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Webber, D. orcid.org/0000-0002-1488-3436 (2021) Conspicuous and inconspicuous discriminations in everyday life. ECONOMIC ISSUES, 26 (2). pp. 103-104. ISSN 1363-7029

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Book Reviews

Conspicuous and inconspicuous discriminations in everyday life
By Victor N. Shaw
Routledge: Abingdon, Oxon. 242 pages, £39.99 (paperback)

This book will be marmite to many economists: they will either love or hate it. The book applies in-depth, reflective, and interpretive observation research techniques to one main individual – Alibaba – to critically assess and interpret how that person notices and reacts to perceived conspicuous and inconspicuous discriminations in their everyday life. The book proceeds to deep dive into how experiences in life, at work, and in leisure shape our own interpretations and create points of critical juncture that shift activities or create inertia. It emphasises how prior feelings of exploitation or injustice affect our present actions and shape our future activities. I chose to read this text to enhance my knowledge of the roles of emotions and experiences that may shape habits or change consumption patterns. I very much enjoyed reading this text, and it frequently made me sit back and reflect on how we can use the knowledge to improve economic research into the allocation of time and money. I will return frequently to this work in the future – there is that much we, in the economics discipline, can learn from Shaw's text.

The underlying ontology is built on the recognition that people's current behaviours are inherently shaped by person-specific characteristics and their prior experiences. Although this text is not strongly evolutionary, the book does point towards an underdeveloped and under-researched set of heterodox microeconomic ideas of consumption. We learn from the famous anthropological economics work of Douglas and Isherwood (1979) that consumption patterns are a vital information system that enables us to fulfil our intentions towards one another, and that poverty may be caused by the erosion of these interpersonal relationships and local communities. We also know from Alverez-Cuadrado et al. (2016) that 2/3rds of individual consumption is driven by relative preferences, with half of that affected by our own comparisons with a reference group and the other half affected by our previous consumption experiences. Shaw's work provides a strong alternative anchor point for economists: the constant referencing and reflection on acts, events, settings, and other interpersonal interactions that spawn feelings of fairness or discrimination. With greater recognition that global warming is heavily contributed to by excessive over-consumption of goods and services, and with greater amounts of pollution being created through their production, Shaw's ideas are not inconsistent with Veblen's (1899) ideas that when others conspicuously consume to illustrate their own social status within society, an individual is compelled to also consume conspicuously to illustrate their own status is at least on a par with,

if not better than those around them. But what Shaw does is widen these ideas from a sociological perspective of the effects of discriminations in everyday life and brings the reader's attention to the breadth and depth of the issues seen through the sociological eye of Alibaba.

One important lesson that economists can learn from Shaw's text is that there is a breadth and depth of information that we are missing in our analyses of time allocation and consumption patterns. It may convince the economist reader that there is a compelling need for deeper understanding and more frequent usage of ethnographic, autoethnographic, and perhaps even netnographic research methods in our discipline to aid more effective understanding of resource allocation decisions and the potential effectiveness of our social policy recommendations.

Don Webber
Sheffield University Management School

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Crisis and Inequality: The Political Economy of Advanced Capitalism
By Mattias Vermeiren
Polity: Cambridge, 2020. 292 pages, £17.99

Mattias Vermeiren's *Crisis and Inequality* is an exciting new textbook which summarises the past 40 years of neoliberalisation in the Global North across four key domains: macroeconomic policy, social policy, corporate governance and financial policy. Faithful to its title, the book critically interrogates the relationship between neoliberal capitalism, crisis and inequality, tracing the multiple ways in which the three create and reinforce one another. While doing so, Vermeiren skilfully straddles the line between Comparative Political Economy (CPE) and International Political Economy (IPE), incorporating relevant critiques of the neoclassical paradigm as well as incisive references to heterodox thought.

Vermeiren's theoretical arsenal is unveiled in Chapter 1. After going over different measures of inequality and the deficiencies of neoclassical economics,

Vermeiren proposes a 'growth model' approach. This approach views distinct capitalist economic regimes (i.e. growth models) as imperfect attempts to solve the structural tensions and social conflicts inherent in capitalism. The models which receive most attention are export-led growth and debt-led growth, which broadly correspond to the Coordinated Market Economies (CMEs) and Liberal Market Economies (LMEs) identified by the Varieties of Capitalism (VoC) literature. For Vermeiren, these growth models were an unstable response to the stagflation crisis of Fordist wage-led growth, which in turn increased inequality and eventually caused the Great Recession. Chapter 2 provides a brief summary of the familiar history of wage-led growth under Fordism, an era which Vermeiren calls 'egalitarian capitalism'. Here, the book places itself in the post-Keynesian tradition, emphasising both the importance of working class power and aggregate demand and the instability of the post-Fordist export-led and debt-led growth models.

The next few chapters go over key economic policy domains. Chapter 3 charts the change in macroeconomic policy from targeting full employment to low inflation, noting how differences in macroeconomic policy can favour debt-led over export-led growth or vice-versa. Chapter 4 deals with social and industrial policy, examining the role globalisation, deindustrialisation and technological change played in the reduction of working class power during the transition to post-Fordism. Chapter 5 explores the change in corporate governance from the stakeholder model to the shareholder model, highlighting the influence of market-based corporate financing in the turn towards shareholders. Chapter 6 analyses financial policy, noting how market-based (deregulated) banking in the United States led to the subprime mortgage crisis, which was imported into Europe by European banks' extensive investment into US securities.

