Kazimierz Łaski, ***Lectures in Macroeconomics: A Capitalist Economy without Unemployment***, ed. by Jerzy Osiatyński and Jan Toporowski, Oxford University Press, 2019, 192 pages.

I was introduced to Michal Kalecki's work by two earlier contributions of Kazimierz Łaski: his entry on Kalecki in the *New Palgrave Dictionary of Economics* (Łaski 1987a) and his introduction to a German translation of some of the most relevant essays of Kalecki (Łaski 1987b). I profoundly benefited from these two chapters during my studies at the University of Bremen and the New School for Social Research, New York, in the second half of the 1980s, and then in particular while working on my doctoral dissertation at the Free University of Berlin in the first half of the 1990s. I had the chance to personally meet Łaski for the first time only in 2008, when I spent some time as a Visiting Professor at the Vienna University of Economics and Business. We met a few times thereafter in Vienna, the last time in spring 2015 for a long lunch, together with Martin Riese, Łaski's former graduate student and then friend and collaborator.

Against this background, I was really looking forward to seeing Łaski's last book and I am glad that I have the chance to review it here. Łaski's *Lectures in Macroeconomics: A Capitalist Economy without Unemployment*, which have been masterly edited by Jerzy Osiatyński and Jan Toporowski, are an excellent introduction to Kalecki's theories of distribution and employment, with some further developments and applications to current real word problems.

Apart from the editor's introduction on Łaski's biography and on the gestation of the book project, and a preface by the author himself, the book has nine main chapters. In Chapter 1 some basic macroeconomic concepts and analytical tools are introduced: the basics of national income accounting, the distinction between financial and non-financial wealth, and the relations between stocks, flows and sectoral balances. Chapter 2 introduces the basic model economy consisting of two vertically integrated sectors: one producing investment goods and the other consumption goods, and two classes: capitalists and workers. As in several parts of the book, it is assumed that capitalists do not consume and workers do not save. It is shown that the realization of profits requires expenditures by the capitalists of the same amount and that, in a monetary production economy, "investment spending is the decisive factor determining the volume of output, and thus also aggregate income" (p. 17). Say's law can thus be rejected and has to be replaced by a theory of effective demand. However, before such a theory can be presented, Łaski turns to Kalecki's theory of pricing and distribution in Chapter 3. He presents Kalecki's distinction between demand- and cost-determined prices, arguing that the latter implies the determination of profit and wage shares by the degree of monopoly (or the mark-up) and by the ratio of material to variable labor costs.

Chapter 4 provides the core model for a closed economy without a government, showing that, according to Kalecki's profit equation, aggregate profits are determined by investment and consumption expenditures of capitalists, assuming workers not to save. For this model, Łaski derives the investment multiplier and shows how saving endogenously adjusts to investment through the variation in income, and he touches upon the 'paradox of saving' and the 'paradox of costs'. An increase in the propensity to save (out of wages or out of profits) will thus reduce aggregate income so that, with constant investment, aggregate saving will not increase. Falling nominal wages with constant prices, hence a fall in the wage share and a rise in the profit share, will not raise aggregate profits but rather reduce aggregate income. Following Kalecki, Łaski explains why it is highly unlikely that current investment will rise as a response towards an increase in unit profits and the profit share. This is because, first, current investment is a result of past investment decisions. Second, in the face of falling current income and demand, caused by a drop in consumption demand of workers, current investment decisions are unlikely to rise, so that future investment is also unlikely to increase as a result of a current increase in the profit share.

The core model from Chapter 4 is then extended in Chapter 5 by adding a government sector and in Chapter 6 by considering some open economy issues. First, Łaski highlights the role of governments in mitigating rising inequalities in market incomes, which itself would also contribute to stabilizing the macro-economy, not to mention the associated political stabilization effects. Second, again following Kalecki, he explains the role of government deficits for the realization of profits in general, and the automatic government budget balance adjustments as a cyclical stabilizer of aggregate demand, in particular. Using a sectoral financial balance approach, he highlights why, in a closed economy, financial surpluses of the private sector are only possible with the counterpart financial deficits of the government sector. When it comes to stimulating the economy, Łaski points out why expansionary fiscal policies should be favored over attempts at stimulating private investment, and he derives the respective government expenditure multipliers. Taking a long-run perspective, he also shows that a permanent government deficit is consistent with a stable government debt-GDP ratio. Under the condition that the nominal rate of interest on government debt falls short of nominal GDP growth, even a primary deficit is possible, because new credit is then sufficient to serve the accumulated stock of government debt. Finally, in this chapter, several orthodox myths regarding government deficit and debt are rejected: the notion that government deficits will create inflation, the idea of crowding out of private investment, the concept of 'twin deficits' (public and current account), the theory of 'expansionary contraction', and finally the presumed superiority of a capital funded pension system over a pay-as-you-go system. In Chapter 6, again applying Kalecki's profit equation, Łaski describes the role of net exports for the realization of aggregate profits and derives the export multiplier in comparison to the investment multiplier. He discusses the role of international price and non-price competitiveness for exports and net exports and assesses the dynamics of foreign indebtedness for current account deficit countries. Although it can be shown that the foreign debt-GDP ratio will converge towards a definite value with constant current account deficits, and that with a nominal rate of interest lower than nominal GDP growth interest on foreign debt can be paid out of new credit, Łaski warns against relying on foreign debt in order to finance development. And although foreign direct investment (FDI), different from foreign debt, is not linked with fixed services in foreign currency, he does not believe that FDI will automatically solve the balance of payments constraint on growth. Temporary and selective protectionism thus seems indispensable for catching-up countries.

