Book Review Essay: A synoptic review of real-world and pluralist macroeconomics

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1 Introduction

Garratt (2025, p.164) echoing Hodgson (2021) reiterated the limited changes in the teaching of undergraduate macroeconomics in the aftermath of the global financial crisis (GFC). Lanata-Briones (2025, p.99) noted a common student grievance in macroeconomics is the excessive theoretical content that comes at the expense of the real-world. Likewise, Fuentes (2025, p.135) stated that the excessive emphasis on mathematical technicalities makes macroeconomics less interesting for students.

Earlier, de Muijnck and Tieleman (2021) had argued that economics education should focus on pluralism and the real world instead of abstract mathematics. While there exists the alternative of the online CORE text, de Muijnck et al. (2023, p.88) highlight that it is "not as radical as one might hope" (p.88). Similarly, Michell (2023) critiques that without access to tutoring, students may find it difficult.

However, several critical textbooks have been recently published, emphasising the real-world and pluralism over mathematical technicalities. These include Komlos (2023), which emphasises real-world economics; Cohn (2007), an earlier book that adopts a critical approach; Myatt (2023), Schneider (2023), Van den Berg (2024) and Mitchell et al. (2019), which provides pluralist alternatives through pluralism, and modern monetary theory (MMT) respectively.[1]

Neoclassical economists are often unaware of these alternate perspectives. Additionally, inertia often prevents them from the perceived daunting task of incorporating alternate perspectives in their pedagogy. Thus, the purpose of this synoptic review is to provide easy access to key real-world and pluralist ideas and to facilitate incorporation of such alternate perspectives in introductory/principles of macroeconomics.

2 Komlos – real-world economics

Komlos (2023) is an excellent introduction to critical economics. Its strength is that it covers both microeconomics and macroeconomics along with topical issues of inequality, hyper-globalisation, the GFC, populism, racism, and the COVID-19 pandemic. The approach intersects with post-Keynesian economics, but critical of both supply side economics and MMT. However, the review of the key ideas, especially from chapter 10 onwards that focus on macroeconomics, is already available (Jahangir, 2023).

3 Cohn – a critical approach

Cohn's (2007) approach is still relevant today, as not much has changed in mainstream economics education since the GFC. While it highlights globalisation and inequality, and shows the limits of the AD-AS model, its strength lies in the critique of textbook economics and the contrast between neoclassical and heterodox perspectives.

3.1 GDP

Cohn critiques that GDP was not designed to measure wellbeing but resources available for wartime, as it includes wasteful arms race expenses and positional competition (p.78, p.86). He adds that positional competition has led to decline in leisure, increase in household debt, and support for declining environmental protection for greater income (p.78). Drawing from heterodox economists, he argues that GDP can be adjusted by weighting dollars for lower income households greater than for higher income households (p.104).

3.2 Unemployment

Cohn emphasises the underemployment rate, which includes involuntary part time workers; he highlights that unemployment is correlated with racial tensions and fascism, and that it impacts reduced self-esteem, suicide, mental illness, alcohol abuse, and a harsher view towards the less fortunate (pp.91–94). He adds that unemployment shifts power from workers to employers and instigates a race to the bottom that undermines worker rights and environmental protection (p.97). Moreover, he argues that a job guarantee (JG) would reduce the bargaining power of employers by guaranteeing a social minimum wage (p.98).

3.3 Keynesian macroeconomics

Neoclassical textbooks highlight the household decision to save despite corporate savings largely determining private savings (pp.119–120, p.124). They focus on the medium of exchange role of money and view money supply as exogenously determined by the central bank, whereas heterodox economists highlight liquidity preference for money and view money supply as endogenously determined by credit expansion (p.136). Moreover, neoclassical textbooks indicate that savings leads to investment; but heterodox economists argue that saving does not precede investment because of the endogenous

creation of credit, and instead investment creates income and therefore savings (pp.122–123, pp.138–139).

3.4 Financial markets

Neoclassical textbooks depict financial markets as stable and rational, which efficiently allocate capital, whereas heterodox economists depict them as volatile and subject to herd behaviour, which can disrupt the real economy (p.144, p.147). Therefore, neoclassical economics favours financial deregulation, whereas heterodox economists support regulation to curb financial speculation (pp.155–156). Additionally, neoclassical textbooks emphasise perfect information, risk, and the classical dichotomy, whereas heterodox economists highlight imperfect information, uncertainty, money, and the impact of the financial sector on the real economy (p.158).

3.5 Inflation and monetary policy

Neoclassical textbooks explain inflation as too much money chasing too few goods, but heterodox economists explain inflation through cost pressures (p.155). Additionally, heterodox economists focus on the distributional effects of monetary policy, as tighter monetary policy serves the interests of bondholders through higher interest rate and firms through unemployment (pp.151–152, p.155).

3.6 The AD-AS model

Cohn states that the neoclassical AD-AS model assumes that falling prices will stabilise the economy, but heterodox economists argue that deflation cannot restore the economy (p.168). This is because: deflation increases the real debt burden and bankruptcies, low interest rates may not incentivise investment, and global recession or exchange rate adjustment may offset the impact of price declines on net exports (p.169).

Heterodox theory suggests that the AD is vertical, with a flat AS until the full employment level of output at which it becomes vertical (pp.170–171). A vertical AD is explained by weak wealth effects, interest rate effects, and exchange rate effects (p.168). A flat AS is explained by mark-up pricing based on flat marginal and average costs, firms avoiding price wars through price cuts fearing that price cuts would lower perceived quality or expecting that price cuts would not induce sales due to brand loyalties (p.175).

3.7 Free trade

Neoclassical textbooks support lower tariffs and caution against protectionism and industrial policy (p.204). However, Cohn notes that the Asian tiger economies developed through state-directed industrial policies and protectionism instead of free trade (p.206). Neoclassical textbooks highlight gains from free trade and capital mobility, whereas heterodox economists highlight the race to the bottom and the impact of financial speculation and capital mobility on stability and policy (p.221).

Heterodox economists also highlight the role of colonialism and military intervention in trade, arguing that free trade can exacerbate inequality and weaken aggregate demand, which harms economic growth, and that financial capital mobility weakens the government's ability to redistribute income or combat unemployment (p.208, p.210,

p.212, p.214). Additionally, Cohn notes that poor countries assume a pollution burden from advanced economies in exchange for higher employment and income, and that intellectual property rights (IPRs) transfer income from poor to rich countries (p.217, p.219).

3.8 Inequality

Neoclassical theory explains income inequality through individual traits instead of the structure of the economy and normalises inequality through the natural rate of unemployment and the idea that progressive taxes dull economic incentives (p.241). Neoclassical textbooks explain inequality through skill-biased technological change and hyper-globalisation, but heterodox economists explain inequality through institutional and policy factors like a lower minimum wage, decline in unionisation, and a shift from prioritising full employment to combating inflation (p.246, p.247).

