or to Marxify Keynes would be fruitful. Personally, the book induced me to give a new look at several of Crotty’s papers, which was probably one of the goals of the editors.

Marc Lavoie, University of Ottawa


The financial and economic crisis which started in 2007 has revived interest in Keynes’s economics and Keynesian economic policy recommendations. However, it is not at all clear whether this will only be a short-lived revival, or if this will have a long-lasting impact on economic policies and on academic macroeconomics. Major doubts remain, in particular, because Keynes’s economics is still understood as an economics of depression in public discussion and mainstream academic debate, attaining relevance in times of deep crisis, but not beyond.

Post-Keynesian economists have consistently criticised this limited understanding of Keynes’s economics since the early start. Post-Keynesian conferences since the 1980s – first in Trieste, Italy, then in Knoxville, Tennessee, and later in Kansas City, Missouri, USA – have been major events and opportunities for the discussion of research output and the exchange of ideas. The 2006 conference – co-sponsored by the Journal of Post Keynesian Economics, the Center for Full Employment and Price Stability (CFPS) of the University of Missouri-Kansas City (UMKC), and the Economics Department of UMKC – celebrated the 70th anniversary of the publication of The General Theory of Employment, Interest and Money in 1936. From this conference, two conference books edited by Mathew Forstater and L. Randall Wray, both from UMKC, have originated.

In Keynes for the Twenty-First Century. The Continuing Relevance of The General Theory the editors have included the papers and addresses by prominent post-Keynesian researchers given at the Saturday Banquet and the Monday Keynote Session of this conference. Following an introduction by L. Randall Wray on the continuing legacy of John Maynard Keynes, the book is composed of three parts. The first part on The Keynesian Revolution: Development, Introduction, and Legacy contains papers by Maria Cristina Marcuzzo on Keynes and Persuasion, by W. Robert Brazelton on Leon H. Keyserling, American Keynesian: Theory, Policy, and Practice, and by Robert W. Dimand on How Keynes Came to Canada: Mabel Timlin and Keynesian Economics, which are of interest for specialists in the respective fields. The contributions by Robert Skidelsky on The Origins of Keynesian Economics and Some Applications to Restructuring and Globalization, and by Axel Leijonhufvud in
Moving on: Where to? may be of broader interest. Skidelsky draws our attention to the fact that Keynes was not only concerned with demand-deficiencies and unemployment generated by a lack of effective demand, but that he also had a lot to say on structural problems, structural unemployment and that he made proposals for structural adjustments, in particular loan-financed public works in areas with labour surpluses. Leijonhufvud presents his account of the Keynesian message, which he interprets as demonstrating that flexibility of prices is not a sufficient condition for stability in a monetary economy, and that there are several reasons for effective demand failures. He also discusses what in Keynes’s work should be discarded, and what should be developed. Leijonhufvud argues that effective demand failures – which are to be expected as a result of serious financial imbalances or in the wake of financial crisis –, are »out of the corridor« phenomena, and that the claims made for Keynes should therefore be moderated (92 – 93). In light of the present financial crisis this view seems to be questionable. However, Leijonhufvud’s critique of mainstream macroeconomics regarding its neglect of increasing returns and endogenous variations in inside money remains highly convincing.

In the second part Keynes’s Continuing Impact on Policy, Julio Lopez G.’s chapter and Luiz Carlos Bresser-Pereira’s paper both address the Latin American case, while Basil Moore deals with a critique of inflation targeting strategies in South Africa. In a more general chapter on The Continuing Policy Relevance of Keynes’s General Theory, Jan Kregel takes issue with the prevalent view of Keynes’s economics as »depression economics«, the view that Keynes’s analysis was undertaken in »real terms«, and the perceived lack of »microfoundations« in Keynes’s theory. He shows that these views are not well founded, and that the opposite is in fact true. From this it follows that Keynes’s theory of effective demand, »a theory of those factors that induce entrepreneurs to engage their money capital to provide employment to produce future outputs« (136), is still of utmost importance for economic policies. Policies that seek to increase saving in order to provide investment finance, that reduce wages in order to increase profitability of investment, or that seek to reduce government deficits by means of spending cuts, are therefore bound to fail. Instead, Kregel recommends that governments should apply employer of last resort policies, without discussing the limitations in any detail.

The third part of the book on Extensions and New Directions includes interesting chapters by G.C. Harcourt on The Structure of Post-Keynesian Economics: The Core Contributions of the Pioneers – a summary of his book of the same title, which has been reviewed in this journal – by William Darity Jr. on African American Reparations, Keynes and the Transfer Problem, by James K. Galbraith on Keynes and Globalization, and finally by C.A.E. Goodhart on Money and Default. Goodhart makes an important point against the New Consensus Model: The exclusion of debt-default from this model – by means of the so-called »transversality condition« – leaves no role for the use of money and excludes financial fragility from the model by assumption; an important conclusion for the relevance of such a model in the light of the present financial crisis!
The second book, *Keynes and Macroeconomics after 70 Years. Critical Assessments of The General Theory* covers 19 contributions that were presented at the post-Keynesian conference panels. Part I is dedicated to *Keynes and Heterodox Economics*. It includes a highly readable chapter by John King on *Heterodox Macroeconomics: What, Exactly, Are We Against?*, in which the author takes issue with the view – as put forward by Bateman and Colander – that post-Keynesians are attacking a straw man when criticizing mainstream macroeconomics. King’s close examination of modern mainstream approaches reveals that they are not that different from the older ones, and that the post-Keynesian critique remains highly relevant. This part also includes a chapter by Jesus Munoz and Joel Bonales which, from a Lakatosian perspective, speculates on Keynes’s probable theoretical contributions to macroeconomics after 1937.

