.5).

In the book, Carney argues that markets are crucial for finding solutions to the most pressing problems of our times (p.130, p.473). While he upholds the dynamism and efficiency of markets for prosperity and wellbeing, he qualifies that their effectiveness is based on 'the values of society' (p.130, p.474), which include solidarity, fairness, kindness, and sustainability, and accordingly, must be nurtured to sustain an inclusive capitalism (p.4, p.139). He views these values as institutions themselves and deems them more important than geography or trade in explaining growth (p.473). Additionally, he cautions against market fundamentalism that depletes social capital (p.9).

In Chapter 1, Carney illustrates the distinction between market value and values in the context of the wages earned by essential workers. He mentions that while mainstream economics equates wages with marginal contribution, the dedication of workers undertaking risky public transport during COVID is beyond market value (p.15). However, he does not critique the principle taught in ECON 101 that living standards are based on productivity, for as significant as essential workers have been during the pandemic, they still earn a pittance compared to overpaid CEOs and financial executives, whose contribution pales in comparison. Although, he does state that neoclassical economics shifted the focus of value from objective value based on labour (an idea shared by the classical thinkers including Smith, Ricardo, and Marx) to subjective value based on consumer preferences (p.39, p.41).

Carney pushes back at market fundamentalism by freeing Smith from the standard free market narrative. He states that despite being called 'the father of laissez faire', Smith used the phrase 'invisible hand' only once in *The Wealth of Nations*[1] (p.28). He adds that Smith would not have recognised the mathematical representations of markets and would have instead emphasised that effective markets require sentiments (or values)

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including trust, fairness, and integrity (p.29, p.32). Smith also cautioned against both consumption of luxuries (which Veblen would later term conspicuous consumption) and rent seeking by businesses that tamper with the market through collusion and price fixing (p.30, p.50). Apart from providing a picture of Smith that differs from the one in neoclassical circles, Carney mentions Marx, for whom financial speculation undermined production and mechanisation displaced labour, reducing its bargaining power and thereby leading to the class struggle (pp.38–39). Thus, by mentioning the ideas of the classical thinkers, Carney effectively creates a narrative on values that stands in stark contrast to neoclassicism.

In Chapter 2, Carney continues with his narrative against market fundamentalism by stating that people care about dignity, purpose, and meaning beyond mere happiness (or in economics parlance, utility) (p.47). He adds that the distinction made by the classical thinkers between productive and unproductive activities, or between value adding and rent extracting activities, which have been downplayed by neoclassicism, should become relevant again today with the onset of the fourth industrial revolution (p.49, p.53, p.124). He critiques standard neoclassical economic theory that assumes perfect competition, complete markets, and rational self-interested individuals that can calculate the probabilities of future states of the world (p.50, p.187). Criticising neoclassical theory, he states that the real world consists of oligopolies and monopolies that exercise market power, and that 'widespread damage can be caused' when markets are not complete, as in the case of hedging financial risks (p.50, p.51). He adds that markets are not always self-equilibrating, as shown by the financial crisis, and that people are not always rational, as they are prone to 'frailty, exuberance, and pessimism' (p.176, p.180, p.185). Overall, Carney highlights the limitations of neoclassical economics and deems the dynamism and efficiency of markets as significant to addressing the pressing issues of our times.

In Chapter 3, Carney vitiates the neoclassical idea that money is created by new deposits, instead arguing that it is created by banks making loans (p.60). He also highlights the limitations of the gold standard by stating that under such a system, the burden of economic adjustment fell heavily on labour, and that restricting the money supply to the availability of gold could both limit commercial activity and exert deflationary pressures that would increase the real debt burden and contribute to the insolvency of banks (p.68, pp.71–72, p.109).

In Chapter 4, he continues that modern money is not backed by gold but by confidence that the integrity of bank notes is protected against counterfeits, that its value would not be eroded by inflation, that debt burdens would not increase by deflation, and that money will not disappear in a depression, financial crisis, or a pandemic (p.89). Thus, he is critical of the gold standard and seems close to the thinking about money creation central to modern monetary theory and the theory of endogenous money creation espoused by many heterodox economists, even though he would reject the prescriptions of such theories.

