Contemporary Economic Theory: Radical Critiques of Neoliberalism
Varoufakis, Yanis
Science & Society; Winter 2001/2002; 65, 4; ProQuest
pg. 537

Contemporary Economic Theory: Radical Critiques of Neoliberalism, edited by Andrianna Vlachou. Basingstoke/London: Macmillan; New York: St Martin's Press, 1999. £50.00. Pp. xxix, 253.

In October 1997 19 left-leaning economists gathered at the Athens University of Economics and Business, a stone's throw from the scene of the 1973 Polytechnic Uprising. Their mission: to re-visit the left's crushing defeat in the field of economic ideas, as well as to exchange views on the pressing issue of the day — European monetary union. Andriana Vlachou has edited their papers ably and succeeded in instilling in the resulting volume the sense of purpose and continuity that conference proceedings usually lack.

Of the 13 Greek participants, 12 are either US- or UK-trained, with the exception of a lone product of the German school. The six non-Greeks are all well-known Marxist economists, most of whom had previously taught, supervised or mentored a number of the younger Greek contributors. The volume's first part is dedicated to an anatomy of the neoliberal triumph, while the second part addresses the birth of the euro.

Vlachou and Georgios Christou get the volume going with an account of how neoclassicism has proven such a solid foundation for neoliberalism. The reader is taken on a tour of the neoliberal ideological maze. This paper is exhilarating and commendably succinct. Although the authors occasionally construct something of a straw man out of neoclassicism, thus arming neoclassicists with powerful rejoinders (*e.g.*, utility is *not* the "common property of commodities," as stated, but rather an index of preference satisfaction; or the supposition that neoliberal theories presume abundance of information among agents — something they no longer do), this chapter is nonetheless highly recommended as a primer on a) the connections between neoclassical logic and the currently dominant ideologies, and b) the wide chasm separating the modeling questions that keep neoclassicists busy from the theoretical concerns of radical economists.

Part 1 continues with Ben Fine's timely re-appraisal of the privatization drive, followed with comments by Stavros Mavroudeas and Lefteris Tsouflidis on the plausibility of an overarching functionalist theory of privatization. Richard Wolff reminds us that, in the same way private wealth and state coercion are symbiotic, the Keynes-versus-the-classics debate is a mere reflection of capitalism's oscillations between its private and state forms. Anwar Shaikh concurs and insists that, without the analytical category of social class, all macroeconomics reduces to a shadow play. In his own chapter he attempts to show how taking class seriously enhances our (economic) predictive power. In particular, he offers a composite variable (one consistent with Marxian economic categories) as a good predictor of U. S. inflation. Thanassis Maniatis and Nikos Petralias pay him homage by repeating this piece of empiricism

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

using Greek data and reporting similar success. Though we would all want to cheer an empirical victory over the neoclassical adversary, the econometric tools utilized are rather primitive and, therefore, the evidence supplied so far must be considered provisional.

David Laibman wraps up Part 1 with an attempt to re-vision socialism. Taking his cue from the major anxiety afflicting all remaining socialists (namely, could we be happy, autonomous *and* prosperous under socialism?), Laibman offers ideas on how the market–state dichotomy can be transcended and a socialism worth fighting for envisioned. Richard Wolff's and Dimitris Milonakis' critical comments illustrate the rich vein of ideas and concerns that can be struck if only we take seriously the task of escaping TINA ("There Is No Alternative").

Part 2 turns its attention to monetary union in Europe. The assembled papers were written while the European Union was carefully stage-managing a recession so as to pave the way for the new currency. Drawing his inspiration from standard macroeconomics, Georgios Katiphoris expresses the hope that the defunct Keynesian policies of yesteryear could make a comeback on the coattails of the euro. Louka Katseli is more reticent. Her common-sense point counters the European Union's neoliberal assumption that the greatest enemy of monetary stability is the cacophony of democracy. Central Bank independence is commonly portrayed as a law of nature which, if unheeded, will enrage the monetary gods. Katseli's retort is that the great democratic deficit in the EU acts as a powerful destabilizing force. One marvels at the neoliberal success in erasing (from public memory) the fact that democratic governance played a crucial role in stabilizing capitalist markets (including the money market).

Costas Lapavitsas' paper complements Katseli's piece by disputing the very possibility of an independent Central Bank. Guglielmo Carchedi breathes new life into the debate by returning it to its proper place: the history of monetary union in the context of the global antagonisms, as well as synergies, between the USA, Japan and Germany. One does not need to agree with every aspect of Carchedi's narrative to appreciate the return of history into what, otherwise, threatens to become a pointless debate about interest rates and fancy indices. George Liodakis and John Milios, commenting on Carchedi, add important layers regarding the causal links between Europe's material conditions and the economic policies of its elites. Jörg Huffschmid issues a call for economic policies that will strengthen Europe's working classes; but Panos Tsakloglou and Carchedi question the desirability of old-fashioned Keynesian tactics for bolstering labor. It is difficult not to sympathize with their concern. Europe's unemployed, if given extra benefits and public sector jobs, will probably want to go to Miami or Disneyland with the extra cash; not envision socialism. Why should we care? Because on their

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

return (if they ever get there), the cycle of misery will be repeated again and again.

While oligarchies are mobilizing huge resources to bend governments to their will so that extra power is handed to them, and all *in the name of diffusing power*, books like this are sublime. The volume juxtaposes rarified economic theory against a world in which, *in the name of freedom*, the dominion of circumstances and chance over human beings is growing (to paraphrase Marx). It reminds readers of how (in Amartya Sen's words) "yesterday's unexamined faith has become today's heresy and yesterday's heresy is now the new superstition." At a time when our best economics students are being induced unthinkingly into "a relatively sophisticated form of fraud" (John Kenneth Galbraith), it is comforting that there are still academic economists willing to cut themselves loose from the mainstream in order to gain space for free thinking.

However, this is not the age of the New Testament; no holy spirit will reveal itself in a community of those who have uncoupled themselves from the mainstream. Radical thinking will only challenge European monetary union, NAFTA, the mythology of globalization, etc., when alternatives to capitalism gain currency once more in the popular imagination. Marx was unwilling to say too much about socialism on the grounds that it was the business of the working classes who will build it. But he was writing against the backdrop of an energetic workers' movement, unburdened by the cross of failure that today's socialists carry. He had no way of predicting humanity's inability to manage technical innovation collectively. Radical thinkers must now confront the unpleasant fact that, even in the eyes of the grossly exploited, making money has come to be accepted as an activity less harmful than mass politics. Books and conferences involving a small circle of renegade academics are important, as long as they escape the urge to remain cocooned in the vestibule between scholasticism and economism.

YANIS VAROUFAKIS

Department of Economic Sciences
University of Athens
8 Pesmazoglou Street
Athens 10596
Greece
y.varoufakis@econ.usyd.edu.au

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.