Book Review

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Post Neo-Liberal Economics
by: Edward Fullbrook and Jamie Morgan
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The book, edited by Edward Fullbrook and Jamie Morgan, is a collection of articles published in the *Real-World Economics Review* (Vol. 96, 2021). The book assembles 15 essays from leading heterodox economists who offer their vision of economics beyond economic theory and the current hegemonic system of neoliberalism. This collection of essays provides an insight into ideas that could offer an alternative to the standard principles of economics in the Mankiw et al. (2020a, 2020b) textbook (and its variant versions) which is singled out for its global reach and because it forms the basis of the critique of several heterodox economists (Davis et al., 2019; Goodwin, 2014).

This review focuses on salient ideas that could be presented to ECON 101 students. Thus, the key ideas presented in *Post Neo-Liberal Economics*, which, by the way, I fully endorse and recommend, are systematically delineated below.

In the first essay, Jamie Morgan (Leeds Beckett University) references neoliberalism as a theory based on entrepreneurial freedom, private property rights, free markets, and free trade. The role of the state is restricted to a bare minimum, since it does not possess adequate information and that interest groups influence government intervention. With such an approach, neoliberalism ends up favouring the interests of oligopolistic, multinational corporations. Under such a system, advertising stokes consumerism while wages have decreased and personal debt has increased, along with an erosion of worker rights and precarious working conditions. In short, there has been a 'shift in relative power from labour to capital' and from 'productive capital to finance' (p.15), and an increase in both wealth and income inequality.

Morgan states that conspiracy theories, populism and hyper-nationalism are fuelled by algorithms on social media. Additionally, he is sceptical of 'green new deals' based on electrification, renewable energy, tree planting, eating differently, and retrofitting buildings. This is because such green deals are based on growth that does not take account of material limits. In short, growth with redistribution would still lead to global warming. Morgan argues that the focus must be on degrowth over technological fixes, community over consumerism, purpose over profit, and on basic human well-being. Finally, he critiques neoclassical economics based on the stylised assumptions of perfect competition and rational agents, arguing that it does not account for institutions and power. Instead, he outlines a post neoliberal economics that focuses on social provisioning, recognises material limits to growth, and reflects pluralism through the history of economic thought.

In the second essay, Richard Parker (Kennedy School, Harvard University) references neoliberalism as preferring markets over government, economic incentives over social norms, and private entrepreneurship over community action. For Parker, neoliberalism has bred economic insecurity, inequality, and populism. Critiquing the overemphasis on mathematical and statistical tools, he adds that repairing blackboard economics requires focusing on economic inequality and climate change. On inequality, he emphasises a tripartite focus that includes the precarious condition of the working poor, the income and wealth concentration of the top 1%, and the hollowing out of the middle class. Adopting a Rawlsian perspective, he recommends facilitating the least advantaged to enjoy the highest possible life conditions. On climate change, he critiques the externality framework, arguing that the market has failed to address the current existential crisis. Finally, he supports an interdisciplinary approach to teaching economics. Overall, Parker is critical of neoliberalism and mainstream economics and reiterates the point made by others on the needed shift from the overuse of mathematics to addressing real world issues of inequality and climate change.

In the third essay, Richard B. Norgaard (University of California, Berkeley) calls climate change an existential challenge that is rarely covered in mainstream economics classes, especially problematic in the age of economic inequality and public misinformation. He adds that climate change has been instigated by an economism based on utility maximisation and rational agents. Accordingly, it has led to the financial crisis because of the belief that markets are self-equilibrating. Critical of such market fundamentalism, he upholds degrowth to address the existential threat of climate change. Finally, he critiques reducing reason to mathematical models and econometrics, and the lack of coverage of values like trust and care in ECON 101. Thus, like Morgan and Parker, Norgaard highlights the issues of climate change, market fundamentalism, degrowth, inequality, public misinformation, and the overemphasis on mathematics in neoclassical economics.

In the fourth essay, James K. Galbraith (University of Texas, Austin) states that neoclassical economics is not value-free, as it emphasises rational agents and general equilibrium. He adds that neoliberalism is based on deregulation, privatisation, low taxes, small government, and free trade, which has led to 'deindustrialisation, stagnation, inequality, and precarity' (p.132). He mentions that behavioural economics and complexity economics offer an alternative to the mainstream paradigm by relaxing the assumptions of rational optimising agents and introducing interacting individuals. However, he criticises these alternatives for telling us what we already know (that people are not selfish pleasure seekers) rather than we should do. Overall, Galbraith is critical of both mainstream and heterodox approaches to economics.

In the fifth essay, Lukas Bauerle (Cusanus University for Social Transformation, Germany) critiques the mainstream focus on efficiency versus equity, the individual vis-a-vis the community, abstract ideals vis-à-vis real-world issues, and quantitative methods vis-à-vis diverse techniques.