Carney states that the two broad objectives of central banks include monetary and financial stability. The former maintains the value of money by ensuring low, stable, and predictable inflation, and the latter ensures that the financial system can support businesses and households through crises (p.90). He also highlights that monetary policy, financial and climate policy are subject to the time inconsistency problem. In the case of monetary policy, there is the temptation to influence interest rates for short-term employment at the cost of long-term inflation (p.333). Similarly, with financial policy,

lighter regulation in the short run justified by temporary growth leads to financial and macroeconomic instability, lower growth, and higher unemployment in the long run (pp.94–95). Likewise, politicians do not pursue substantial climate change policy, as the costs are incurred immediately but benefits are achieved in the long run (p.334). Overall, in contrast to standard textbooks, Carney brings a practitioner's view on the objectives of central banks and illustrates the time inconsistency problem in multiple ways.

In Chapter 5, Carney reiterates that "laissez-faire is not a good foundation for sound money" (p.65). He mentions that proponents of decentralised cryptocurrency deem it more trustworthy than centralised fiat money, as its fixed supply prevents its debasement, its use is free from risky private banks, and it is free from tax authorities (p.112). Likewise, these proponents consider it more efficient, as it cuts out financial intermediaries and allows direct payments between parties engaged in a transaction (p.112). However, according to Carney, it is unlikely to become an effective medium of exchange and a unit of account because transactions can be slow and carbon intensive. And, in addition: cryptocurrency is neither the liability of any institution nor backed by any central authority, there are concerns about cyber-attacks, loss of customer funds, money laundering, terrorism financing, and tax evasion. And he writes, "if enough people take the subjective view that Bitcoin is a safe haven against inflation … then there will be demand for it as an asset rather than as money per se" (p.114). Overall, he is critical of cryptocurrency even as it is sometimes touted as the next stage in the evolution of money.

In Chapter 6, Carney revisits the critique of markets and the erosion of values. He states that while neoclassical economics emphasises efficiency, at the same time markets encroach on 'human relationships and civic practices' and undermine 'social and civic values' (p.124, p.137, pp.143–144). He illustrates this by poor individuals forced to sell a kidney. Although markets (based on standard neoclassical reasoning) allow for mutually beneficial trades, thereby maximising efficiency, they can also undermine human dignity (p.142, p.143). Continuing with this critique, he states that markets undermine community and affect mental health by turning life into a 'scorecard competition', which leads to stress and dissatisfaction even among the 'winners' (p.127, p.147). Additionally, offering people financial incentives crowds out their intrinsic commitment, as it ignores non-pecuniary values like getting satisfaction from helping colleagues and clients (p.144, p.145). He illustrates this with the example that turning blood into a commodity crowded out people's altruism and obligation to donate blood (p.145). Overall, he criticises the commodification that results through markets (a point made by Marx in capital) and underscores the limits of market-based policies to spur conduct that is best incentivised through values.

Carney argues that markets depend on a social contract, which in turn rests on equality of opportunity, distributive justice, and intergenerational fairness, all of which maximise social wellbeing (p.124, p.127). As such, he highlights the significance of income redistribution, which he justifies through the concept of diminishing marginal utility of money and adds that it can be welfare enhancing if there are large benefits for disadvantaged groups but only small costs for others (p.54, p.124). In contrast to neoclassical economists who downplay inequality, he mentions that inequality can be 'self-reinforcing and growth limiting', as the poor cannot invest much human capital, and that more equal societies have 'robust political institutions' for they 'invest for the many not the few' (p.125, p.126). He adds that the rich obtain higher returns on capital, access better schools, influence politics, and rationalise success, as they do not want to attribute

it to luck (pp.137–138). Moreover, he buttresses his case by alluding to the OECD and the IMF studies that show that inequality is harmful for growth (p.125). Thus, going against the grain, he highlights inequality as an issue, although he does not discuss as much as he does with financial crises, pandemics, and climate change.

