

JULIO G. LOPEZ and MICHAËL ASSOUS, *Michal Kalecki*, London and New York, Palgrave Macmillan, Series: Great Thinkers in Economics, 2010, v-258

In their noteworthy book *Michal Kalecki*, López and Assous give the reader a careful and fascinating portrait of the Polish twentieth century economist.

In their view, the Pole was an original (almost a *sui generis*) economist, whose thinking was completely devoid of any reference to neoclassical theory. In essence, he was an autonomous theoretician, distinct from both Keynes and “orthodox” Marxism, due to the notable and unusual influence the analyses of Rosa Luxemburg had on him.

Moreover, López and Assous demonstrate how the ‘core’ of Kaleckian theory (in relation to the business cycle) remained substantially the same, despite the analytical variances detectable between several of his articles. This fundamental coherence is also amply evident in the peripheral projects of the Polish economist, in Economic Policy, Development Economics, and the economic role played by institutions.

Finally, most likely as a consequence of their current fields of research, the authors emphasize Kalecki’s theoretical distance from both today’s *mainstream* macro-economics and Neo-Keynesianism. At the same time they highlight the (differences from and) analogies with traditional Marxian Economics and a remarkable assonance with the Post-Keynesian stream.

The authors’ style is sober and rigorous: given the object of the book, they frequently employ technical language, supporting their analyses with graphs and algebra. The use of formalizations, however, is never redundant, displaying a distinct preference for simplicity.

In order to help the non-professional reader, López and Assous confine their algebraic formulations to specific Appendices. It is worth noting that these Appendices are based entirely on the original and unpublished notes of author Julio López, who attended Prof. Kalecki’s lectures at the Central School of Planning and Statistics (Warsaw) during the 1967-1968 academic year.

At a general level, the authors’ approach involves the description of the most noteworthy aspects of Kalecki’s analysis in ten distinct chapters.

Chapter 1 describes Kalecki’s life and works; Chapters 2 and 3 deal with the theory of production; Chapter 4 analyses the theory of prices and income distribution; Chapter 5 is dedicated to the theory of the business cycle; Chapter 6 handles public finance and monetary policy; Chapter 7 considers the role of international trade; Chapter 8 covers Kalecki’s pioneer studies in Development Economics; Chapter 9 investigates the relationship with Marxian and Socialist theories; and finally, Chapter 10 details the authors’ conclusions.

Each chapter illustrates the different stages of the Pole’s developing theory, highlighting both gaps and continuities, as well as its relationship with other economic theories, most notably those of Keynes and Marx.

The authors’ declared goal is to recover Kalecki’s intellectual legacy through a process of decomposition intended to highlight its most topical ‘heirlooms’.

Naturally an analysis of great economic thinkers inescapably implies a selective approach to the topics one should analyse. From this perspective, López and Assous’ book tends to focus on those elements of Kalecki’s theory ‘still going strong’, not least because of the current macroeconomic debate.

Such a contemporary focus has the undeniable merit of overcoming the boundaries inherent when discussing the history of economic thought, as it has the effect of bridging the divide with political economy and economic policy. In particular, the book is a useful tool to promote a broad common-

sense discussion – still evident with many economists – through an historical reconsideration of the discipline’s micro-foundations, embodied in the critical and highly targeted contributions of Kalecki.

In light of the book’s contents one might suggest that the current global crisis could be profitably analysed through a revival of the Kaleckian studies, given his similarity with other theoreticians of capitalist instability that have recently enjoyed a resurgence in popularity, such as Hyman Minsky.

However, going down such a path might well require a degree of restraint to be exercised on the complexity of Kalecki’s theories, with the risk that it descends into a cherry-picking exercise, sacrificing all that is no longer relevant in the contemporary debates.

Generally speaking, this not the case with López and Assous’ book, although a few open questions remain whenever the authors deal with Marxian economics, Socialist theory, and Kalecki’s cultural and political background.

From its basic foundations, Kalecki’s theory is explicitly introduced as a demand oriented analysis.