Heterodox economists explain wage and profits based on bargaining power and argue that full employment shifts power towards workers, which improves job security and working conditions (p.242). Additionally, they view tax cuts as representing the interests of the rich, as they redistribute income upwards; they also argue that investment decisions are based on expected profitability than tax cuts and criticise that tax cuts increase budget deficits (p.256, p.257).

Neoclassical textbooks focus on efficiency and growth over distribution and equity, and highlight that according to the Pareto criteria, there is nothing wrong with inequality if income of the rich increases without reducing that of the poor (p.258). However, Cohn notes that inequality instigates emulation of the rich and competitive consumption, generates pressure for growth to defuse social tensions, tends towards higher resource use and pollution, and promotes environmental degradation, as communities trade environment for employment and income (p.260, p.283).

3.9 Neoclassical versus heterodox economics

Cohn states that neoclassical economics is linked to methodological individualism, whereas heterodox economics is linked to holistic explanations (p.16). Where neoclassical economics highlights free choice and equilibrating markets, heterodox perspectives emphasise coerced choices and dysfunctional markets (p.23). Additionally, neoclassical economics highlights the goals of economic growth, low inflation and low unemployment, whereas heterodox economics emphasises economic security, quality of work, sustainability, inequality, and democracy (p.17, p.72).

Cohn highlights that neoclassical textbooks ignore the impact of redistribution on societal wellbeing by disallowing interpersonal utility comparisons; while ignoring the implication of positional goods for environmental welfare, treat nature and environment as commodities, and emphasise different abilities instead of power differentials (pp.33–35). He adds that textbooks emphasise that markets yield optimal outcomes, corporations have little power, the consumer is sovereign, and workers are paid their marginal product (p.41).

Cohn states that globalisation has shifted power towards financial capitalists by increasing capital mobility; and that deregulation of the banking sector has led to financial speculation, cultural shifts have led to higher private debt, and financialisation

has led to excessive focus on short-term gain at the expense of long-term investment (pp.194–195).

In contrast, heterodox economists highlight economic inequality and environmental sustainability (p.294). They challenge prioritising combating inflation over unemployment, promote the role of government as employer of last resort, support participatory management and worker owned firms to reduce wage-profit squeeze, regulations to control destabilising capital flows, and industrial policies that support key industries (pp.300–303).

4 Myatt – the anti-textbook

Myatt (2023) is as an anti-textbook,[2] and discusses inequality and climate change. However, in contrast to Komlos (2023) and Cohn (2007), it emphasises MMT, as evident from Chapter 7's title that 'deficits and debt might not matter. Additionally, while structured like a textbook, it does not include end of chapter questions and as such is more like a supplementary reader to mainstream textbooks.

Myatt emphasises that macroeconomics is required because of the fallacy of composition, i.e., what is true for the individual is not true for the whole (p.10). He claims that textbooks have a pro-business and anti-government bias, as they depict the private sector as efficient and competitive but the public sector as bureaucratic and inefficient, and intersecting with neoliberalism on deregulation, liberalisation, privatisation, tax and spending cuts (p.52, p.69). He adds that free trade agreements (FTAs) are less about trade and more about increasing corporate rights and limiting government sovereignty (p.71).

4.1 Unemployment

In contrast to textbooks that claim that unemployment is voluntary, Myatt highlights hidden unemployment due to discouraged workers and part time gig economy jobs (p.46, p.47). He adds that wages do not rise as unemployment falls below the natural rate of unemployment because of international competition and weaker unions (p.46). Moreover, he emphasises that wellbeing is linked to income distribution and unemployment (p.51).

Myatt contrasts the market clearing view that unemployment is voluntary, based on the idea that people prefer leisure over work, with the Keynesian view that unemployment is involuntary (p.275). He adds that unions provide countervailing power by offsetting the market power of firms and improving economic efficiency (p.293). Alluding to MMT, he argues that a JG alleviates job loss due to automation or globalisation, and that the real resource cost for a JG program is zero when the alternative is unemployment[3] (p.308). Moreover, he states that full employment must be restored as a key macroeconomic goal to combat inequality (p.310).

4.2 Climate change

Myatt highlights climate change, extreme inequality, capture of democratic governments by billionaires, and populist support for demagogues (p.75). He critiques the neoclassical approach that climate change is an externality to be resolved by carbon pricing, arguing that it fails to convey a sense of urgency (p.76, p.79, p.80). Moreover, he states that big

oil funds think tanks, which deny climate change by arguing that humans are not responsible, that it won't cause much harm, or that technology will fix the problem (p.84).

4.3 Inequality

Myatt states that textbooks ignore inequality and instead focus on long run growth and short run business cycles (p.87). He highlights that inequality undermines equal opportunity, social cohesion, political and economic stability, and reduces wellbeing by affecting indicators like obesity, imprisonment, teenage pregnancy, and drug use (p.93, p.94). He mentions that there is a strong negative relationship between unionisation and the income share of the top earners, that inequality is curbed with higher top tax rates, a minimum wage, and unionisation, and highlights Piketty's solution of an annual progressive wealth tax (p.101, p.102, p.105). Additionally, he argues that taxing companies that use publicly funded technologies like the internet, GPS, touchscreen, and SIRI is not enough, as they can avoid taxes, and instead governments should acquire equity in such companies (p.73).

4.4 Financial markets

Proponents of the efficient market hypothesis (EMH) promote deregulating financial markets based on the belief that competition will discipline market behaviour and that regulations cause inefficiency (p.111). However, the issue with EMH is the existence of bubbles and crashes (p.128). Similarly, while free market ideology in the financial sector assumes that financial executives earn what they deserve, the value of the financial sector is overstated, as the risk taken by banks is shifted to society through government bailouts (p.219, p.230).

4.5 Keynesian macroeconomics

Myatt highlights Keynes' central message that capitalist economies do not automatically lead toward full employment, that reducing wages exacerbates unemployment; the importance of insufficient investment, and that governments should focus on full employment instead of balanced budgets (p.157). He adds that the classical model is problematic, claiming that unemployment results from failure of wages to fall, while relying on deflation for market correction (p.158).

Myatt highlights that the AD could be upward sloping if: the wealth effect reduces consumption by redistributing wealth from debtors to creditors, investment fails to increase despite a reduction in the interest rate, and the net export effect brings retaliatory policies from foreign countries (p.163). Moreover, an upward sloping AD indicates that as wages and prices fall, the economy moves further towards recession, contrary to the mainstream AD-AS model where wage flexibility resolves unemployment (pp.164–165).

4.6 Fiscal policy

According to neoclassical economics, expansionary fiscal policy increases the interest rate and crowds out private investment in a closed economy, whereas the higher interest

rate attracts foreign capital, appreciates currency, and crowds out exports in an open economy (p.174). In contrast, expansionary monetary policy reduces the interest rate, which crowds in private investment and reduces the debt service burden (p.180).