While Carney is critical of market fundamentalism and is concerned about the erosion of values, he states that many economies 'aspire to forms of' meritocratic or liberal capitalism, where the former imposes no legal constraint on earning income and the latter corrects for differences in initial endowments through provision of education and inheritance taxes (p.132). Referencing Fukuyama's thesis, he adds that historical processes culminate not in Marx's communist utopia but in the combination of capitalism and liberal democracy (p.131). He adds that the Reagan-Thatcher reforms reversed the wage and price controls, interest and exchange rate controls, public ownership of business, and bureaucratic red tape, by replacing them with free floating exchange rates, financial liberalisation, privatisation, and tax reduction on investment. Overall, he provides a centrist position, by stating that while productivity and income have increased and while millions of people have been lifted from poverty, inequality has increased, and values have become more pro-market under capitalism (p.134, p.177).

Having presented his concerns on markets and values in the first six chapters, in the next six chapters Carney delves into financial crises, pandemics, and climate change. He presents a view that the road to hell is paved with good intentions by stating that securitisation was based on the idea that a diversified pool of assets was less risky, and that financial innovation was initially about financial inclusion by promoting home ownership (p.155, p.182). He holds market fundamentalism responsible for leading to the 2007 financial crisis, based on the erroneous belief that if markets are efficient then bubbles can neither be identified nor their causes addressed, and to the subsequent 'rise of populism' (p.5, p.139, p.186). Moreover, he contrasts the privatised profits prior to the financial crisis with the socialised loss after the crisis, arguing that this "unjust sharing of risk and reward contributed to inequality" (pp.200–201). However, in contrast to the Schumpeterian idea of creative destruction and that saving a crashing system would exacerbate moral hazard, he references Bernanke that invoking moral hazard during the financial crisis would be 'misguided and dangerous' and argues that the crisis had the potential to withdraw access to credit for millions of households and businesses (p.169, p.376). Overall, he adopts a centrist position by critiquing market fundamentalism but also rationalising the bailing out of financial institutions.

Carney then addresses the COVID pandemic in the next two chapters. He states that the COVID crisis has revealed economic injustices, as 'essential workers have been undervalued', and that we are all in the same storm but not the same boat (p.258, p.372). He adds that high-skilled workers were able to isolate and reduce contact with strangers compared to low-skilled workers whose livelihood depended on travelling via public transport and maintaining contact with strangers (p.244). Moreover, education under the lockdown depended on having access to high-speed internet, which amplified the structural advantages of children from high-income households (p.245). However, he also states that with the pandemic, people focused on human compassion and not financial optimisation, and that they acted not as libertarians and utilitarians but rather as Rawlsians and communitarians, for they sewed masks, helped elderly neighbours, and delivered food to vulnerable populations (p.146, p.235, p.242). Thus, while highlighting the inequities, he also underscores how values drove people to help others during the pandemic.

Carney states that rather than focusing on the prosperity of the greatest number for policy making, we must focus on the most vulnerable, as the former leaves many behind, whereas the latter improves the common good from which no one is excluded (p.372, p.381). Generally, this implies that the focus should remain on the working poor, the young and those living in vulnerable island states in the context of climate change, and both the elderly and essential workers in the context of pandemics (p.372). Additionally, in a world with global supply chains, the COVID crisis has shown that local resilience must be prized over global efficiency (p.222, p.259). However, he adds that we fail to prepare for future pandemics and climate change because of high discount rates that reflect present bias, and because politicians are rewarded for providing immediate benefits instead of proactively working on preventing future crises (pp.51–52, p.224). Finally, he states that governments get through crises less through punishment threats and more through 'state legitimacy, competency, and social capital', as in the case of the New Zealand Government that was able to clamp down on COVID far better than the USA (p.238, p.241). Overall, he upholds a Rawlsian perspective in addressing financial crises, pandemics, and climate change, and emphasises the significance of values that build social capital in addressing these issues.