Dealing with the theory of production, the authors demonstrate convincingly how effective demand has a pivotal role within the Kaleckian framework, since it is the key independent variable to which both output and profit adjust themselves.

López and Assous subsequently conduct a detailed investigation of the origins of such a crucial concept, supporting the plausible idea of a “four-step process”. In particular, they emphasize how the third step coincided with Kalecki’s review of Keynes’ *GT*, thus suggesting both that the Pole’s theory came first, and that it was slightly modified after taking the Cantabrigian book into account.

Following this line, the authors draw two crucial conclusions, both of them convincing.

On the one hand, they firmly reject Patinkin’s criticism of Kalecki’s works (i.e. of being substantially incompatible with Keynes’ original assumptions), underlining their (near-) full compatibility with an ‘authentic’ Keynesian approach.

On the other hand, they highlight the gap between Kalecki’s reinterpretation of the *GT* and Hicks’s celebrated synthesis, given the crucial role played by the labour market and the rejection of price flexibility as a policy consistently capable of restoring full employment equilibrium.

In both cases, it is also evident that the authors have the subsequent macroeconomic debate in mind, implicitly expressing their disagreement with both the Neo-Keynesian and Neo-Walrasian approaches to the discipline.

This impression is further reinforced by the book’s subsequent topics.

Firstly, the central role of the labour market (and not only of the commodity market) for any ‘correct’ post-Keynesian approach is reasserted through the explanation of Kalecki’s theory of distribution.

Secondly, in recounting Kalecki’s *degree of monopoly*, López and Assous implicitly remind us that the micro-foundations of traditional macroeconomics completely ignore the role of institutions, once we shift to the aggregate level of analysis.

Lastly (and most importantly), the authors take a clear and unequivocal position on the major topic of Kalecki’s theory, i.e. the trade cycle. In short, they state that it was the Pole’s express intention to highlight capitalism’s intrinsic and destructive instability throughout all of his works dealing with this subject.

Therefore, even if there are some puzzling differences between several of his published works, contemporary scholars should not lose sight of the prevalence of the endogenous solution, which was always Kalecki’s preferred choice.

Again, the polemical objective of the authors is evidently the current idea (shared by Neoclassical and Neo-Keynesian economists) that the capitalist system is provided with a built-in mechanism consistently capable of restoring full-employment equilibrium.

Not coincidentally, subsequent chapters of the book deal directly with Kalecki's solutions to capitalism's sub-optimality in terms of economic policy.

From this perspective, while evoking the Pole's support of sustainable deficit-spending and profit taxation or his general mistrust of monetary policies and purely monetary unions, López and Assous seem to wink at those economists standing today against deflationary measures (e.g. those adopted by EU governments) and in favour of a different way out of the current crisis, focused on the demand side.

This ambivalent dimension of the book is further reinforced by an interesting chapter on Kalecki's pioneer studies in Development Economics, in which a great emphasis is put on the Pole's absence of any religious belief in the market and free trade, similar to the attention he paid to the role of institutions (e.g. large landed estates or class structures) in the process of development. Once again, any possible reference to the current guidelines of many international economic institutions (e.g., IMF, World Bank) hardly seems coincidental. Finally, López and Assous dedicate a chapter to the relationship with Marxian theory and the economic reforms proposed by Kalecki as a "public intellectual". Both topics naturally refer to the political beliefs of the Pole.

In keeping with the book's general notions, the authors focus again on two *still-relevant* conclusions: on the one hand, they emphasize Kalecki's distance from both "orthodox Marxism" (albeit without stating what orthodox Marxism encompassed) and pro-Soviet Communism; on the other hand, they return to Kalecki's works on capitalist economies, underscoring their potential utility for contemporary Post-Keynesian (and/or Left Keynesian) scholars.

In any event, given the complexity of their selected topics, López and Assous' taste for simplicity leaves a few unanswered questions.

From the reviewer's viewpoint, it would have been useful to add a few references to the Polish background of Kalecki's analysis; these are unfortunately lacking.

