

Heterodox Economics Newsletter

PRINCIPLES OF MACROECONOMICS; ACTIVIST VS. AUSTERITY POLICIES, by Howard Sherman and Michael Meeropol. Armonk, NY: M.E. Sharpe, 2013. ISBN: 9780765636126; 408 pages.

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If you are looking for a textbook that will open the way for you to present and discuss both traditional and heterodox views of the economy and that emphasizes the critical political economic debates in which our world is now embroiled, then you should look into this text. Sherman and Meeropol have constructed an introductory macroeconomic text that offers a wonderful platform for a course that draws upon our current economic troubles and questions to inform students about the theoretical, policy, and political differences associated with the Classical and Keynesian-Heterodox approaches to understanding our economy.

The title of this book aptly describes its contents. In language that is clear and accessible Sherman and Meeropol detail the theoretical foundations of Classical and Keynesian-Heterodox theories and then, describe the economic policies supported by each. This text is uniquely set up to outline the differences in these two different approaches to understanding how the modern day globalized U.S. economy operates. By clearly delineating the arguments posed by both sides of the economic divide, this text stands in stark contrast to most introductory texts, which at best blur and, usually, obscure these debates by presenting a view of the economy as though there was only one lens through which to see it. The structure of this text is also pedagogically helpful for faculty who would like to engage students in the on-going economic debates of the day. Whether the question is about the role of government in the economy; the importance of income inequality to macroeconomic growth; the effect of de-regulation on our last financial crisis; financial instability; or the macroeconomic effectiveness of monetary policy, Sherman and Meeropol have produced a text that fosters critical thinking about and promotes student participation in these debates. This is a text for Heterodox Economists who want to provide their students with a clear alternative to the one vision presented in the standard introductory macroeconomics text.

The structure of *Principles of Macroeconomics—Activist vs. Austerity Policies* offers a coherent yet flexible arrangement of course material. First, it is divided into five parts that do not follow the traditional macroeconomics text's content divisions: 1) Basic Issues of Macroeconomics, Chapters 1-8; 2) Growth and Instability, Chapters 9-17; 3) Global Macro Economy, Chapters 18-19; 4) Finance and Monetary Policy, Chapters 20-22; and 5) Fiscal Policy and Full Employment, Chapters 23-25. The presentation of the theoretical material on Keynes and the Classics is laid out in Part 1 as is a very thorough presentation of Wesley Mitchell's approach to the business cycle's empirical analysis. The chapters on Keynes and the Classics present one of the most complete descriptions of their divergences I have seen at the introductory level. While the theoretical and policy debates are cast in the context of Keynes (Activist) vs. the Classics (Austerity), the disaggregation of the important components of the macroeconomy in Part 2 is presented as a business cycle analytic. In presenting each component in this manner, Sherman and Meeropol are able to show 1) its behavior in each phase of the

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business cycle; 2) its behavior in the average cycle between 1970 and 2001; and then 3) contrast its behavior in the 2001-2009 business cycle. This selection and organization of economic components allows the authors to construct a vision of the macroeconomy that is heterodox e.g., a Kaleckian view of consumer spending, Paul Sweezy's view of stagnation, and a historically contingent cyclical view of capitalism, as well as be critical in an empirically respectable way. Part 3 is brief. It introduces globalization into what had been strictly a domestic vision of an economy. Part 4 introduces money and finance to the Classical and Keynesian theories. This section offers a major departure from a traditional text in that it presents differences in monetary policy as theoretical debates as well as being historically-determined. Traditional reasons for inflation are challenged by including the profit-push view. Finally, the usual view of the Fed as a politically independent policy maker is questioned when the election of each bank's president and directors are controlled by its commercial bank membership. The institutional and historical details of this section help to situate the questionable effectiveness of monetary policy for all times and lay the foundation for effective fiscal policy in Part 5. In this final section of the text, the authors continue their methodological format by presenting fiscal policies in their historical as well as theoretical contexts. They also continue to emphasize the manner in which discretionary policies are not all equal. Sherman and Meeropol highlighted monetary policies' differential effects for borrowers vs. lenders, and in a similar fashion in this section they show that deficit spending financed by selling bonds to rich lenders can lead to increased spending if the spending is used to increase the income of poorer people. The final chapter of the text, 'A Road to Full Employment,' lays out the possible paths and the obstacles to achieving a fully employed capitalist economy. Simply including this chapter opens up a side of the debate about the use of fiscal policies that has not seen sunshine in years.

The aim of this text is to provide students with an introduction to the study of a capitalist economic system that presents the problems of such a system as well as the possibilities for gain in it. To this end, Sherman and Meeropol have not tried to provide a complete mathematical or graphically-based model of traditional Keynesian and Neo-Classical macroeconomic theories. They do include the usual Keynesian Cross and AD-AS graphical representations of these theories, but they are not the heart of this text. The beauty of this set-up is that it allows flexibility for the faculty member to determine how much of the theoretical "rigor" she would like to include. Additionally, the way the chapters are categorized in the different sections of the text, the faculty member has the flexibility of working through the text as it is currently laid out or re-arranging its presentation for her own syllabus. Other readings from outside sources, which the authors also include at the end of each chapter, can also be easily introduced to include and enhance the topical debates.

This text offers heterodox economists the chance to introduce their students to the breadth of economic thought about the real world in which they live. Faculty are offered solid economic thinking in a flexible format that is also way cheaper than the standard Neo-Classical macroeconomics text.