However, mainstream wisdom on fiscal and monetary policy is problematic. This is because the Ricardian equivalence does not have any empirical merit: for if households are liquidity constrained, they do not save the tax cut to pay future taxes (pp.183–184). Likewise, monetary policy is ineffective even with zero interest rates, as deleveraging only ends when balance sheets are repaired (p.189).

Additionally, Myatt argues that the idea of high tax rates having a negative supply side effect is a zombie idea, only serving the interests of the rich (p.198). This is because negative supply effects are zero when the labour supply curve is vertical and that investment decisions are not curbed by higher taxes (pp.198–199).

4.7 MMT

Myatt contrasts textbook economics with the MMT approach that sovereign governments (monetarily) with floating exchange rates and without foreign debt do not face financial constraints on spending (p.193). According to MMT, the constraint is real resources not financial, and the limit on government spending is inflation (p.193). Additionally, "living beyond means makes no sense" given large scale hidden unemployment (p.194). Furthermore, based on the identity $G - T = S - I$, budget deficits allow the non-government sector to have a financial surplus; and a balance sheet recession is remedied by budget deficits (p.190, p.194).

According to MMT, the money supply is endogenous, as banks create money based on demand for credit, which means that MMT proponents reject crowding out, as there is no trade-off between government spending and loans to business (p.194). However, some MMT proponents argue to keep the interest rate close to zero to avoid large debt servicing payments that accrue to the rich and increase inequality (p.195).

4.8 Monetary policy

Myatt notes that according to post Keynesians, inflation is not due to too much money chasing too few goods, but due to the struggle over income shares (p.309). He emphasises that textbooks do not consider the impact of inflation targeting on employment and income distribution (p.256). He adds that inflation targeting is concomitant with high unemployment, inequality, and slower growth, and that the wealth effect from quantitative easing (QE) benefits the wealthy and exacerbates inequality (p.266, p.270). He adds that the fundamental solution to inflation is a social contract where wealth is taxed to redistribute to the poor (p.322).

Myatt highlights that while textbooks show that monetary policy is ineffective to stimulate the economy at a zero interest rate, this ineffectiveness can arise at any interest rate because central banks cannot force banks to increase lending (p.256). Moreover, while monetary policy can brake an overheated economy, it cannot pull it out of a balance sheet recession when households do not want to borrow (p.257, p.258). Thus, Myatt notes that budget deficits are required to resolve a balance sheet recession (p.257).

5 Schneider – a pluralist introduction

Schneider (2023) provides multiple perspectives contrasting the views of laissez faire, new Keynesian (NK), supply side, and political economy economists. While it focuses on trade and the political economy issues of developing countries, it does not have separate chapters on inequality and climate change. The book is voluminous and the focus below is from Chapter 8 onwards, as the previous chapters depict the history of economic thought, which is here suppressed for brevity.

5.1 Inequality

Schneider argues that inequality is a market failure, which leads to social breakdown, and instigates calls for radical change (p.199). According to laissez faire and supply side economists, inequality is the result of poor choices, but political economists argue that the capitalist system exploits workers (p.199)

5.2 Inflation and unemployment

Schneider states that inflation and unemployment are two major macroeconomic market failures (p.229). He emphasises that unemployed individuals face depression, loss of self-worth, ill health, suicide, loss of skills, and strained family relationships, and that the costs of unemployment include crime, inequality, reduced social cohesion, greater spending on security and social programs, and the loss of output (p.231).

Laissez faire economists[4] explain inflation through the quantity theory of money (QTM) and through the Phillips curve to argue that low inflation comes with high unemployment (p.230). Political economists dispute such theories and argue that inflation results from the conflict between capitalists and workers over the income distribution, as corporate profits are higher with high unemployment, which keeps wages and inflation low (p.230, p.251). Political economists also dispute the natural rate of unemployment while supporting JG programs. Whereas NKs support stabilisation policies, supply side economists promote tax cuts for businesses, and laissez faire economists opine that unemployment is voluntary (p.236, pp.241–242).

Schneider notes that inflation results when unemployment falls below the natural rate (p.385). However, post-pandemic inflation in 2022 increased due to supply chain bottlenecks and corporate price gouging instead of low unemployment (p.386). Additionally, political economists view the natural rate of unemployment as benefiting employers because it keeps wages low and profits high by keeping unemployment high (p.387). Moreover, instead of the natural rate of unemployment and the QTM, political economists advocate functional finance, which allows for expanding government spending and money supply to combat unemployment (p.390).

5.3 The AD-AS model

Mainstream economics emphasises stability and equilibrium, whereas political economy models the economy as unstable with feedback loops (p.283). According to classical economics, if people consume less in a downturn, the increased savings will lower interest rates, increase investment, and stabilise the economy (p.277). Moreover, wages

and input prices fall due to unemployment and idle capacity, equilibrating the economy (p.277). However, according to Keynes, businesses do not borrow the piled-up savings if expected profitability is low, and firms lay off workers, as reducing wages reduces productivity (pp.278–279).

Schneider notes that an upward sloping AS curve requires competitive markets where firms face diminishing returns, but many firms have market power, experience economies of scale, and access inputs from global markets (p.282). Thus, the AS curve is flat, as unemployment and excess capacity keep wages and input prices low, below full capacity (p.265, p.282). Additionally, the AD curve can be perfectly inelastic or upward sloping (p.264, p.281).

5.4 Fiscal policy

Laissez faire economists advocate austerity and balanced budgets; NKs advocate deficits in recessions with surpluses in booms; supply side economists tolerate deficits if corporate interests are supported, and political economists support deficits to benefit workers (p.311, p.314).

Laissez faire economists opine that workers should accept jobs at whatever wages, whereas political economists argue that workers should have better work choices (p.328). Laissez faire economists argue that government intervention is ineffective because of policy lags, whereas for political economists markets only work with government regulation, as market failure is inherent to capitalism (pp.328–329, p.331).

Laissez faire economists oppose deficits, arguing that they cause inflation, crowd out private investment, reduce growth, and burden future generations (p.335). However, NK economists argue that government spending, tax cuts, and interest rate cuts boost aggregate demand, inflation is not a problem during recessions given the issue of deflation, crowding out is not an issue, as savings outstrip investment when investors are pessimistic; and instead, government spending can crowd in private investment (p.335, p.336). Additionally, according to MMT, there cannot be crowding out, as the government controls the interest rate (p.340).

5.5 Money and banking

Schneider highlights that the earliest forms of money were issued as loans, and debt was tracked through tally sticks (p.350).[5] Additionally, money has value because the state requires people to use it to pay taxes and debts (p.351).

Schneider emphasises that stock markets are not connected to the wellbeing of workers, as was seen during the pandemic when unemployment was high but stock markets soared, and because stock prices can soar when wages are low and corporate profits are high (p.365, p.370). Thus, political economists advocate taxing financial transactions, taxing the wealthy, and imposing capital controls to limit speculation (p.371).