Chapter 7 then examines the macroeconomic imbalances inherent in the export-led and debt-growth models. In the unstable status quo before the Great Recession, consumption from debt-led countries was met by production from export-led countries. After 2009, continued emphasis on their growth model in export-led countries has been out of step with de-leveraging in debt-led countries. Chapter 8 concludes by exploring the prospects for rising inequality, secular stagnation, social democracy, populism, the planet and the post-coronavirus economic order. Without yielding to unwarranted optimism, Vermeiren emphasises the possibility of overcoming the current economic order through political contestation.

As a textbook, *Crisis and Inequality* is successful in introducing students of political economy to a compelling post-Keynesian reading of the last 40 years of developments in the Global North. Vermeiren deftly balances complexity in the subject matter with simplicity in the presentation. Frequent graphs and lucid explanations of foundational concepts make what might otherwise be daunting material inviting. However, some important areas are overlooked or underdeveloped, such as the role of the Global South in capital accumulation

in the Global North or the influence of popular ideology and action from below in the transition to post-Fordism. Moreover, the equation of the Keynesian welfare state with 'egalitarian capitalism' is not without problems, particularly from Marxist and postcolonialist perspectives. One might ask for whom was Fordist equality, and at whose expense. Ultimately, and regardless of these issues, *Crisis and Inequality* is a very welcome contribution to the literature. The book is a forceful introduction to post-Keynesian thinking for new and old students of political economy alike, succinctly, successfully and impressively summarising a stimulating research tradition into less than 300 pages.

Rafael Shimabukuro
University of Oxford

Credit and Crisis from Marx to Minsky
By Jan Toporowski
Edward Elgar publishing, 2020. 192 pages, £17.56 (paperback)

In *Credit and Crisis from Marx to* Minsky, Jan Toporowski undertakes a re-examination of theories of finance through the lens of those he names 'critical finance' thinkers. In an earlier version of the book, published in 2005 under the title, *Theories of financial disturbances,* the author examined prominent economists' financial theories which he classified into three categories. First, equilibrium theories, which place finance in a general equilibrium system that, by definition, exclude macroeconomic disturbances originating in the financial sector. Second, reflective theories, where the banking sector and financial markets' problems are caused by those in the non-financial part of the economy. Third, critical theories of finance, that consider credit to be a dynamic force capable of disrupting the non-financial economy. In this second appraisal, he focuses on this last category.

The authors who Toporowski selects as the main critical financial theorists are: Marx, Rosa Luxemburg, Ralph Hawtrey, Irving Fisher, Keynes, Marek Breit, Michael Kalecki, Josef Steindl, and Minsky. The book contains chapters for each of these authors but looks beyond the individual to also explore those who influenced them as close collaborators, distant inspiration, or foes in fruitful controversies.

In addressing critical theories of finance, Toporowski aligns himself with those who considered the growth of the financial sector to be intrinsic to a capitalist mode of production in constant change with its own (financial) crises and implications for production methods (debt structure on balance sheets). Occasionally we catch a glimpse of Toporowski's view on finance which is oppositional to that held by many Marxists and Post-Keynesians, for whom, in his opinion, finance is merely a functional feature of the "system" with its vagaries linked to the generation of surplus value in the productive process.

Of interest are the traces of mainstream economics that we find refuted in reading the ideas of critical thinkers of finance. Many acquired mainstream ideas in their formative days and later in their careers took up the vestiges of neoclassical, classical (in Keynes terms) and Austrian economics that then had to be rooted out of their psyches before developing their critical theories.

This was true for Fischer who, initially attached to the equilibrium view of the economy, then discarded that before arguing that a debt deflationary process set off by over-indebtedness caused the Great Depression. Another example is Keynes. In his *Treatise on Money*, he followed Wicksell in maintaining that business cycle fluctuations, caused by deviations of the short-term real interest rate from the natural one, put savings and investment in disequilibrium. Later, focusing on the long-term interest rates paid by corporate bonds and shares and highlighting how investment decisions are dominated by expectation over a fundamentally uncertain future, Keynes proposed his theory that under-employment pointed out the fundamental contradiction in capitalism between the short-term urgency of capital markets investors and the long-term view that fixed-capital investment requires. In a meticulous work on the history of economic thought, seeing those remnants of conventional theories refuted in Toporowski's presentation is as illuminating as it is disappointing to discover that long refuted ideas still crop up in the mainstream theories of finance that dominate current economics.

