platform for the future modelling of (macro) economic dynamics. The essay on Samuelson and Marx in *The Making of a Post-Keynesian Economist* (written in 2006) contains one of the clearest discussions of the foundations of Marx's analysis of the surplus and the Labour Theory of Value that one can find.

In terms of economic method, one thing that struck me time and again as I read through these essays is the importance of not mistaking the analysis of differences (comparisons) for the analysis of changes (processes occurring through time). While sophisticated neoclassical economists (Robert Lucas with his 'islands model' comes immediately to mind) are quite clear (at least in their theorising) that the two are not the same – or at least should not be confused, their followers and textbook writers seem blind to the distinction. It is thus important that as teachers and as researchers we be reminded that there is a difference. This is one of many areas in which Harcourt has made contributions to Cambridge economics. His role has been as an innovator and agent-for-change and not simply that of a mere raconteur. Another issue in relation to method that is touched upon many times in these two books concerns the need for macroeconomics, as a continuing branch of our discipline. It is nice, at this point in the history of our discipline, to be reminded that there is a case for macroeconomics, that the whole is not simply the sum of the parts and that the device of the representative agent and the representative firm can do more harm than good.

One cannot read these essays and not become aware of two things: first, while many of them deal with 'the past' (most obviously those that are biographical or autobiographical and especially those dealing with Keynes and Joan Robinson), they are also about the future. There is not a single essay in either work that does not contain insights into theory and method of relevance for our understanding of the world today and in the future. Second, anyone (student of economics or non-economist) who reads these works cannot fail to admire both the man and the discipline. On both grounds, students as well as colleagues should be urged to read these works. Harcourt's work is never a mere assemblage of facts. He always writes with the aim of engaging the reader in an intellectual journey, a journey of persuasion. Every university library should have a copy of both of these volumes; they are a very worthy complement to Harcourt's marvellous 1982 collection of essays titled 'The Social Science Imperialists'.

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Bill Lucarelli, *The Economics of Financial Turbulence: Alternative Theories of Money and Finance*. Edward Elgar: Cheltenham, 2011; 192 pp.: 978184980878, US$ 110.00 (hbk)

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There have been numerous books written about the global crisis. Another book on this topic needs to differentiate its product. This book attempts to do that by discussing the

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role of money in a capitalist economy as one of the underlying causes of the crisis. Written by a Marxist scholar, it is based on previously published papers in the *Journal of Australian Political Economy, Capital and Class*, and *Real World Economics Review*. Its aims are to examine financial crises and the role of money in a capitalist economy from a theoretical perspective.

Although the title suggests that the cause of the recent global crisis is the role of money and finance in a capitalist world, the author focuses the *underlying* causes of the crisis. For another explanation along these lines see Varoufakis (2011). In the 'Introduction', Lucarelli bases his arguments on Marx's analysis of capitalism: the pursuit of profits leads to over-accumulation; capitalists seeking alternatives for investment move into financial markets; and the result is asset price bubbles which in turn lead to crises. A crisis functions to restore profitability, and the process begins again. Lucarelli stresses the importance of Marx's concept of money and money supply as an endogenous variable. For Marx, money and finance provide the underlying *possibility* of crises, but the *cause* of crises is over-accumulation and a falling rate of profits.

In Chapter 1, 'A monetary theory of production', Lucarelli provides a discussion of Marx's concept of value (use value and exchange value), money as a unique commodity and the role of money in the M-C-M' circuits of capital. In Chapter 2, 'A Marxian theory of money, credit and crises', Lucarelli discusses the unique properties of money: he approvingly quotes Bell (2009) 'Money purchases commodities, but commodities do not purchase money'. But that is not correct: when I sell my labour power, I am in effect purchasing money – commodities do purchase money. He misses an important point about the role of money: in Robert Clower's (1969) words, 'money buys goods, goods buy money, but goods do not buy goods'. In a monetary economy, as Clower demonstrated, if we cannot sell our labour power (i.e. if there is unemployment), we do not have an income, and hence cannot demand goods and services. There is an interesting discussion of Marx's arguments that the expansion of credit creates the conditions for crises. Much of this discussion is similar to Junankar (1982).

Chapter 3 on 'Money and Keynesian uncertainty' provides an interesting discussion of Keynes' stress on the importance of uncertainty (as distinguished from 'risk'), the role of liquidity preference and a critique of Say's Law and the concept of the neutrality of money. Chapter 4 on 'Endogenous money: heterodox controversies' provides an extended discourse on various post-Keynesian theories of money, covering the Horizontalist, Structuralist and Circuitist schools of thought. The essential point is that central banks do not control the money supply: the money supply depends on the credit being extended to the private sector by the commercial banks. Or to put it succinctly, the demand for money creates its own supply. The various strands of post-Keynesian theories are discussed, but it is not clear how important this discussion is to the central aim of this book – to examine financial crises.