Mainstream economics assumes stable markets and the efficient market hypothesis, which is problematic given financial crises and speculative bubbles (p.401). Additionally, according to Minsky, stability is destabilising, as stable times instigate deregulation and financial innovation, which leads to excessive risk taking (p.401, p.403). Moreover, according to Minsky's analysis, financial markets should be regulated to prevent Ponzi schemes (p.405).

Under a gold standard, economic growth is limited by the gold supply, and stimulating growth requires debasing the currency by putting less gold in each coin (p.352). Moreover, under such a system, without an increase in the money supply some goods remain unsold resulting in deflation and recession (p.352). Thus, fiat money improves macroeconomic stability, as the central bank can expand the money supply to prevent deflation (p.353).

5.6 Monetary policy

Mainstream economics assumes that the central bank controls the money supply, banks loan out excess reserves, and their ability to borrow reserves is limited, but political economists argue that private banks create money endogenously and can borrow reserves from the central bank (p.362, p.363, p.365).

Schneider notes that monetary policy can contract the economy during booms but is limited during recessions due to the liquidity trap and business pessimism about expected profitability (pp.384–385). However, NKs argue that the central bank should expand the money supply, lower the interest rate, and use quantitative easing with the liquidity trap to combat recessions (p.375). Similarly, MMT proponents argue that the central bank should expand the money supply to combat unemployment until there are signs of inflation and the economy reaches full capacity (p.375).

5.7 Growth and tax cuts

Mainstream economists advocate savings, innovation, and education for growth, whereas supply side economists advocate deregulation, and tax cuts for the wealthy and corporations (p.422). However, Schneider notes that tax cuts for the rich increase inequality but do not significantly affect economic growth and unemployment (p.435). For instance, the 2017 Trump tax cuts were used for stock buybacks not investment (p.438). In contrast, political economists highlight policies for industrial development in strategic sectors (p.436).

5.8 Trade

Schneider notes that contrary to the theory of comparative advantage, countries trade with other economies that have similar preferences, endowments, and technologies, which means advanced economies mostly trade amongst themselves[6] (p.462). Additionally, multinational companies (MNCs) play a key role in shaping trade agreements and policies, which are favourable to corporations (p.466). While consumers benefit slightly due to lower prices, trade instigates a race to the bottom, resulting in worker exploitation and environmental degradation (p.470, p.471). Additionally, Schneider notes that the sweat shop model is based on low wages and exploitative work conditions which does not significantly improve aggregate demand or local technology (p.430).

Political economists critique the comparative advantage theory and argue that it can be gained through the right industrial policies and infant industry protection, which is eventually removed (p.437, p.471). For instance, South Korea protected new industries with tariffs and subsidised key inputs, but firms were required to increase investment and

jobs and became internationally competitive (p.436). Similarly, China required foreign investors to have a local partner, which allowed Chinese firms access to the latest technology (p.430). However, Schneider also notes that while state-owned enterprises (SOEs) were effective in China and South Korea, they have failed in developing countries where the state is inefficient and corrupt, and education and technology levels are low (p.512).

5.9 International finance

Mainstream economics indicates that trade deficits and surpluses are eliminated by adjustment in exchange rates, but political economists argue that chronic trade deficits and surpluses are the norm (p.488). Schneider notes that if the trade deficit is balanced by investment, then aggregate demand and employment are maintained, but if it is balanced by money in financial markets, then aggregate demand and employment fall (p.491).

Laissez faire and NK economists prefer floating exchange rates due to their faith in markets, and similarly MMT proponents argue that floating exchange rates facilitate the use of fiscal policy. However, political economists prefer managed exchange rates and support capital controls, which prevent destabilising currency flows, as they prevent foreign speculators from driving up exchange rates and asset values or the converse (p.496, p.498).

5.10 Economic development

Schneider highlights that in the colonial era, colonies were exploited to provide cheap labour and raw materials, not allowed to compete through manufacturing industries, and were sold manufactured goods at high prices (p.506). He adds that under neocolonialism, rulers in developing countries ally with western corporations to maintain extractive institutions and reduce their countries to providers of raw materials for MNCs to accumulate profits (p.507).

Thus, when mainstream economists argue that economies should specialise in their comparative advantage, they ignore the colonial context that reduced developing countries to specialising in primary products (p.508). This is problematic, as developing countries face declining terms of trade because the prices of primary products fall relative to the prices of manufactured goods and services, which results in trade deficits and increasing indebtedness of developing countries (p.509).

In this context, structural adjustment imposed by the World Bank and the IMF is a laissez faire policy regime that includes austerity, privatisation of SOEs, deregulation, elimination of tariffs, and free capital flows (p.514). However, austerity reduces aggregate demand and impedes education, health, and infrastructure; the most valuable SOEs are sold to local elites at below market prices, and reducing tariffs leads to deindustrialisation, as many companies are not able to compete internationally (p.514). Moreover, without capital controls, rapid outflows of money cause the currency to depreciate, increasing the price of essential imports like food, oil, and inputs for manufacturing (p.515).

6 Van den Berg – a pluralistic introduction

Van den Berg (2024) emphasises classical, Marxian, and Keynesian models and highlights the topics of inequality, ecology, and trade. In contrast to other textbooks, it does not mirror mainstream textbooks but instead provides a pluralistic alternative.[7]

6.1 Key ideas

For Van den Berg economics is about how an economic system provisions in a system that generates full employment, sustainable production, equitable distribution, and good living conditions (p.4, p.5). He states that no single model can be applied across space and time. His key ideas: that the whole is not a sum of its parts; financial debt and financial assets are two sides of the same coin; financial instability leads to real instability; shocks are not exogenous but arise from within the economic system, and that happiness is based on relative status not individual income (p.5, p.6, p.12, p.13, p.32, p.63). He notes that contrary to the invisible hand that individual self-interest yields socially optimal outcomes and that markets clear at full employment, inequality and unemployment have been regular features of capitalist economies (p.24).

Van den Berg highlights that democracy and capitalism may not be compatible, as the former is about one person, one vote, whereas the latter reflects the principle of one dollar, one vote (p.161). Additionally, neoliberal economic policies of privatisation, free trade, liberalisation, IPRs, property rights, and reduced government spending and taxes, provide new opportunities for primitive accumulation (p.467). Such policies have been justified by linking them with individual freedom and economic efficiency (p.467).

6.2 Inequality

Economic inequality is explained by inequitable social capital and that the elite control ideology, education, and institutions, and shape a culture where the working class believes that success of the upper class reflects their hard work (p.91, p.92, p.95). Thus, Van den Berg notes that any economic change must be accompanied by a change in the narrative (p.95). In this regard, he notes that redistribution is justified if we recognise that inheritance is a matter of luck, not effort (p.137). Moreover, he emphasises that there is no freedom without economic security, as people are not free to make choices and become vulnerable to exploitation (p.141, p.143).