On climate change, Carney clearly states that global warming is "extremely likely to have been caused by human activity" (p.264). He depicts climate change as a supply shock that reduces productivity for those working outside, especially with rising temperatures, and contributes to forced migration, disbanding of communities and social capital, spread of disease with overcrowding and destruction of habitats, and conflict as people compete for scarce resources (p.276, p.279, p.281). Additionally, while advanced economies have benefited from decades of unfettered emissions, even developing countries must curb carbon emissions (pp.271–272). In this regard, limiting the temperature increase to 1.5 degrees Celsius keeps the climatic and natural systems from crossing the tipping point towards a vicious feedback loop that would exacerbate climate change (p.266). However, doing so would require leaving more than 80% of the current fossil fuel reserves in the ground, stranding these assets, and achieving net zero by "converting all energy use to electricity and converting all electricity to renewables" (pp.269–270, p.278). However, Carney is not a proponent of de-growth, since we cannot achieve the UN's Sustainable Development Goals without growth (p.338). Moreover, he states that we cannot achieve net zero without innovation, investment, and profit that is associated with the private sector (p.315, p.338). In essence, he looks to the dynamism and efficiency of the private sector to address climate change.

Having addressed the three pressing issues through Chapters 7 to 12, Carney delves into the deficit of trust in experts in Chapter 13. He states that trust in experts declined under COVID, as scientists were forced to backtrack on advice on wearing masks, the six-feet rule, and quarantining inbound travellers, which divided the population between those who felt that the COVID threat was overstated and those who felt that science was overtaken by political considerations (p.352). He also contextualises this trust deficit in the financial crisis, which neoclassical economists had failed to predict, let alone pre-empt (p.182). Additionally, he expresses the concern that while freely available information on the internet has been 'democratising and empowering', social media algorithms create echo chambers that promote the most extreme views (p.353). Overall, he is concerned about the deficit trust that is not easily remedied in the age of information overload and polarised narratives.

In Chapter 14, Carney critiques the neoclassical view that the firm is owned by shareholders and that its objective is to maximise shareholder value (p.390). He states that the view of shareholder primacy was chiefly advocated by the Chicago economists, but that shareholders are not really owners, given that limited liability company actions are not shareholder responsibility (p.391, p.394). He adds that shareholders are viewed as the biggest risk takers, but the risks undertaken by workers because “employees cannot diversify their exposure to a company” are downplayed (pp.49–50, p.391). Thus, as an alternative to maximising shareholder value, he highlights balancing the interests of other stakeholders in the company and emphasises that the firm has a purpose beyond profit to create value for all stakeholders (p.397, p.402). In short, going against the grain, he comes close to supporting the alternative framework of a ‘FairShares company’ espoused by Boyd and Reardon (2020, p.100).

In the final chapter, Carney highlights the issues of globalisation, technological change, and the inequality, insecure employment, and stagnating wages of the middle class in advanced economies (p.185, p.456). He adds that technological change will automate large parts of many jobs but only a few jobs would be fully automated (a process, however, already well underway), and that jobs would be created in fields that require emotional intelligence, social skills, and care (p.461). Moreover, he cautions that the owners of capital would chiefly benefit from technological change if it substitutes rather than complements labour (p.462). Therefore, he argues that we cannot subsidise capital at the expense of labour and that it does not make sense to have double-digit taxes on labour and single-digit taxes on capital (p.476). He adds that instead of large multinational companies, it is time to support trade for small and medium enterprises for inclusive globalisation, as many of the best ideas come from ‘the smallest beginnings’ (p.506, p.515). Finally, he supports gig economy workers through the minimum wage, holiday and sick pay, options to advance at work, and social welfare schemes to support mid-career training (p.478, p.479). Thus, he cautions against the skewed benefits to capital owners and instead argues for supporting small businesses and labour in the context of globalisation, technological change, and inequality.