In particular, some mention might have been made of connections with a group of young left-socialist intellectuals associated with the *Plomienie* review, given Kalecki's close friendship with economist Marek Breit (who administered Kalecki's properties during his sojourn in England).

This left-socialist circle had in turn been deeply influenced by Austro-Marxism (e.g. Max Adler, Otto Bauer and "the first" Rudolph Hilferding), as well as the Polish empirio-criticism Marxists (e.g. Ludwik Krzywicki, Edward Abramowski) and Rosa Luxemburg's works.

It therefore appears that Kalecki was not a Communist simply because he was highly sympathetic to left-wing (i.e. revolutionary) socialism and "heterodox" (i.e. neither Kautskian nor Leninist) Marxism.

In the reviewer's mind, such qualifications are essential in order to give a faithful portrait of the Pole.

In their absence, the following authors' statements "...the Soviet Union and the Communist parties – of which Kalecki was never a member – ..." (p.192), "In fact, he was never a member of any political party" (footnote 1, p.241), may be misinterpreted by the reader, suggesting that the Pole was midway between Socialist and capitalist political principles.

On the contrary, Kalecki's life clearly shows that he chose the Socialist model, although he never gave up criticizing (at times harshly) or proposing radical reforms for those countries that practised Socialism.

Such a premise would in all likelihood have added substance to the chapter's conclusions.

Firstly, one could aver that many of the economic reforms that Kalecki proposed for the capitalist economy could be considered, paradoxically enough, a point *against* capitalism and not in favour of such an economic system.

In fact there are strong themes in both Austro-Marxism and within the Polish entourage (e.g. in Marek Breit and Oskar Lange) that the functioning of a capitalist economy can be reformed *in theory*, but that many political and institutional obstacles (e.g. monopolies) make any reform impossible *in practice*.

Therefore, in order to illustrate how a capitalist system should work, one should also take stock of what is *not* actually working.

A good example of such an approach was Kalecki's scathing criticism of the Beveridge Plan. This attack was (at least partly) inspired by his contacts with the left-wing Socialist Clarity Group (which included many economists from the Oxford Institute of Statistics, such as J. Steindl and W. Goldmann), and was subsequently followed by his well-known article on the *Political Aspects of Full Employment*.

Similarly, the relationship with Marxian Economics could also have been better contextualised.

For example, the emphasis on reproduction schemes in the Second Book of Capital and the rejection of some essential Marxian laws (e.g. the *law of value* and the *law of the falling rate of profit*) were also a consequence of Kalecki's Polish background.

These ideas were mutually shared and inspired by Kalecki's colleagues Oskar Lange and Marek Breit, and evolved largely from the empirio-criticism ideas of Marxism, which were essentially intended as an adaptable method of investigation and an 'updateable' theory of knowledge, rather than a set of strict prescriptions.

In the same way, the relationship between Kalecki's theory of economic evolution and historical materialism could also be better understood by considering Ludwik Krzywicki's works on this topic (Krzywicki wrote the introduction to Kalecki's 1939 book *Place Nominalne i Place Realne*). With this background, the sharp-cut judgement included in Chapter 9 "...this outlook points to a collision of Kalecki's vision with that of Marx and orthodox Marxism" (p.202) could be more readily and clearly understood.

In short, the whole question regarding the relationship with Marx's theory could have been settled by simply stating that Kalecki was a genuine *Polish* Marxist, i.e. an open-minded and adaptable interpreter of the *Old Moore*, belonging to a Mittel-European, left-Socialist tradition.

Nonetheless, these open questions don't undermine the book's quality, as they can easily become the subject of future research, complementary to the focus of the book.

Therefore, the overall evaluation is ultimately positive: in a few pages, López and Assous are able to capture the reader's attention and to provoke their reaction, whether one agrees with the authors' point of view or not.

In times of crisis, many elements of their analysis could usefully stimulate a debate (or even a rethink) among many economists, given the confused state of our discipline. At a minimum, this is a good reason to read the book.

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