Van den Berg references Adam Smith, who justified redistribution based on the argument that the rich should have a greater contribution to the public good and public education to remedy for differences in class, parental status, and wealth (p.137). Furthermore, according to Adam Smith, the security of property is about the defence of the rich against the poor (p.154). Van den Berg also references Locke, who argued that the community's right to subsistence overrides individual property rights (pp.144–145). He notes that unrestricted accumulation of property without any obligation skews the balance between labour and capital, and that the wealthy use their political power to influence governments to protect property rights, thus perpetuating wealth inequality (pp.152–154).

Van den Berg highlights that neoclassical economics ignores inequality (p.349). Moreover, according to neoclassical economics, an equal distribution of income and

wealth disincentivises work, savings, and innovation (p.363). He states that policies on inequality must include both income and wealth taxes, as wealth inequality is a major determinant of income inequality (p.363). He also highlights that reparation payments compensate for unequal historical accumulation (p.365). Although, he is critical of anti-poverty programs that focus on education and skill upgrading while ignoring job creation (p.358).

6.3 Money

Van den Berg emphasises MMT ideas. He notes that there is no evidence that money arose to address the inefficiency of barter (p.167). Additionally, government first creates money by spending and then creates demand for that money through taxes (p.171). He adds that money is created out of thin air, as banks make loans first and then find reserves from the central bank in its role as lender of the last resort (p.175, p.176). However, bank lending is limited by expected economic conditions, loan defaults, and profitable business opportunities (pp.176–177). Additionally, he notes that according to MMT, money supply is an endogenous variable and outside the control of the central bank, which contrasts with the conventional belief that the central bank controls the money supply (p.332).

6.4 Financial markets

Mainstream economists did not predict the GFC and refuse to attribute it to deregulation of financial markets, even though deregulation and financial innovation were responsible (p.186, p.193). Van den Berg adds that financial markets have little connection with people's wellbeing, as asset prices diverge from wages, food prices, and costs of healthcare and education (p.164). Moreover, he notes that economic inequality and financial crises emerged when governments deregulated finance, lowered taxes, reduced budgets, and privatised public services (p.342).

Van den Berg notes that the stability of the economy has been diminished by financial markets and financial innovations like derivatives, as they encourage speculation (p.340). This is because buyers and sellers of financial assets are concerned with short term capital gains and not the sustainability of business, which leads to an inefficient allocation of saving to investment (p.341). Referencing Keynes, he states that finance is inherently unstable and requires regulation with a small financial transaction tax that would discourage short term financial transactions without impacting long term investment (p.341, p.343).

6.5 The classical model

The classical model assumes competitive markets, equilibrating prices, full employment, and that savings equals investment through the loanable funds market model; it also assumes rational agents, a utilitarian approach, diminishing returns, and the quantity theory of money (QTM) (p.228, p.235, p.239). The classical and neoclassical models form the basis of neoliberalism with unfettered trade and financial flows, reduced government regulation, privatisation of the commons, reduced taxes, and restricted central bank focus on inflation (p.250).

However, the classical model fails, as unemployment is not always zero, inflation is not closely linked to the money supply, savings does not always beget investment, and pursuit of self-interest often does not improve wellbeing (p.241). Moreover, the real market is always in disequilibrium with shortages and surpluses (p.247). The classical and neoclassical models do not address economic inequality, macroeconomic instability, environmental impact, unequal political power, and financial crises (p.250). Additionally, there is a contradiction between the invisible hand and economies of scale, as large-scale production leads to market concentration, which impedes competition and the role of the invisible hand to achieve the socially optimal outcome (p.228).

6.6 The Marxian model

Marx and Engels critiqued classical economists for offering simplistic relationships, while providing a systematic analysis of how inequality, worker alienation, and poor working conditions arise from incentives within the capitalist system (p.258, p.259). Rejecting the classical argument that capital accumulation results from saving, Marx argued that capitalist accumulation was the result of political power and usurpation through the enclosure movement, and that the state established a system to protect unlimited private ownership (p.260).

According to Marx, capitalists face pressure to cut labour costs in order to increase surplus by substituting machines for labour, undermining unions, and lobbying against worker benefits (p.266). However, lower wages reduce aggregate demand which causes unemployment, i.e., secular stagnation and the reserve army of the unemployed, respectively (p.266). Additionally, Marx highlighted ecological rifts, e.g., when soil is depleted of nutrients in one place, but waste is dumped in another causing contaminated water that affects people's health (p.271).

Marxian economists argue that imperialism can be ended by eliminating wealth inequality by raising wages and taxing excessive earnings of the rich (p.274). However, according to Luxemburg, militarism sustains capitalism despite inequality and secular stagnation through demand for arms and demonisation of a foreign country, which serves corporations and the political class (pp.275–276). Additionally, capitalism is sustained despite its internal contradiction through the imposition of capitalist institutions on foreign countries and through political power, which allows capitalists to avoid revolutionary change (p.278).

6.7 The Keynesian model

Keynes rejected Say's Law, the loanable funds market model, the idea that microeconomics was enough to understand the economic system, the invisible hand, and the QTM (p.284, p.318). He showed that given excess capacity, producers will not invest irrespective of the decrease in the interest rate, meaning that savings will not equal investment and that the economy can get stuck at high unemployment (p.284, p.299).

Keynes argued that expansionary monetary policy may not work because even a zero percent interest rate will not induce investment when people expect fewer profitable projects (p.330). Moreover, the central bank cannot force banks to lend, borrowers to borrow, and consumers to consume more (p.330). Similarly, contractionary policy may

not work, as speculative behaviour is unlikely to be stemmed by moderate increase in interest rates (p.330).

6.8 MMT

Van den Berg notes that politicians exploit people's fear of government deficits and debt to justify cuts in services, privatisation, and tax cuts for the wealthy (p.336). However, one person's debt is another's asset and since government debt is held by citizens it is not a net future burden unless debt is owed to foreigners (p.324, p.325). Although, he adds that government borrowing has distributional issues, since lower classes pay taxes for debt repayment, but wealthy bondholders receive interest income (pp.324–325). Moreover, the wealthy are taxed at a lower rate than workers, as capital gain taxes are lower than income taxes (p.325). Thus, government borrowing increases the wealth of bond holders and increases economic inequality over time (p.335).

Van den Berg highlights that government policy should not balance its budget like a household but should instead eliminate unemployment and inflation (pp.334–335). Additionally, a JG alleviates fiscal policy sluggishness, addresses the full employment goal of fiscal policy, helps reduce economic inequality, and sets the minimum wage, as it forces employers to pay their workers higher wages (p.35, p.3677). However, proponents of universal basic income (UBI) argue that productive jobs will diminish over time due to automation and AI (p.367).

6.9 Ecology

Van den Berg highlights the limits of technology to fix ecological damage, viz., the Jevons effect, that technological efficiency can lead to greater resource use which outstrips efficiency gains (p.379). He states that limiting global warming would require leaving carbon fuel reserves in the ground and rendering fossil fuel assets stranded, although a decline in corporate stock values and financial assets could trigger a GFC (p.383). However, full employment can be maintained with low throughput work, which includes caregiving for an aging population (p.385). In this regard, JG offers an advantage over fiscal and monetary policies, as it can direct laid off workers from high throughput industries to low throughput work (pp.386–387).