Overall, Carney assumes a centrist position by balancing his critique of mainstream economic theory and market fundamentalism with the support for the dynamism and efficiency of markets in order to address the pressing issues of our times including financial crises, pandemics, and climate change. This position, according to economists like Reardon, is well grounded in today’s economy. Carney makes the case for values, including solidarity, fairness, kindness, and sustainability that underpin an inclusive capitalism. He adopts a Rawlsian perspective but does not support modern monetary theory or de-growth. As such, he does not identify his approach with radical, heterodox, or post-Keynesian economics. Nonetheless, many of his ideas come close to those espoused in such circles. As an example, Boyd and Reardon (2020) call for the dynamism and innovation of capitalism to simultaneously address climate change, contribute to profits, and achieve developmental goals (p.16, p.75). They state that inequality limits ‘wellbeing, growth, and happiness’ and argue for the inclusion of all stakeholders, as maximising shareholder value is not the primary objective of a business (p.79, p.83). Moreover, they critique neoclassical economics for assuming that perfect competition is the ideal way of allocating resources and for assuming an equilibrium economy, even as the real-world situation does not warrant such stylised assumptions (p.137, p.140). Thus, even though Carney may not agree completely with Boyd and Reardon (2020), he strikes common ground with such thinkers who are pushing for a pluralist perspective to address

the pressing issues of our times. Overall, I would recommend this book, which seems to be Carney's first book for public consumption, for despite its voluminous length, the prose is simple, as it is targeted towards a broader audience. More importantly, it shows readers that when a distinguished central banker openly shares ideas that are akin to those in heterodox circles then standard neoclassical textbook theory really leaves much to be desired.

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Notes

1 The 'invisible hand' appears once in *The Theory of Moral Sentiments* [Smith, (1759[2000]), Pt. 4, Ch. 1, p.264], although not mentioned by Carney.

Book Review

Reviewed by Junaid B. Jahangir

Email: junaid@ualberta.ca

Post Neo-Liberal Economics
by: Edward Fullbrook and Jamie Morgan
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Bristol, UK, 552pp
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The book, edited by Edward Fullbrook and Jamie Morgan, is a collection of articles published in the *Real-World Economics Review* (Vol. 96, 2021). The book assembles 15 essays from leading heterodox economists who offer their vision of economics beyond economic theory and the current hegemonic system of neoliberalism. This collection of essays provides an insight into ideas that could offer an alternative to the standard principles of economics in the Mankiw et al. (2020a, 2020b) textbook (and its variant versions) which is singled out for its global reach and because it forms the basis of the critique of several heterodox economists (Davis et al., 2019; Goodwin, 2014).

This review focuses on salient ideas that could be presented to ECON 101 students. Thus, the key ideas presented in *Post Neo-Liberal Economics*, which, by the way, I fully endorse and recommend, are systematically delineated below.

In the first essay, Jamie Morgan (Leeds Beckett University) references neoliberalism as a theory based on entrepreneurial freedom, private property rights, free markets, and free trade. The role of the state is restricted to a bare minimum, since it does not possess adequate information and that interest groups influence government intervention. With such an approach, neoliberalism ends up favouring the interests of oligopolistic, multinational corporations. Under such a system, advertising stokes consumerism while wages have decreased and personal debt has increased, along with an erosion of worker rights and precarious working conditions. In short, there has been a 'shift in relative power from labour to capital' and from 'productive capital to finance' (p.15), and an increase in both wealth and income inequality.

Morgan states that conspiracy theories, populism and hyper-nationalism are fuelled by algorithms on social media. Additionally, he is sceptical of 'green new deals' based on electrification, renewable energy, tree planting, eating differently, and retrofitting buildings. This is because such green deals are based on growth that does not take account of material limits. In short, growth with redistribution would still lead to global warming. Morgan argues that the focus must be on degrowth over technological fixes, community over consumerism, purpose over profit, and on basic human well-being. Finally, he critiques neoclassical economics based on the stylised assumptions of perfect competition and rational agents, arguing that it does not account for institutions and power. Instead, he outlines a post neoliberal economics that focuses on social

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provisioning, recognises material limits to growth, and reflects pluralism through the history of economic thought.