In the sixth essay, William E. Rees (University of British Columbia) highlights that eco-overshoot, which includes climate change, declining biodiversity, deforestation, soil degradation, and acidifying oceans, is not redressed by technological fixes. He critiques neoclassical economics for: separating the economy from the environment; that technology can substitute for natural resources; viewing damage to ecosystems as externalities; and ignoring moral concerns like distributional equity. He states that eco-overshoot can be redressed via material growth, dematerialised lifestyles, and greater equity, instead of continuous growth. He is also critical of renewable energy as the solution for eco-overshoot. Overall, where Galbraith critiques the focus of mainstream economics, Rees emphasises that eco-overshoot is redressed through degrowth instead of technology.

In the seventh essay, Jayati Ghosh (University of Massachusetts, Amherst) mentions that market pricing undervalues essential social services but overvalues financial services offered by oligopolies, which often do not account for the ecological and environmental costs of their activities.

In the eighth essay, Richard Koo (Nomura Research Institute) highlights that neoliberalism rests on the private sector maximising profits. This requires two conditions:

1 the absence of debt overhang

2 the existence of investment opportunities.

The first is required because when firms focus on repaying debt and everyone focuses on saving, a deflationary spiral begins (p.248). Similarly, the second condition is required because if firms do not borrow household savings because of the absence of investment opportunities, the surplus savings again instigates a deflationary spiral. Both conditions allow Koo to argue for the government's role as the spender of last resort.

While government borrowing leads to budget deficits and higher interest rates, i.e., the neoclassical crowding out effect, Koo argues that the availability of surplus private saving leads to lower interest rates. He adds that instead of worrying about debt, the focus should be on investing in public work projects with higher social rate of returns than government bond yields. Thus, Koo turns the standard textbook theory on its head (as similarly is done by modern monetary theory). He prefers the role of the government as spender of last resort over that of the central bank because with debt overhang and lack of investment opportunities, borrowers hardly respond to monetary stimulus. As such, Koo also turns upside down the standard textbook teaching that inflation is a monetary phenomenon. He mentions that inflation did not budge despite zero interest rates and massive quantitative easing post-2008. Furthermore, excessive reliance on monetary policy also instigates asset bubbles, especially when firms do not borrow for real investment and instead invest in existing assets in pursuit of high returns. Thus, Koo reiterates the government's role in spending on infrastructure projects instead of the central bank's role in quantitative easing (which, by the way, the Fed has finally ended).

In the ninth essay, Neva Goodwin (Boston University) expresses concern about growthism and consumerism. She argues that individual material wealth does not increase societal happiness, and that economic growth cannot continue indefinitely due to ecological limits. Additionally, leaving decisions to markets is an ideological choice which in effect leaves decisions to large corporations. She adds that efficiency should be defined by equitable sharing, essential production, and reduction in environmental harm. Furthermore, she mentions that more equal societies are happier as resources are used for public goods instead of conspicuous consumption. She critiques the values of neoclassical economics, since it ignores issues of power, elevates selfishness, downplays governments, ignores the intrinsic value of work, focuses on consumption and ever-increasing growth as overarching goals, and prefers mathematical rigour over real-world relevance and moral values.

In the tenth essay, Max Koch, Jayeon Lindellee and Johanna Olsson (Lund University) focus on degrowth, sustainability, and provisioning of essential needs. They critically view the growth imperative and the consumption cult under neoliberalism because of their harmful environmental and societal impacts. They also criticise market solutions for climate change and the belief that social position is the result of one's own work and merits. In contrast, they advocate universal basic income, curbing excessive consumption, advertisement free zones, promoting vacation days in lieu of monetary rewards, and achieving better work life balance. Overall, like Goodwin, the authors are critical of consumerism and growthism and instead focus on a better work life balance.

In the 11th essay, Katharine N. Farrell (Universidad del Rosario, Colombia) highlights the limits of neoliberal theory as resting on 'mechanical-physics-based mathematics' (p.351) while failing to both predict and explain the 2007 financial crisis. This argument is also made by John Komlos (University of Munich), who delves into the paradigm of humanistic economics in the twelfth essay. According to Komlos, the neoliberal policies of the Reagan-Thatcher era exacerbated inequality, as the top 1% gained while the middle class hollowed out. He states that such 'trickle-down economics was a sham' (p.385), which eventually led to a populist backlash through Trumpism. He is critical of mainstream economics for upholding free trade and deregulation because of harmful consequences of outsourcing and financial instability. Similarly, he critiques globalisation that has not been Pareto optimal and technological change that has led to downward social mobility.