Van den Berg criticises the green new deal (GND) for not restricting privatisation of the commons, monopoly in production, and the expansion of global corporations (p.388). Thus, he emphasises that proponents of degrowth argue for public transportation, food independence, reduced work hours, improving income distribution, and expanding public commons (p.389). And he advocates the precautionary principle to avoid activities that have the likelihood of inflicting extreme damage when faced with uncertainty and incomplete information (p.390).

6.10 Trade

Van den Berg notes that that the industrial revolution in Britain was preceded by mercantilist policies, e.g., the enclosure movement that drove landless peasants to work in factories, tariffs to protect domestic production, colonialism to secure raw materials, and protection of private property and wealth (p.428). He emphasises that Britain reduced its colonies to providers of raw materials while stemming their industrialisation (p.418).

Van den Berg notes that globalisation can weaken environmental regulations, worker safety, and product standards, and lower taxes because of the race to the bottom, as economies fear loss of jobs and production to foreign competitors (p.417). Thus, MNCS produce in places with the weakest environmental regulations, lowest labour costs, and allocate profits to the lowest tax jurisdictions (p.428). Moreover, rich countries systemically exploit poor countries, while the terms of trade for poor countries that supply raw materials decline, which perpetuates the unequal distribution of world income (pp.426–427).

7 Mitchell, Wray, and Watts – an MMT approach

Like Van den Berg (2024) and Mitchell et al. (2019)[8] do not mirror neoclassical textbooks and provides an alternative. It is a voluminous text, emphasising an MMT approach, albeit often repeating its central message. While it does not have separate chapters on inequality or climate change, it provides detailed sections on Marxian analysis, New Monetary Consensus (NMC), the critique of IS-LM, and the history of macroeconomic thought.

7.1 Macroeconomics, history, and capitalism

Prior to the 1930s, there was no separate field of macroeconomics. Neoclassical economists viewed it as a simple aggregation of reasoning at the individual level (p.20). However, the fallacy of composition (i.e., the aggregation problem) arises with representative agent models that ignore interdependent relationships, as when households try to keep up with the Joneses (pp.20–22).

The authors note that neoclassical theory, developed in western capitalist economies, is based on self-interest, but the invisible hand does not align private interests with public purpose[9] (p.6, p.9). They also highlight that money and markets precede capitalism when production was for the tribe, slave owners, or feudal manor; but under capitalism, production does not occur until it is profitable, irrespective of the whether people want to consume, or workers want to work (p.45).

7.2 Introduction to MMT

MMT states that a country is not financially constrained if it issues its own currency, has flexible exchange rates, and is without foreign debt (p.16). This is because with flexible exchange rates, monetary policy is freed from maintaining a fixed exchange rate, and both fiscal and monetary policy can focus on domestic spending and high employment (p.14). Although, flexible exchange rates can expose a country to imported inflation with depreciation (p.511). Additionally, a currency-issuing government is not financially constrained like a household because it spends before it taxes or borrows, as accounts cannot be debited before they are credited, whereas a household cannot spend more than its revenue, as private debt is unsustainable (p.15, p.334).

According to the sectoral balance approach, a government deficit equates to a non-government sector surplus; and according to the functional finance approach, the

government should focus on full employment and price stability instead of balancing the budget (p.14, p.15).

The authors note that based on the identity, (S – I) + (T – G) + (M – X) = 0, for countries with external deficits, the private domestic sector can have surpluses only when the government runs fiscal deficits (p.84, p.85). This means that deficits are normal, and surpluses are atypical (p.130). Additionally, government deficits are the source of net financial assets for the private sector (p.125). Likewise, fiscal policy leads to the private sector accumulating debt, which results in recession as the private sector tries to reduce its debt exposure (p.354).

MMT rejects crowding out, stating that there is no competition for finite savings between the government and the private sector, and instead government deficits stimulate growth and hence private savings (p.126). Moreover, deficits create excess reserves in the banking system which reduces the overnight interest rate, as banks try to get rid of excess reserves (p.126, p.320). Additionally, government spending is not inflationary if there are idle real resources (p.127). Thus, MMT rejects the claims that expansionary fiscal policy financed by monetary expansion is inflationary, and that expansionary fiscal policy financed by debt crowds out private sector investment (p.361).

According to MMT, the government and the central bank are part of the consolidated government sector (p.16). Thus, central bank independence is questionable, as it responds to the needs of the banks and coordinates with the government (p.315). Moreover, central bank bond sales do not finance the deficit but drain excess reserves created by deficit spending to achieve the interest rate target (pp.320–321). If bond sales are not undertaken, the overnight interest rate would fall to zero as well as the rate the central bank pays on reserves (p.325). Needless to say, the interest rate is not based on market forces (p.326).

According to MMT, the role of taxes is not to provide revenues but to curb aggregate demand, enabling space for government spending without inflationary pressures or hitting real resource constraints (p.127). Moreover, the purpose of taxes is to curb inequality, discourage bad behaviour, and reduce imports through tariffs to encourage spending domestically (p.324).

According to MMT, the government's objective should be public wellbeing (functional finance) not deficit or debt ratios (sound finance) (p.317, p.350). Additionally, MMT shifts focus from the public debt to full employment, rejects balancing the budget over the cycle, and views unemployment as a policy failure (pp.128–131).

The authors also highlight erroneous claims that China is financing the US fiscal deficit by lending; that the US will have to finance its deficits at rising interest rates, and the rest of the world abandoning US bonds will cause a financing crisis for the US (p.330). Based on MMT, such claims are erroneous because the government can set the overnight interest rate (p.330). Additionally, the US does not need China to finance government and trade deficits, instead government and trade deficits finance China's savings (p.331).

7.3 Money and banking

According to neoclassical economics, banks make loans based on deposits, and the money supply is exogenously determined by the central bank; but according to MMT, the central bank does not control the money supply, which is endogenously determined by bank lending (p.154, p.156). Moreover, banks do not wait for deposits to make loans,

rather, they make loans based on expected returns and then find or borrow reserves (p.155). Thus, loans create deposits, bank loans are constrained by the lack of creditworthy projects, the money supply is determined endogenously by banks, while the interest rate is determined exogenously by the central bank (p.155, p.157).

7.4 The classical system

Based on classical theory, aggregate demand equals aggregate supply given Say's Law that supply creates its own demand, as production generates income that equals the cost of production (p.170). The problem is that consumption can be postponed, but it is not guaranteed that savings will equal investment, and only when savings equals investment will supply equal demand (p.171). Nonetheless, according to the loanable funds model, interest rates equate savings and investment and ensure that supply equals demand (p.172).