In the second essay, Richard Parker (Kennedy School, Harvard University) references neoliberalism as preferring markets over government, economic incentives over social norms, and private entrepreneurship over community action. For Parker, neoliberalism has bred economic insecurity, inequality, and populism. Critiquing the overemphasis on mathematical and statistical tools, he adds that repairing blackboard economics requires focusing on economic inequality and climate change. On inequality, he emphasises a tripartite focus that includes the precarious condition of the working poor, the income and wealth concentration of the top 1%, and the hollowing out of the middle class. Adopting a Rawlsian perspective, he recommends facilitating the least advantaged to enjoy the highest possible life conditions. On climate change, he critiques the externality framework, arguing that the market has failed to address the current existential crisis. Finally, he supports an interdisciplinary approach to teaching economics. Overall, Parker is critical of neoliberalism and mainstream economics and reiterates the point made by others on the needed shift from the overuse of mathematics to addressing real world issues of inequality and climate change.

In the third essay, Richard B. Norgaard (University of California, Berkeley) calls climate change an existential challenge that is rarely covered in mainstream economics classes, especially problematic in the age of economic inequality and public misinformation. He adds that climate change has been instigated by an economism based on utility maximisation and rational agents. Accordingly, it has led to the financial crisis because of the belief that markets are self-equilibrating. Critical of such market fundamentalism, he upholds degrowth to address the existential threat of climate change. Finally, he critiques reducing reason to mathematical models and econometrics, and the lack of coverage of values like trust and care in ECON 101. Thus, like Morgan and Parker, Norgaard highlights the issues of climate change, market fundamentalism, degrowth, inequality, public misinformation, and the overemphasis on mathematics in neoclassical economics.

In the fourth essay, James K. Galbraith (University of Texas, Austin) states that neoclassical economics is not value-free, as it emphasises rational agents and general equilibrium. He adds that neoliberalism is based on deregulation, privatisation, low taxes, small government, and free trade, which has led to 'deindustrialisation, stagnation, inequality, and precarity' (p.132). He mentions that behavioural economics and complexity economics offer an alternative to the mainstream paradigm by relaxing the assumptions of rational optimising agents and introducing interacting individuals. However, he criticises these alternatives for telling us what we already know (that people are not selfish pleasure seekers) rather than we should do. Overall, Galbraith is critical of both mainstream and heterodox approaches to economics.

In the fifth essay, Lukas Bauerle (Cusanus University for Social Transformation, Germany) critiques the mainstream focus on efficiency versus equity, the individual vis-a-vis the community, abstract ideals vis-à-vis real-world issues, and quantitative methods vis-à-vis diverse techniques.

In the sixth essay, William E. Rees (University of British Columbia) highlights that eco-overshoot, which includes climate change, declining biodiversity, deforestation, soil degradation, and acidifying oceans, is not redressed by technological fixes. He critiques neoclassical economics for: separating the economy from the environment; that

technology can substitute for natural resources; viewing damage to ecosystems as externalities; and ignoring moral concerns like distributional equity. He states that eco-overshoot can be redressed via material growth, dematerialised lifestyles, and greater equity, instead of continuous growth. He is also critical of renewable energy as the solution for eco-overshoot. Overall, where Galbraith critiques the focus of mainstream economics, Rees emphasises that eco-overshoot is redressed through degrowth instead of technology.

In the seventh essay, Jayati Ghosh (University of Massachusetts, Amherst) mentions that market pricing undervalues essential social services but overvalues financial services offered by oligopolies, which often do not account for the ecological and environmental costs of their activities.

In the eighth essay, Richard Koo (Nomura Research Institute) highlights that neoliberalism rests on the private sector maximising profits. This requires two conditions:

1 the absence of debt overhang

2 the existence of investment opportunities.

The first is required because when firms focus on repaying debt and everyone focuses on saving, a deflationary spiral begins (p.248). Similarly, the second condition is required because if firms do not borrow household savings because of the absence of investment opportunities, the surplus savings again instigates a deflationary spiral. Both conditions allow Koo to argue for the government's role as the spender of last resort.