In Chapter 5, 'Towards a theory of endogenous financial instability and debt-deflation', Lucarelli argues that '… there is a coherent theoretical lineage between Kalecki and Minsky in their treatment of endogenous money' (p. 85). He argues that financial instability is not a random occurrence but a normal pathology of capital accumulation. There is a good discussion of the role of investment, of Kalecki on increasing risk and investment and of endogenous financial instability. The discussion links this analysis to Marx's problem of the realisation of surplus value. There is a discussion on Kalecki and monopoly prices, but

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its relevance to the main argument is not clear. On page 99, Lucarelli starts with the statement that the 'debt-deflation theory of depressions was first formulated by Veblen (1904)'. But this is after discussing Kalecki and Minsky: it would have been better if he had kept to a chronological and logical order. Why does he not try to trace the lineage of endogenous financial instability theory from Marx, to Veblen, to Irving Fisher, to Keynes' concept of uncertainty, to Kalecki, to Minsky, to Kaldor?

The section on Veblen was a revelation for me as I had not read Veblen on *The Theory of Business Enterprise* (1904):

> This cumulative extension of credit through the enhancement of prices goes on, if otherwise undisturbed, so long as no adverse price phenomenon obtrudes itself with sufficient force to convict this cumulative enhancement of capitalised values of imbecility (!). (p. 106, exclamation added)

In Chapter 6, 'Financialization: Prelude to crisis', Lucarelli's arguments are familiar: he refers to global trends that included an increase in privatisation, the increased role of financial markets, the deregulation of financial markets, the squeezing of labour, stagnant real wages in the United States, increased inequality, increased reliance on credit, housing and financial bubbles and so on. There is a discussion of the role of Asian surpluses in helping to fund US budget deficits and current account deficits and a questioning of how long this is likely to continue.

In Chapter 7, 'Faustian finance and the American Dream', the author sets out to examine '… the immediate causes of the financial meltdown …' (p. 132). Needless to say, Minsky moments are mentioned. The story in this chapter is a well-known one of low interest rates, deregulated financial markets (the repeal of the Glass-Steagall Act in 1999), easy lending, creation of new financial instruments, CDOs and CDSs, a housing boom based on sub-prime mortgages and so on. The crash came with a collapse in the housing market, the AIG crash, the bail out of Fannie May and Freddie Mac, the Lehmann brothers collapse and so on. The US government 'socialize[d] the losses and privatize[d] the profits' (p. 141).

The concluding chapter discusses some policies that include re-regulation of the financial sector, state intervention, the role of the government to act as the 'Employer of Last Resort' and a reform of the international monetary system along Davidson plan lines of an International Money Clearing Union.

There is much in this book that makes one think, but the author seems to provide snippets of work by different economists, rather than writing a book on the history of economic thought that carefully tries to link the work of different writers and provide a coherent story about the way that financial instability developed over time and led to a crisis. That does not necessarily mean that those authors saw their work as developing someone else's ideas. But we can, with hindsight, see the links between the earlier works. For a book that is concerned with alternative theories of money and finance, there is no mention of Wicksell or of the important work by John Hicks (1979, 1989) in his later life.

Overall, I found the book was a collection of essays loosely linked together. To provide an explanation of a crisis, we need to explain (a) the underlying causes of the crisis; (b) what is the (immediate) trigger that led to the crisis; and (c) the transmission processes

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(the propagation mechanism). However, I did not find a coherent argument showing how the endogenous nature of money can be the underlying cause of crises. If the supply of money is endogenous, as argued by the author, it cannot be the cause of the crisis. Money and finance provide the means by which the crisis is propagated. The underlying cause can be explained, à la Marx, by the inherent contradictions of a capitalist society. There is some discussion of the immediate causes of the crisis in Chapter 7, but it is not linked to the discussion in Chapters 3 and 5.

This is a book that provides much information for people interested in heterodox theories of money and the crisis and is recommended reading for students.

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Jessica Irvine, *Zombies, Bananas and Why There Are No Economists in Heaven: The Economics of Real Life*. Allen & Unwin: Sydney, NSW, Australia; Melbourne, VIC, Australia; Auckland, New Zealand; London, 2012: Fairfax Books, an imprint of 2012, x + 256 pp.: 9781742379975, AUD$24.99 (pbk)

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Australia is a lucky country to have two such fine economics journalists as Ross Gittins and Jessica Irvine. They both recently (2012) published selections of essays taken from their columns of recent years in the *Sydney Morning Herald* and the *Age*. Gittins' selection has the title *Gittins' Gospel: The Economics of Just About Everything*. Irvine's title is *Zombies, Bananas and Why There Are No Economists in Heaven: The Economics of Real Life*. Irvine is now at the *Australian*, but for many years, she worked with Gittins at the *Sydney Morning Herald*. Their columns are always my first turn to read, even when an Ashes series is on.

Ross Gittins started his professional life as an accountant (I define an accountant as an economist with a sense of humour, the definition which fits Gittins like a glove). Although, as he tells us, he took some economics courses during his accounting training, he really learnt on the job once he became a journo. He also tells us that he grew up in a

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