However, Keynes argued that nothing exists to let firms know what types of goods will be demanded by households when and where; and thus he rejected the loanable funds model, arguing that interest rates do not equilibrate savings and investment (p.191). Additionally, he argued that savings are not based on interest rates but, rather income; and contrary to loanable funds, investment drives income that determines savings, so that investment and savings are not independent (p.188). Generally, the issue with the market approach to equilibrium is that it assumes the independence of supply and demand, but Keynes argued that such independence is unwarranted, as firms only supply when there is demand (p.194, p.195). Thus, Keynes flipped Say's Law.

According to classical theory, markets achieve full employment with flexible wages (p.165). However, according to Keynes, unemployment results with deficient effective demand whereas flexible wages exacerbate it (pp.181–182). That is, falling wages lead workers to reduce consumption, which leads firms to further lay off workers and reduce wages (p.194). Additionally, classical economists assume full employment and constant velocity based on customs and habits, as people get paid biweekly and shop weekly (p.263). However, capitalist economies are rarely at full employment, as they have excess capacity and high unemployment, and velocity is not fixed, which allowed Keynes to reject the QTM (p.263).

7.5 Unemployment and inflation

The authors state that inflation is based on the struggle over income distribution between workers demanding a higher wage and firms seeking higher profits (p.254). However, the rise of zero-hours contract jobs and reduced unionisation has reduced the bargaining power of workers, who have more power at full employment (p.256).

The authors highlight that the neoclassical approach to combat inflation through high interest rates and austerity leads to a buffer stock of unemployment, which curbs the bargaining power of workers (p.16, p.265). However, they state that controlling inflation through tight monetary and fiscal policy is costly (p.291). This is because tight fiscal policy can reduce inflation but not overall suffering, and tight monetary policy raises interest rates that add to interest payments, fuels deficits, and impedes investment (p.346).

The authors note that excessive emphasis on price stability has resulted in high unemployment, low growth, and increased inequality (p.347). Thus, they argue for a JG that promotes both full employment and price stability (p.291). JG stabilises wages and employment, as wages cannot fall below the JG wage, and as workers are bid out of the JG pool when economic activity picks up, both of which stabilise aggregate demand (p.302). Additionally, JG focuses directly on the unemployed, whereas tax cuts focus on the well-off, with jobs that do not trickle-down to the disadvantaged (p.347).

The authors emphasise that unemployment reflects macroeconomic inefficiency, erodes skills, lowers productivity, reduces growth, and undermines social and political stability (p.297). They argue that welfare is not a substitute for jobs, as it negatively impacts self-esteem and public perceptions of the unemployed (p.293). Referencing Minsky, they critique the strategy of favouring education and training over job creation (p.293). Moreover, they argue that training programs simply redistribute unemployment amongst the disadvantaged (p.297). They also argue that subsidising employment in the private sector is problematic, as instead of creating new jobs, it simply reduces the costs of existing employment (p.294).

7.6 Fiscal policy

Textbook Keynesian fiscal policy raises government spending indiscriminately to boost aggregate demand, which is not ideal, as unemployment is not equally shared, i.e., compared to disadvantaged workers, the demand for high skill workers is tight (p.341). Thus, according to spatial Keynesianism, fiscal stimulus should focus on regions with high unemployment, otherwise it would drive up wages and prices in some sectors and the government would abandon fiscal stimulus before reaching full employment (p.341). However, instead of keeping a tab on every sector to fine tune the fiscal stimulus, a JG can be provided, so that government spending increases automatically when needed and falls otherwise (p.341).

Critics argue that the MMT claim that the government spends through keystrokes would cause inflation (p.340). However, if critics were right then most advanced economies would have high inflation, as they all spend by keystrokes (p.343). Additionally, hyperinflation is not based on simply printing and spending too much, but collapse of productive capacity, foreign debt, and social and political upheaval (p.346). For instance, Weimar Germany's hyperinflation is explained by borrowing from abroad to buy needed imports and the obligation to make reparations; and Zimbabwe's hyperinflation is explained by collapse in food production following land reforms (pp.345–346).

7.7 Monetary policy

According to the 'orthodox interpretation of Keynes', the interest rate determines investment, which is why monetary policy is promoted as the main policy for stabilisation (p.424). However, monetary policy is limited, as investment is primarily based on long-term planning whereas the interest rate is a secondary factor (p.365). Likewise, QE is limited, as the main problem is the absence of creditworthy firms that borrow (p.367). Additionally, monetary policy is problematic, as the interest rate is a blunt instrument (p.369). It is inappropriate for cost push inflation like oil price shocks, it cannot consistently target inflation, GDP growth, and asset price growth; it is not

regionally specific where one region has a housing boom and another a recession, and it is excessively focused on low inflation, which can cause higher unemployment (p.369).

7.8 The open economy

The authors highlight that exports are a cost, as they represent goods and services that are not used by domestic consumers, and if imports exceed exports, people can have a higher living standard by consuming more than they produce for foreigners (p.375). However, a country should export more than it imports if it wants to accumulate foreign financial assets (p.356). Additionally, the mainstream claims that flexible exchange rates correct trade imbalances by currency adjustment, since surpluses would appreciate the currency and deficits would depreciate it, but this claim is discredited due to chronic trade imbalances (p.516).

The authors note that interest rate parity explains exchange rates better than purchasing power parity (PPP), and that the Keynesian approach focuses on asset markets, where exchange rates are in equilibrium when expected returns on assets are equalised across currencies based on interest rate parity (p.382).

The authors also note that the Asian tigers did not base their growth on tight fiscal policy, free markets, or comparative advantage, but instead on industrial policies, as the government provided credit at below market prices, provided protection against imports, and invested in research (p.511, p.512). Moreover, the East Asian crisis was due to excessive financial liberalisation that promoted large capital inflows where short-term liabilities funded long-term investment; as well as lack of regulation, and currency pegs (p.513).

7.9 Marxian analysis

The authors highlight that the fundamental flaws of capitalism are operating below full employment and excessive inequality (p.421). According to Marx, the capitalist economy is prone to economic crises because capitalists reduce wages to maximise surplus value, but this can only happen if they are able to sell their production (p.177). Thus, as capitalists exploit workers by reducing wages or intensifying work, profits rise and consumption falls, resulting in wasteful advertising, military adventures, and an outsized financial sector to absorb excess surplus (p.423). Additionally, according to Kalecki, capitalism leads to excess capacity and stagnation, as consumption is constrained by wages and monopoly power retains excess capacity to curb competition (p.423).

7.10 IS-LM

The IS-LM model was developed to show how output was based on general equilibrium in the goods and money markets; despite its creator, John Hicks, admitting it was flawed (p.445, p.459). Its flaw: a mismatch of flow and stock concepts, as the IS curve is based on the flow of spending, whereas the LM curve is based on the stock of money (p.459). The model ignores time and uncertainty, bases investment on interest rates even though investment is based on long term expectations, and assumes that money supply is exogenously determined by the central bank even though it is endogenously determined

by the demand for funds (p.459, p.465, p.463, p.464). Thus, mainstream economists have replaced the IS-LM model with DSGE models and the NMC (p.445).