While government borrowing leads to budget deficits and higher interest rates, i.e., the neoclassical crowding out effect, Koo argues that the availability of surplus private saving leads to lower interest rates. He adds that instead of worrying about debt, the focus should be on investing in public work projects with higher social rate of returns than government bond yields. Thus, Koo turns the standard textbook theory on its head (as similarly is done by modern monetary theory). He prefers the role of the government as spender of last resort over that of the central bank because with debt overhang and lack of investment opportunities, borrowers hardly respond to monetary stimulus. As such, Koo also turns upside down the standard textbook teaching that inflation is a monetary phenomenon. He mentions that inflation did not budge despite zero interest rates and massive quantitative easing post-2008. Furthermore, excessive reliance on monetary policy also instigates asset bubbles, especially when firms do not borrow for real investment and instead invest in existing assets in pursuit of high returns. Thus, Koo reiterates the government's role in spending on infrastructure projects instead of the central bank's role in quantitative easing (which, by the way, the Fed has finally ended).

In the ninth essay, Neva Goodwin (Boston University) expresses concern about growthism and consumerism. She argues that individual material wealth does not increase societal happiness, and that economic growth cannot continue indefinitely due to ecological limits. Additionally, leaving decisions to markets is an ideological choice which in effect leaves decisions to large corporations. She adds that efficiency should be defined by equitable sharing, essential production, and reduction in environmental harm. Furthermore, she mentions that more equal societies are happier as resources are used for public goods instead of conspicuous consumption. She critiques the values of neoclassical economics, since it ignores issues of power, elevates selfishness, downplays governments, ignores the intrinsic value of work, focuses on consumption and

ever-increasing growth as overarching goals, and prefers mathematical rigour over real-world relevance and moral values.

In the tenth essay, Max Koch, Jayeon Lindellee and Johanna Olsson (Lund University) focus on degrowth, sustainability, and provisioning of essential needs. They critically view the growth imperative and the consumption cult under neoliberalism because of their harmful environmental and societal impacts. They also criticise market solutions for climate change and the belief that social position is the result of one's own work and merits. In contrast, they advocate universal basic income, curbing excessive consumption, advertisement free zones, promoting vacation days in lieu of monetary rewards, and achieving better work life balance. Overall, like Goodwin, the authors are critical of consumerism and growthism and instead focus on a better work life balance.

In the 11th essay, Katharine N. Farrell (Universidad del Rosario, Colombia) highlights the limits of neoliberal theory as resting on 'mechanical-physics-based mathematics' (p.351) while failing to both predict and explain the 2007 financial crisis. This argument is also made by John Komlos (University of Munich), who delves into the paradigm of humanistic economics in the twelfth essay. According to Komlos, the neoliberal policies of the Reagan-Thatcher era exacerbated inequality, as the top 1% gained while the middle class hollowed out. He states that such 'trickle-down economics was a sham' (p.385), which eventually led to a populist backlash through Trumpism. He is critical of mainstream economics for upholding free trade and deregulation because of harmful consequences of outsourcing and financial instability. Similarly, he critiques globalisation that has not been Pareto optimal and technological change that has led to downward social mobility.

Komlos highlights the errors of neoclassical economics, pointing to the use of deductive logic instead of focusing on the real-world. He critiques the assumptions of perfection competition when the default model should be based on oligopolies, rational expectations given the existence of bounded rationality, optimisation when individuals satisfice, exogenous tastes when advertisements shape preferences, equilibrium when the economy is in perpetual flux, material growth when it does not translate to wellbeing, and treating work as a bad when it offers intrinsic value. Furthermore, he lists the issues of opportunistic behaviour, the stress of an Uber competitive economy, and a focus on relative income that incentivises keeping up with the Joneses, all of which are neglected in neoclassical economic theory. Leading towards a post-neoliberal economics, he states that we must recognise ecological limits to growth, adopt Rawlsian principles of justice to focus on the least advantaged, and focus on a good work-life balance. Overall, amongst all the contributors, Komlos offers the most detailed outline for presenting a post-neoliberal economics to ECON 101 students.

