Preface

It is a pleasure and a challenge to offer this preface for the work of Brian MacLean, Hassan Bougrine and Louis-Philippe Rochon, *Aggregate Demand and Employment: International Perspectives*.

A pleasure, because this book assembles chapters by distinguished economists in the Keynesian and Post-Keynesian traditions, offering a unified analytical framework for the recent economic experiences of large parts of the world, including Europe, Latin America, Japan and India, as well as Canada, home to the editors and several contributors.

It has become clear that the Great Financial Crisis of 2007–2009 did not bring about a revolution in mainstream economic thought. In fact, it appears to have had no effect at all. Rather in the manner of their underlying model, the mainstream economists experienced an external shock to their worldview, from which they returned to the equilibrium path after (at most) a short period of adjustment. With the passage of time, moreover, the shock recedes in memory, and mainstream analysis embraces the "new normal." In this way it becomes possible to forget that mainstream ideas played any role in the creation of the crisis in the first place, or that mainstream actors held crucial positions of public responsibility before, during and afterward.

These chapters therefore pose important questions, beginning with the most central: *given* that the crisis did occur, would a more progressive, more expansionary, more Keynesian policy have produced a faster recovery and a better long-term condition? This question can, in effect, be taken as a template for the entire book, which explores the potential consequences of better policies in a range of settings, some related directly to the Great Financial Crisis and others bound to it not so much directly, as by the pervasive application of mainstream policies to analogous situations.

A key argument here is that a policy of high aggregate effective demand is essential to achieve full employment and high, stable living standards. A corresponding theme is the depreciation of supply-side arguments and expositions that depend on natural law – such as a natural rate of unemployment or a natural rate of interest – whose burden is to exonerate policymakers and their supporting economists of responsibility for adverse conditions. A great virtue here is the capacity to see how supply-side and natural-law ideas and their concomitant austerity policies have been arranged – like so much sheet music – for such differing contexts as the European Union or Latin America.

We can therefore learn, perhaps first and foremost from these chapters, of the existence and work of an ongoing community of scholars with a coherent worldview, in direct descent from the leading economist of the past century – and how in our topsy-turvy intellectual world this tradition is kept resolutely on the sidelines and far from the levers of power.

And yet, I also found these chapters challenging, because in some respects they also highlighted for me puzzles and research directions that, I would argue, the Post-Keynesian community should be open to exploring with a somewhat greater sense of intellectual adventurism.

This was particularly the case in two areas: the discussions of productivity growth and those of economic inequalities. In both, it seems to me that a path forward for Post-Keynesian and progressive thinkers generally lies in closer critical attention to mainstream (and what one might call pseudo-progressive) empirical analysis.

In the case of productivity growth, it seems to me premature – and contrary to the facts of common observation – to accept the (statistical mainstream) argument that productivity growth slowed in the recovery from the Great Financial Crisis, thereby obviating the role of technology in the slow growth of employment. An alternative view would hold that the new technologies save both capital and labour, reducing business fixed investment and measured output growth alongside labour inputs; this would eliminate the supposed paradox of "slow productivity growth" as digital solutions proliferate everywhere around us. It would also suggest that the effect of a strong aggregate demand policy is not to restore previous (pre-crisis) patterns of employment, but eventually to foster new employment in services sectors less subject to digitization, further and further up the Engel Curve.

Similarly, any consideration of inequalities needs to begin with a careful critical assessment of the mainstream and pseudo-progressive data sources, such as those emerging from compilations of tax data. Such sources have many defects, not only in their own terms but perhaps especially as the basis for international comparisons and historical analysis. *Per contra*, data sets constructed to be dense, consistent and historical, and from sources directly associated with wages and industrial structures rather than households or tax filers, have the property that they permit the full integration of distributional analysis with Keynesian and Post-Keynesian theory. Indeed, they reveal patterns in the movement of inequality, at the national, continental and global levels, that are unmistakably driven by the austerity policies so ably analysed here.

I therefore congratulate the editors and authors of this volume, while at the same time holding out hope for further developments in a constructive and progressive vein.

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