7.11 The NMC

NMC, based on the new classical (NC), real business cycle (RBC), and NK approaches, adopts both rational expectations and sticky wages and prices, focuses on monetary policy but allows fiscal policy in recessions, targets the overnight interest rate for an inflation target, does not view money as neutral, and focuses on inflation rather than unemployment (pp.487–489). According to NCs, fiscal policy is ineffective due to the Ricardian equivalence (p.472). According to the RBC, there is no involuntary unemployment, as employment is based on utility maximisation and therefore optimal (p.474). According to NKs, wage rigidity causes unemployment, even though Keynes had argued that unemployment was due to insufficient aggregate demand (p.475).

NMC was critiqued in the aftermath of the GFC due to the subordination of fiscal policy, the assumption of rational optimising agents with rational expectations, the aggregation problem due to the fallacy of composition, and for ignoring the impact of the financial sector on the real sector (pp.490–491).

In terms of alternatives, according to heterodox economics, positive feedbacks move the economy away from equilibrium, investment creates savings as savings cannot exist before investment, the loanable funds model is replaced by liquidity preference theory, and the interest rate is not determined by savings and investment but exogenously by policy (pp.478–479, pp.481–482). According to MMT, money is not neutral, as sovereign currency ensures the government is not financially constrained to pursue full employment, and Ricardian equivalence does not hold with sovereign currency, since the government does not need to tax to spend (pp.484–485).

7.12 The GFC

The mainstream does not have a theory of crisis, since the invisible hand guides the economy to equilibrium (p.428). Mainstream economists attribute the stability of the great moderation to financial market deregulation, financial innovation to reduce risk, globalisation to diversify portfolios, fiscal constraints, and reliance on central banks (p.419). Additionally, mainstream economists were not concerned with a rising household debt ratio as they view rising debt functionally to smooth consumption over time (p.540).However, based on Minsky, good times encourage risk taking, spur risky innovations, and allow the relaxing of regulations (p.542). Additionally, the shift to shareholder value maximisation, the alignment of shareholder and manager interests through stock options, and the desire to keep returns high led to increasing financial speculation (p.543). Thus, the government must regulate financial markets to prevent excessive risk taking, especially if it bails out the private sector (p.428).

7.13 Macroeconomics for the future

The authors state that mainstream predictions that QE causes inflation, fiscal deficits increase interest rates, and rising debt cause government insolvency have failed (p.552). They also highlight that mainstream ideas of rational expectations, continuous market clearing, money neutrality, efficient market hypothesis, and Ricardian equivalence can be

rejected (p.552). Instead, their macroeconomic ideas for the future include a government with sovereign currency and floating exchange rates that can parry balanced budgets; a central banks that can target the overnight interest rate irrespective of the size of fiscal deficits; central banks that are not independent; the idea that savings does not finance investment or fiscal deficits; and that higher private debt ratios are associated with financial fragility and the likelihood of crisis (pp.555–558). These ideas are not novel, but they go against the grain of standard economics textbooks and may be new for many trained in neoclassical economics where such ideas are not discussed.

8 Conclusions

Overall, the six textbooks provide different options to incorporate real-world and pluralist perspectives in teaching principles of macroeconomics. Each option brings a different flavour, as Komlos (2023) highlights diverse topics like populism, racism, pandemics, and is critical of MMT; Cohn (2007) contrasts neoclassical and heterodox perspectives; Myatt (2023) upholds MMT but connects closely with mainstream textbooks; Schneider (2023) contrasts laissez faire, NK, supply side, and political economy perspectives; Van den Berg (2024) highlights classical, Marxian, and Keynesian perspectives; and Mitchell et al. (2019) delve into Marxian analysis and NMC, which rests on NC, RBC, and NK approaches, and provides an excellent primer on MMT.

Nevertheless, the synoptic review reveals common themes running across all six textbooks, which can be best summarised through Mitchell et al. (2019). The authors highlight that according to Keynes, economics should not be about maximising pleasure but about how we should behave, improve the quality of our desires, and strive for goodness (p.441). They emphasise:

- Employment and output depend on effective demand.
- Unemployment can exist in equilibrium.
- Inflation is based on the conflict over income distribution.
- A buffer unemployment is used to counter inflation.
- JG can help achieve the goals of full employment and price stability.
- Taxes should be motivated by equity and behavioural changes not raising revenues.
- QTM theory is deficient.
- Crowding out is rejected.
- A monetarily sovereign government with a floating exchange rate can surmount public debt.
- The IS-LM model is limited.
- Stability is destabilising (pp.22–23).
- Fiscal deficits accumulate financial assets for the non-government sector.
- Bank lending is not constrained by reserves; and loans create deposits.

- Fiscal deficits crowd in private investment; and the central bank can keep interest rates low irrespective of the size of fiscal deficits (p.337).

Overall, the synoptic review shows that instructors have multiple options to incorporate real-world and pluralist perspectives in teaching principles of macroeconomics, and all of which converge through the common themes delineated above.

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Notes

1 For a good introduction to MMT see our *IJPEE* symposium (Nesiba, 2021). In addition, Fisher (2022) offers a much needed and hands-on approach to teaching MMT.

2 See Hill and Myatt (2012) for an analogous argument about the role of the firm. For a perceptive *IJPEE* review of their 2010 *The Economics Anti-Textbook: A Critical Thinker's Guide to Microeconomics* (see Derrer, 2017).

3 For a good discussion of various Job Guarantee programs, as well as pedagogical suggestions, see Todorova et al. (2024).

4 Schneider uses the term mainstream economics to include conservatives (e.g., monetarist, new classical, and supply siders), and moderates like New Keynesians. He connects the conservative mainstream with laissez faire economics (p.15). Sometimes, he uses the term laissez faire and sometimes mainstream, and in my review, I have followed his usage, so as not misquote him.

5 For a good discussion (see Dommerholt, 2023).

6 Unfortunately, and despite its myriad flaws and shortcomings, the *Theory of Comparative Advantage* remains ensconced in orthodox pedagogy. For critical essays, see Yu (2009) and Fletcher (2011).

7 While not reviewed in this essay, Reardon et al. (2018) likewise does not mirror traditional textbooks, but instead provides a systematic framework that reconceptualizes economics and economics education to comport with the UN 17 SDGs. The authors are revising for publication in late 2026. For a helpful discussion of Reardon et al. (2018), and de Muijnck and Tieleman (2020, passim).

8 For a perceptive *IJPEE* review of Wray's (earlier) 2015 *Modern Money Theory – A Primer on Macroeconomics for Sovereign Monetary Systems*, 2nd ed. (see Ehnts, 2017). In addition to the sources in endnote #1, Wray (2015) offers for a thorough (and very helpful) MMT primer.

9 Zaman (2013) debunks the efficacy of the invisible hand as a metaphor while offering redress for the harm done.