In the 13th essay, Clive L. Spash and Adrien O.T. Guisan (Vienna University of Economics and Business, Austria) state that neoclassical economics fails to account for power and inequity. They mention that the real world is rife with large corporations that shape consumer preferences. Additionally, they are critical of mainstream economics for giving precedence to mathematical models, deductivism, and mechanical and equilibrating markets. Overall, they argue that economics can be based on social provisioning and care instead of optimisation and choice.

In the 14th essay, like the others, Andri W. Stahel (Universitat Popular del Baix Montseny, Barcelona) states that mainstream neoclassical economics has been reduced to a 'purely mathematical' approach that ignores 'historical and ecological perspectives' and

is instead marred by an 'ideological defence of free markets' (p.457). He critiques the mainstream focus on unchanging universal laws based on "Newtonian mechanics instead of complexity and feedback loops" (p.465, p.467). And that neoliberalism ignores cooperation and care, and instead emphasises competition and self-interest. He adds that neoliberalism upholds free markets and limited governments, but then calls on government intervention to rescue too-big-to-fail financial institutions. Overall, Stahel is critical of a neoliberalism that emphasises abstract mathematics and market value over ecological balance and wellbeing.

In the final essay, Edward Fullbrook notes that the foundations of mainstream economics have changed little from the 19th century especially in ECON 101 textbooks.[1] He is concerned that mainstream economics emphasises self-equilibrating markets, and that it ignores issues of equity, power, and ecological limits to growth. In response, he suggests the development of a new ECON 999 course, which would offer post-neoliberal economics perspectives such as those highlighted in this book.

To recapitulate, this collection of 15 essays indicates that multiple voices in the heterodox economics tradition, perhaps with the exception of the Marxists, converge to a common set of ideas on post-neoliberal economics. This includes shifting from abstract mathematical models to interdisciplinary approaches and real-world issues, recognising the ecological limits to growth, focusing on social provisioning, and emphasising degrowth instead of technical fixes to address the existential threat of climate change. And in addition, shifting from stylised textbook markets to recognising power relations, from competitive markets to caring communities, from equilibrium to recognising tipping points, from efficiency, growthism and consumerism to equity, environment, and wellbeing, from free markets to governments as spenders of last resort, and from rational optimising individuals with unbridled desires to interdependent satisficing on essential needs.

Overall, while this collection offers multiple heterodox perspectives, I have followed up on Komlos' and Fullbrook's suggestion for the ECON 999 course by designing an elective ECON 357 course titled 'humanistic economics' where I introduce students to the salient ideas delineated above. To this end, I have also complemented Komlos' work with video clips from Disney animations to sustain student interest (Jahangir, 2022). Additionally, I have also borrowed from Reardon et al. (2018) and complemented it with animation video clips (Jahangir, 2021). Student response has been encouraging, and I hope that more instructors trained in neoclassical economics, (like myself) would see the merit in introducing students to pluralist perspectives and post neoliberal economics.

However, the reason for my orientation is that I have become viscerally disillusioned by standard textbook theory that paralyses any initiative towards the alleviation of the concerns of the poor.[2] This orientation is shaped by my personal background from humble working-class origins, my openness to having conversations with peers outside my field, especially those from political science and sociology, my recognition of the limits of abstruse mathematics in having a sustained conversation with peers, and my teaching at a department where I encounter students from the other social sciences. I am also not averse to going against the neoclassical grain or being labelled as heterodox in academia, as the institution I work at prizes equity, diversity, interdisciplinarity, and inclusion. Thus, all such factors facilitate my transitioning to pluralist and post neoliberal perspectives in economics, a task much harder for those who must maintain allegiance to the neoclassical paradigm because of their institutional affiliation or high-profile

academic networks, even as they may personally feel otherwise and who perhaps may only find the freedom in their retirement to challenge the status quo.

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Notes

1 For a well-documented analysis with copious references, see Lee (2010).

2 Keynes (1936[2010], pp.32–33) wrote, "The completeness of the Ricardian victory [Ricardian economics is the methodological progenitor of neoclassical economics] is something of a curiosity and a mystery … That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as likely on the whole to do more harm than good, commended it to authority."