Monetary Theory: National and International
Coleman, William Oliver
Southern Economic Journal; Jan 1997; 63, 3; ProQuest Central
pg. 821

To suppose that contemporary non-interventionist writers—new classical or otherwise—derive inspiration from or owe anything directly to the writings of any "macroeconomist" born later than Adam Smith is arguable and, in my view, preposterous. If any "modern macroeconomist" has proffered explicit non-interventionist views on the basis of "new classical" theory, why do not Hahn and Solow spell this out in chapter and verse? Given the title of their book, most readers (like this reviewer) will expect Hahn and Solow to mention such "new classical" economists as Barro, King, Minford, Plosser, Sargent and Wallace; in fact, they mention none of them—not even in their list of references [pp. 157–58], much less in their skimpy index [p. 159].

It seems likely—as suggested in a dust-cover blurb—that one or more of the jerry-built models outlined in Chapters 2–6 of the Hahn and Solow volume will interest some economists. Personally, I thought none of them worth the effort required to make them sensible reading even as amateur science fiction. All the same, the book intrigued and intrigues me as a recent example of what Pareto called "social residue". Hahn and Solow claim to base their ideas ". . . about the right way to do macroeconomics" on so-called "fundamental neoclassical principles" that I believe are outdated if not silly—principles which in any case deserve no more respect from modern economists than Aristotle's physics receives from contemporary astrophysicists. Keynes has often been quoted for his comparison of the power of "ideas" as contrasted with "vested interests" in economic politics. In a similar vein, Hahn and Solow's "critical essay" impresses me as a demonstration of the power of residues—methodological preconceptions—compared with demonstrable results in the pseudoscientific discipline that Hahn and Solow implicitly identify as "modern macroeconomic theory."

Robert W. Clower
University of South Carolina

Monetary Theory: National and International.
By Alvaro Cencini. London and New York: Routledge, 1995. *Pp. x, 384.*

This book is surprising. The title suggests a general examination of monetary theory. Yet several topics usually thought of as central to "Monetary Theory" are absent. Money demand is never considered. Interest rates are almost invisible, apart from some paragraphs on "interest rate control" and "interest rate policy." Further, a large part of the book's material would normally be judged as "institutional" rather than "theoretical": for example, the considerable coverage of the Breton Woods Treaty, the Maastricht Treaty, Special Drawing Rights, the Delors Plan, and the European Monetary System.

Rather than being a treatise on monetary theory, it is best described as an examination of credit money, and the credit institutions (central banks included) which support credit money.

The method is also surprising. There are no equations. Hypothetical bank balance sheets are the principal non-verbal form of argument. Most distinctive of all is its language. Let me quote three examples;

> Classical economists . . . clearly perceived that money is a form, a numerical container bound to get so closely connected to real goods as to be identified with them, and be thus transformed into income" [p. 13].
>
> Money is essentially a numerical form with no axiological value [p. 15].
>
> Being accustomed to the physicality of our relationship with the surrounding world, we are driven to an interpretation of reality implying its dimensional measurement [p. 26].

Clearly, in these sentences the reader finds themselves beyond the conventional terrain of "Anglo-Saxon" economics. In this terrain prices barely seem to operate, and supply and demand curves appear not to exist.

The book has several theses: that money has its origin in the banking system as an acknowledgment of debt; that stagflation is "generated by a pathological mechanism related to the particular structure of monetary payments;" that it is "extremely dangerous" to use the money base to control the money supply; that the introduction of a common European currency would reduce European living standards; and that the third world debt crisis persists because of the existence of "a mysterious and wicked mechanism that maintains external debt at its previous level every time that it is positively serviced."

The peculiar method of the book makes it difficult for the reviewer to critically evaluate the arguments for these theses. I fear this difficulty would be shared by most readers of this journal. Such readers may find

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

this book useful as an introduction to certain ways of thinking found on "the Continent." But it is surely readers who are at home with this way of thinking who will benefit most from this volume.

William Oliver Coleman
University of Tasmania

Marx and Non-Equilibrium Economics.
Edited by Alan Freeman and Guglielmo Carchedi. Cheltenham, U.K. and Brookfield, Vermont: Edward Elgar, 1996. *Pp. xxvi, 303. $79.95.*

Counting the two editors, ten economists have contributed to this volume, some to more than one chapter. The volume includes a foreword and introduction by the editors, 11 chapters, bibliography, and index. Although there is no contributors section, my guess is that the contributors are academics, mostly in the early stages of their careers. Each of their chapters can stand alone and each is an original contribution first published in this volume. Nonetheless, they all fit together as a whole because they all address a common theme.

Before opening the book, I braced myself for a long and dreary encounter with academic quibblings and hairsplittings over what did Marx really mean, really? But I was pleasantly surprised to find a fresh, frank defense of Marx's explanation of what moved capitalism and why. The contributors argue, in their treatments of several different issues, that Marx's analysis of capitalism is not logically unsound as claimed by his critics. Instead, the logical inconsistency arises only when Marx's analysis is forced into a general equilibrium framework of simultaneous equations in which markets instantly clear and Say's Law holds. Since Marx designed his analysis to deal with a world of disequilibrium—of boom and slump—one should not expect it to make sense in an equilibrium framework of no boom and no slump.

As I understand them, the contributors to this volume argue that Marx analyzed the clashing class interests and the booming and busting of capitalism by moving it through successive periods of production and circulation and by theoretically summarizing the movement in each sequential period with a few simple equations. Then he analyzed capital accumulation with a few additional, expanded equations. He also used a series of tables in which he traced out the sequential movements of his system through successive time periods. Furthermore, he looked at the system as a whole through his famous "two equalities," which basically explained that for the economy as a whole the total value of commodities produced is equal to the total sum of money received by capitalists as they sell their output and that the total profit realized by all capitalists is equal to the total surplus value created. Last, using his system of successive periods, he showed that the rate of profit for the economy as a whole would decline as accumulation proceeded. But the critics of his system reduced it all down to a set of general equilibrium equations that froze the dynamic and clashing movements of his system into a timeless set of simultaneously solved, deterministic functions. The critics of his system then used their own general equilibrium equations to argue that his system was not logically consistent because its clashing movements could not be transformed (the transformation problem) into equal, deterministic solutions. Alas, his defenders also reduced his system down to a timeless set of simultaneous, deterministic functions and then tried to "correct" those timeless, equilibrium equations so as to make Marx make sense in them. But, the contributors to this volume argue, it is not Marx who makes no sense and needs to be corrected. Instead, it is the whole exercise of forcing Marx's sequential system to fit into Walras's timeless system that does not make sense and needs to be corrected.

I have tried to summarize the main argument of these essays rather than to go through each one separately. Each is really quite good and would lose too much in my boiling it down into a small paragraph. Besides, the main argument is extremely interesting and needs emphasizing. Marx's theoretical system, and capitalism itself, both move up and down through historical time. Walras's theoretical system does not move up and down; does not even exist in time at all. Furthermore, Marx's sequential system incorporated money and its changing value through time. Money is merely an appendage in Walras's general equilibrium system. So, these contributors ask, who should be corrected? In their asking, they make an original contribution.

For a simple (vulgar?) Marxist like me, this collection is a good read. It is an unabashed defense of Marx, but not one that modifies or corrects his original approach with great feats of obfuscation in order to save him from his critics. He does not need it. Instead, the contributors to this volume take Marx just like good whiskey should be taken—neat, not watered down and not sweetened up. For both Marx and

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