Part II of the book deals with *Founding Fathers of Post Keynesian Economics*. Andre Lourenco compares Keynes’s and Minsky’s approaches on investment volatility, and argues that volatility is overstated in Minsky – a hypothesis which should be more closely examined against the background of the present crisis. Lino Sau discusses Keynes’s and Kalecki’s critique of the orthodox stabilisation mechanism of flexible prices and real balances, concluding that there are "two founding fathers for Post Keynesians critical appraisal to self-balancing mechanisms" (60). G.C. Harcourt reviews the contributions of Tom Asimakopulos to post-Keyesian economics, and Abdelkader Slifi puts forward an attempt at reformulating Asimakopulos’s criticism of Keynes’s short-period equilibrium.

Part III of the book is on *Keynesian Models*. Colin Richardson and Jerry Courvisanos develop a system dynamics model of the Keynes-Kalecki type, which they then use for policy simulations. They find that a Kaleckian policy package of increased investment and incomes policies performs best. Next, H. Sonmez Atesoglu presents a comparative static Keynesian model, and Luciano Dias Carvalho and Jose Luis Oreiro develop a post-Keynesian macrodynamic model of capital accumulation, technical progress and endogenous money.

In Part IV *Keynesian Policy* is addressed. Carlo Panico examines Keynes’s view on the ability of central banks to control monetary aggregates and interest rates. Inflation targeting in Brazil is assessed by Carlos Bresser-Pereira and Cleomar Gomes da Silva. Stephanie Kelton elaborates on Robert Eisner’s radical approach to social security.

In the final part of the book on *Modern Development and Extensions of Keynesian Economics*, the editors have assembled a range of papers on different issues. Bokyon Cho covers investment finance and financial sector development. Edwin Dickens discusses Keynes’s theory of probability and investment behaviour and its relationship to behavioural finance. Paolo Gala offers a Keynesian perspective on the relation of real exchange rate levels, investment and growth. The chapter by Wengen Huang attempts to re-interpret, remedy and develop Keynes’s liquidity preference theory, while Steve Keen examines Keynes’s idea of a revolving fund of finance in a monetary circuit approach, taking issue with some important conclusions of monetary circuit theorists. Edwin Le Heron makes use of the now fashionable stock-flow-consistent modelling approach for an examination of the effects of monetary and fiscal policies. In the final chapter J.W. Nevile and Peter Kriesler discuss the role
of expectations in determining economic activity and thus unemployment, not only in the short run but also in the long.

In sum, these two books provide a broad array of recent (pre-crisis) post-Keynesian research, which draws on the work of Keynes and applies its (together with Kalecki’s, Joan Robinson’s, Kaldor’s, Kahn’s and others) insights to analyse real world problems in an innovative way. Therefore, the contributions merit serious discussion, in particular against the background of the present crisis and the spectacular failure of mainstream macroeconomics.

_Eckhard Hein, Berlin School of Economics and Law_


In a period of tremendous economic troubles with governments all over the globe setting measures to at least soften the economic downturn, fiscal policy has returned into the focus of economic policy discussions. Topics like the Stability and Growth Pact, the role of automatic stabilizers as well as the composition of public expenditures are becoming more relevant to policymakers and academics then ever before. These issues will even stay on the agenda for several years after the crisis, when governments have to start consolidating their budgets.

Jesús Ferreiro, Giuseppe Fontana and Felipe Serrano provide a good composition of topics around fiscal policy and a clear focus on European Union policy. The book does a good job in combing literature review on the discussed topics with a concrete application of theory on current policy in the European Union, thereby highlighting areas where EU fiscal policy is not in line with economic theory and suggesting changes how to improve economic policy. Besides a critical appraisal of EU policy, the authors also present different and critical views on certain topics like for example the «New Consensus».

In Chapter 1 Rui Henrique Alves and Oscar Alfonso give a short overview of the literature of fiscal federalism. Based on this theoretical framework, they analyze the current situation in the European Union, trying to identify areas where EU policy still lags behind. Starting with a key issue, the authors argue for a significant central budget carrying out a stabilizing function. Secondly, a reform of the Stability and Growth Pact (SGP) with a more restrictive and explicit list of «escape clauses» is suggested. Finally they propose a stronger coordination of national fiscal policies and the introduction of a code of conduct for economic policy. The Stability and Growth Pact is also discussed in Chapter 2 written by Sabrina Rostaing-Paris, who is focusing on the compatibility between automatic fiscal stabilizers and the SGP. Econometric analysis reveals that while compatibility with a balanced budget turns out to be quite poor, the compatibility with a budget deficit lower than 3% of GDP is given in 54% of the cases.