Komlos highlights the errors of neoclassical economics, pointing to the use of deductive logic instead of focusing on the real-world. He critiques the assumptions of perfection competition when the default model should be based on oligopolies, rational expectations given the existence of bounded rationality, optimisation when individuals satisfice, exogenous tastes when advertisements shape preferences, equilibrium when the economy is in perpetual flux, material growth when it does not translate to wellbeing, and treating work as a bad when it offers intrinsic value. Furthermore, he lists the issues of opportunistic behaviour, the stress of an Uber competitive economy, and a focus on relative income that incentivises keeping up with the Joneses, all of which are neglected in neoclassical economic theory. Leading towards a post-neoliberal economics, he states that we must recognise ecological limits to growth, adopt Rawlsian principles of justice to focus on the least advantaged, and focus on a good work-life balance. Overall, amongst all the contributors, Komlos offers the most detailed outline for presenting a post-neoliberal economics to ECON 101 students.

In the 13th essay, Clive L. Spash and Adrien O.T. Guisan (Vienna University of Economics and Business, Austria) state that neoclassical economics fails to account for power and inequity. They mention that the real world is rife with large corporations that shape consumer preferences. Additionally, they are critical of mainstream economics for giving precedence to mathematical models, deductivism, and mechanical and equilibrating markets. Overall, they argue that economics can be based on social provisioning and care instead of optimisation and choice.

In the 14th essay, like the others, Andri W. Stahel (Universitat Popular del Baix Montseny, Barcelona) states that mainstream neoclassical economics has been reduced to a 'purely mathematical' approach that ignores 'historical and ecological perspectives' and is instead marred by an 'ideological defence of free markets' (p.457). He critiques the mainstream focus on unchanging universal laws based on "Newtonian mechanics instead of complexity and feedback loops" (p.465, p.467). And that neoliberalism ignores cooperation and care, and instead emphasises competition and self-interest. He adds that neoliberalism upholds free markets and limited governments, but then calls on government intervention to rescue too-big-to-fail financial institutions. Overall, Stahel is critical of a neoliberalism that emphasises abstract mathematics and market value over ecological balance and wellbeing.

In the final essay, Edward Fullbrook notes that the foundations of mainstream economics have changed little from the 19th century especially in ECON 101 textbooks.[1] He is concerned that mainstream economics emphasises self-equilibrating markets, and that it ignores issues of equity, power, and ecological limits to growth. In response, he suggests the development of a new ECON 999 course, which would offer post-neoliberal economics perspectives such as those highlighted in this book.

To recapitulate, this collection of 15 essays indicates that multiple voices in the heterodox economics tradition, perhaps with the exception of the Marxists, converge to a common set of ideas on post-neoliberal economics. This includes shifting from abstract mathematical models to interdisciplinary approaches and real-world issues, recognising the ecological limits to growth, focusing on social provisioning, and emphasising degrowth instead of technical fixes to address the existential threat of climate change. And in addition, shifting from stylised textbook markets to recognising power relations, from competitive markets to caring communities, from equilibrium to recognising tipping points, from efficiency, growthism and consumerism to equity, environment, and wellbeing, from free markets to governments as spenders of last resort, and from rational optimising individuals with unbridled desires to interdependent satisficing on essential needs.

Overall, while this collection offers multiple heterodox perspectives, I have followed up on Komlos' and Fullbrook's suggestion for the ECON 999 course by designing an elective ECON 357 course titled 'humanistic economics' where I introduce students to the salient ideas delineated above. To this end, I have also complemented Komlos' work with video clips from Disney animations to sustain student interest (Jahangir, 2022). Additionally, I have also borrowed from Reardon et al. (2018) and complemented it with animation video clips (Jahangir, 2021). Student response has been encouraging, and I hope that more instructors trained in neoclassical economics, (like myself) would see the merit in introducing students to pluralist perspectives and post neoliberal economics.

However, the reason for my orientation is that I have become viscerally disillusioned by standard textbook theory that paralyses any initiative towards the alleviation of the concerns of the poor.[2] This orientation is shaped by my personal background from humble working-class origins, my openness to having conversations with peers outside my field, especially those from political science and sociology, my recognition of the limits of abstruse mathematics in having a sustained conversation with peers, and my teaching at a department where I encounter students from the other social sciences. I am also not averse to going against the neoclassical grain or being labelled as heterodox in academia, as the institution I work at prizes equity, diversity, interdisciplinarity, and inclusion. Thus, all such factors facilitate my transitioning to pluralist and post neoliberal perspectives in economics, a task much harder for those who must maintain allegiance to the neoclassical paradigm because of their institutional affiliation or high-profile academic networks, even as they may personally feel otherwise and who perhaps may only find the freedom in their retirement to challenge the status quo.

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Notes

1 For a well-documented analysis with copious references, see Lee (2010).

2 Keynes (1936[2010], pp.32–33) wrote, "The completeness of the Ricardian victory [Ricardian economics is the methodological progenitor of neoclassical economics] is something of a curiosity and a mystery … That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as likely on the whole to do more harm than good, commended it to authority."