In this chronological distillation of critical thinkers' rising above conventional ideas, Kalecki's and Steindl's theories stand out as the major contribution to finance, followed closely by Minsky thanks to his view of the world as a matrix of balance sheets and his Financial Instability Hypothesis based on Kalecki's reflux theory of profits. Toporowski gives significant prominence to the changes in legislation that occurred from 1870s onwards and gave rise to the modern corporation, the joint-stock company. Corporations then are entitled to acquire long-term sources of finance through the issuance of bonds and shares in capital markets, which developed thanks to this, a development that Marx noted in papers but had no time to elaborate. As Keynes had earlier, Kalecki saw the capital market as the place where corporations re-capitalise after investment expenditure, rather than finance it. Kalecki differed from Keynes, however, in considering that not even the long-term rate of interest paid in capital markets significantly influences investment since it is too stable. For Kalecki, departing from any notion of Schumpeterian business democracy, the possession of money is the main pre-condition for being a capitalist. Acting on this principle means that capitalists prefer liquidity and finance their investments using ex-post savings via the reflux theory of profits (once also held by Keynes in his 'widow's cruse fallacy' but later dropped in his analysis). Steindl further developed Kalecki's insights into the Principle of Increasing Risk that states that the financial risk of corporations increases with a rising proportion of investment being externally financed.

Toporowski has summarized more than a century of finance thinking in a mere 170 pages including references. This brevity may have been at the expense of a more detailed amplification of some passages and a certain amount of repetition (which the author warns about in the introduction). Nonetheless, the interested reader in finance will find Toporowski's book a mandatory reference.

Ayoze Alfageme Ramírez
University of Geneva

Ethical Formation of Economists
Edited by Wilfred Dolfsma and Ionana Negru
Routledge: Abingdon, Oxon, 2021. 200 pages, £36.99 (paperback)

This edited volume revolves around the ethical behaviour of economists. Whether as researchers, instructors or professionals who inform public or private decision making, economists inevitably face and make ethical decisions, and these decisions are the subject of this collection of nine essays.

One of the main problems this edited volume exposes is that economists are often unaware of the ethical dimensions of their work or research and do not explicitly reflect on or recognise the value-laden content of the methods, tools, theories or assumptions on the basis of which they advance knowledge or inform decisions. As a result, economists implicitly apply the moral content contained in mainstream neoclassical economics, namely narrowly defined utilitarian consequentialism, without evaluating its appropriateness for the issue at hand or alternative approaches to ethics.

Several chapters address ethical dimensions economists face in their research practice and specifically when applying widely used empirical research methods like Randomised Control Trials (Sindzingre, Chapter 7) or econometrics (Ziliak and Teather-Posadas, Chapter 8). They carefully trace and expose the ethical dimensions imbued in those research methods, such as the value-judgements inherent in null-hypothesis testing or the dependence relations between aid-dependent countries and donors sponsoring RCTs. Doing so, Sindzingre and Ziliak and Teather-Posadas unmask first and foremost our own oblivion of these ethical dimensions, which are barely discussed outside of a small research community, the widespread use of these tools notwithstanding. Groot and Maasen van den Brink (Chapter 9), in turn, expose economists' lack of awareness of the moral reach economics research carries on policy making and criticises economists' reluctance to assume the role of public intellectuals.

This collective state of oblivion about the ethical dimensions of research methods, the ethical implications of theorising and our ethical responsibilities when informing decisions, come out of a long history of eradicating philosophy of sciences from the economics curriculum and attempts to portray economics as a purely positive science. Both trends started with the rise of neoclassical

economics but culminated with Friedman's (1953) influential work on positive economics, which as O'Sullivan (Chapter 4) lays out in greater detail, is a notion that is both epistemologically flawed and practically impossible to maintain.

As a result, the training of economists generally does not foster thinking about value and judgements (Morgan, Chapter 10) and most economists are unaware that they inevitably and rightly so enter the realm of the normative when making policy recommendations. The two standard tools taught to evaluate whether an outcome is to be judged good or bad are Pareto-optimality and the Kaldor-Hicks compensation test, the limitations of which are vigorously exposed by White (Chapter 6). In short, economists are not helped or trained much to think about responsibility and the ethical dimensions of their analysis, research and methods.

Reincorporating ethics into the professional practice and research of economists requires therefore a complete overhaul of how we train economists. How this could be done in practical steps is discussed by the chapters of De Martino, Mearman and McMaster and Duckworth in Chapters 2, 3 and 5 respectively. De Martino maintains that what is needed beyond explicit training in the value-content of different methods and theories is extensive practical wisdom, which students can acquire by way of discussing complex situations and immersion in the professional community in intern-/ apprenticeships. Mearman and McMaster argue that at the core of the curriculum reform must be rebuilding the foundations of the discipline away from Epicurean utility maximisation and harm avoidance towards reincorporating Aristotelian virtue in the form of care. Duckworth points out that only collectively can economists assume responsibility for the progress of the discipline and societal outcomes.

The volume discusses plenty of concrete examples of ethical dilemmas economists face when informing decisions and when designing research. It also contains plenty of practical examples of how we can prepare our students for making and recognising the ethical decisions they will inevitably face, using, for instance, the rail track dilemma. Even though, the volume may seem to speak in the first instance to those committed to reforming economics pedagogy and curriculum, it is a book that is significant for all economists. After all, our first ethical responsibility is to recognise and address our own ignorance. This book yields the foundation – a much needed beginning – for reforming the discipline.

Christina Wolf
Kingston University London