In Chapter 7, Łaski turns to monetary theory and largely follows Lavoie's (1992, Chapter 4) presentation of post-Keynesian monetary circuit and endogenous money theory. From the monetary circuit perspective, loans are required for initial financing of production and investment, creating income out of which then the respective amount of saving for funding investment is generated. In this macroeconomic sense investment is thus always 'self-financing'. However, as soon as households decide to hold part of their saving liquid, firms' indebtedness with the banking sector will rise in step. Post-Keynesian endogenous money theory implies that loans create deposits, which then make reserves. Credit and money are thus endogenous, whereas the rate of interest is considered to be an exogenous variable for income generation and growth, largely under the control of the central bank. Based on these considerations, Łaski criticizes modern orthodox new consensus macroeconomics (NCM), based on the concept of a non-accelerating-inflation-rate-of-unemployment (NAIRU) and relying on inflation-targeting interest rate policies performed the central bank as main policy instrument. He rather favours coordinated macroeconomic policies along post-Keynesian lines: Strong trade unions and employer associations should take care of nominal wage growth according to the sum of productivity growth and the inflation target, providing stable inflation and distribution. Central banks should support fiscal policies in aggregate demand management in order to establish full employment, keeping long-term interest rates below GDP growth, in particular, and acting as lender of last resort for the government. Furthermore, central banks should take care of financial stability, using tools other than the interest rate (i.e. credit rationing, credit controls, etc.). What is missing in this chapter, however, is the presentation of a full post-Keynesian/Kaleckian macroeconomic model as an alternative to the NCM, as for instance suggested by Arestis (2013) or Hein and Stockhammer (2010), from which these policy implications can be consistently derived.

Chapter 8 briefly touches upon issues of economic growth and dynamics. Here, Łaski follows Steindl (1979), in order to point out the problem of demand generation in a growth context. He also briefly outlines Harrod's (1939) problem of potential dynamic instability. Finally, he turns to Kalecki's approach towards cyclical fluctuations, mainly relying on temporary divergences of income and capacity effects of investment, around a trend which is given by innovations and negatively affected by rentiers' saving. However, these contributions are not linked with each other, and Łaski does not enter into or refer to the modern debates on Harrodian instability in Kaleckian/Steindlian distribution and growth models (Hein, Lavoie, van Treeck 2011, 2012).

In Chapter 9, the author applies his basic Kaleckian approach to the capitalist development after World War II, using some data on income distribution, GDP growth, unemployment and sectoral financial balances of the private, government and external sectors in order to distinguish the golden age period of the 1950s and 1960s from the period which has led to the global financial and economic crisis of 2007–09. He explains that against the background of falling wage shares and rising inequality since the 1980s, two unsustainable growth models have been derived: one was based on credit-financed consumption and thus on private household debt, the other on export surpluses and thus on foreign debt; he concludes that neither has been sustainable. From this it follows that inequality is the key issue to be resolved for economic (and also for political and social) stability – a view, to which I can fully subscribe.

I can also fully support Łaski's final conclusion that, in the current academic environment dominated by orthodox approaches, "it is so vital to familiarize students of economics with alternative schools of thought and equip them with the ability to think critically" (p 185). Łaski has greatly succeeded in providing a detailed and comprehensive introduction to the Kaleckian macroeconomic approach. The book bears some similarities with Bhaduri's (1986) *Macroeconomics: The Dynamics of Commodity Production*, to which Łaski is referring several times and which I read with great interest and benefit after I had studied Łaski's (1987a, 1987b) introductions to Kalecki's work in the late 1980s. However, apart from addressing up to date issues, Łaski's book provides an elementary introduction with a clear policy focus. Of course, the book was not designed to deal with modern developments of heterodox or post-Keynesian macroeconomics in the Kaleckian/Steindlian tradition. For these the interested reader, lecturer and student should look at the respective chapters in Blecker/Setterfield (2019), Hein (2014) or Lavoie (2014). But

Łaski's book is an excellent introduction to the Kaleckian approach and its current relevance, which can and should also be used at the undergraduate level. I hope it will find a wide readership and reception.

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