forms. The result is that institutionalists tend to favour the *status quo*, or tend to favour administered-from-above ('corporatist') arrangements for achieving labour market outcomes. Thus, institutionalists (and radicals) tend to be directed by an extenal agenda—by an 'ideology'. Labour market arrangements are not seen as being directed chiefly by the participants, and the labour market is not mainly viewed as an institution in which choices are made that satisfy the preferences of buyers and sellers of labour services. In short, institutionalists and radicals view unfavourably the efficiency and the equity of market institutions for the pricing and allocation of labour services.

The above observations prompt the further question, 'Is a non-market approach to the pricing and allocation of labour services an economic approach? Are those who espouse a non-market approach economists?' There may be a valid industrial relations perspective, or a valid sociology of the workplace perspective, or a valid politics of income distribution approach. But is a non-market perspective an economic perspective? It seems to this reviewer that those who take a non-market perspective are not labour economists, and their analysis is not of the labour market as a market.

For this reviewer, the sustained archetyping between the three identified schools of economics was distracting. Both institutionally and in value content, Whitfield portrays market approaches to labour economics analysis in a narrowly conceived way. He does not show how institutionalists and radicals—although treating economic data—treat these data in non-economic ways. The result is that this book on the Australian labour market tends to compartmentalization. There was no unifying perspective, no 'way through', no 'way forward'.

The 'compartmentalized' treatment partly derives from Whitfield's desire to present in a comprehensible way an eclectic variety of 'Perspectives, Issues, and Policies' that have been generated by analysts of the Australian labour market. To some extent, then, the outcome results from his even-handedness in presenting diverse material to the reader, and his frequent Scot's verdicts are functional to this purpose. Yet at the end of the book one asks, 'Where to from here?' The feeling of 'Nowhere' has been building up—so that it is no surprise to read on the last page, 'There is one conclusion which is continually emerging from the expanding debate on labour market policy and that is the *limited impact* that even well-designed policies can achieve' (p. 218, emphasis added). The major role is attributed to 'conventional economic policies' (p.218). What these are is unexplained. One suspects that they are of a market-alternative, corporatist kind. The reviewer would have preferred Whitfield to have revealed his hand (a 'hand' of which one catches glimpses throughout), and to have presented an open apologia for institutionalist solutions—and against the genuinely radical, free-moving, and diverse solutions of market-sympathetic labour economists.

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Money, Accumulation and Crisis, by D. K. Foley, *Fundamentals of Pure and Applied Economics*, Vol. 2 (Harwood Academic Publishers, Switzerland, 1986), pp.60 + viii. $A24.

The joint AEA/RES surveys of economic theory of the late 1960s were the harbingers of what has become a flood of survey anthologies. The volume under review is an exemplar of the latest twist in this evolution: the publisher promises that it will be one of many 'state-of-the-art' monographs to be published across 30 or so sections of economics, pitched and priced to enable 'easy access to the latest developments' for economists in 'academia, government and business' outside the particular specialty. The editors-in-chief are Jacques Lesourne and Hugo Sonnenschein, and the advisory board includes Kenneth Arrow, William Baumol, and Sir Arthur Lewis. Apart from the slimness of the volume, nothing very unusual there—but the individual volumes will later be revised and published together as the *Encyclopedia of Economics*. And so publishers of economics tracts have adopted a form of market segmentation long used by publishers of gardening and cookery magazines. Moreover, individuals who are members of the Science and Arts Society bookclub can obtain the volumes at large discounts: the volume under review is available at a price of $US8, plus $US2 postage.[1] Club members are under no obligation to buy any books, so the series—if it lives up to its promise—provides an inexpensive way for discriminating Antipodean economists to maintain

1 $US5 membership, STBS, Marketing Dept., Economics FPA765, P.O. Box 786, Cooper Station, New York, NY 10276, USA.

their reference-book purchasing power parity.

Foley's book is published in the Marxian Economics Section, and provides a perspective on macroeconomics quite foreign to most economists in Australia. In his path-breaking study, *The Rhetoric of Economics*,[2] Donald McCloskey asserts that 'What distinguishes good from bad in learned discourse . . . is not the adoption of a particular methodology, but the earnest and intelligent attempt to contribute to a conversation . . . Good science is good conversation'. Conversation amongst economists in Australia in recent years has lacked contributions from first-rate Marxian economists and has concentrated on a particular methodology – neoclassical modernism. I believe that this narrowness has diminished the Australian discipline and has resulted in stereotypical views of Marxian economics, partly from the contributions of Marxist non-economists. Although the discipline – at least in other English-speaking countries – is nonetheless riven, I believe that there is a better understanding – at least on the side of the neoclassical angels – that the issues addressed by Marxian economists are frequently not substitutes for those of the dominant neoclassical paradigm, but are often complementary. The results of Marxian analysis are *pari passu* complementary to those of neoclassical analysis. Lack of dialogue has resulted in lack of understanding or worse. The volume in review could go some way to redressing this lacuna.

Once one of the brightest neoclassical assistant professors in the M.I.T. Economics Department, Foley became a Marxian apostate at Stanford, and in the past 15 years both there and at Columbia has been one of the foremost of the young Marxian economists in the US. In this volume, he presents a 'Marxist macroeconomic theory', by developing a mathematical model of the *circuit of capital*, which 'views the circular flow of commodities and money' from the perspective of the income statements and balance sheets of capitalist firms. The basic economic agents in his framework are not households motivated by utility maximization through consumption but rather 'capitals' motivated by the pursuit of profits to accumulate. Foley is not content to repeat the conventional wisdom of what he refers to as 'classical Marxism', but uses the tools of the mathematical economist to define his terms of analysis rigorously, and to derive testable results from the equations of his model, which include simple calculus.

2 Madison: University of Wisconsin Press, 1985.

Foley's analysis begins with a discussion of the 'value approach' to economic theory which argues that we can distinguish between explanatory laws that govern the total value produced and those that determine its distribution through the prices of the commodities produced. The labour theory of value, he argues, applies exactly in the aggregate, but not necessarily to the prices of particular commodities. The emergence of labour-power as a commodity sold on the market for a wage creates, he argues, a fundamental division of aggregate value added between wages and surplus value, and a parallel division of social labour labour time between paid and unpaid labour. The ability of capital to appropriate surplus value, he argues, is the foundation of the circuit of capital – the object of analysis of a Marxist economic theory.

With a mathematical representation of the circuit of capital – his style of exposition is very similar to that of Edmond Malinvaud's in his *The Theory of Unemployment Reconsidered*[3] – Foley resolves the question of steady state growth, and examines the potentially unstable accumulation of capital in an analysis that shows the close connection between the expansion of credit and the continued expansion of the circuit of capital, comparing it with Minsky's exposition of Keynes[4], after developing theories of credit, interest, and central bank policy.

The climax of Foley's analysis is his attempt to model non-linearities in the system that could result in instabilities and crises in the accumulation of capital. He argues that the law of the falling rate of profit is wrong, and that in real economies the movement of the rate of profit cannot be predicted on *a priori* theoretical grounds. Moreover, he argues that his analysis seriously questions the conclusions of 'classical Marxism' that the capitalist mode of production is 'impossible', and that an ultimate crisis of capitalist production will arise purely from predictable effects of accumulation. He concludes by observing that his analysis has only begun to investigate the problems within the circuit-of-capital framework, and that future study is likely to reveal many problems amenable to attack with modern statistical and modelling tools.

In his introduction, Foley states that he has tried to synthesize disparate strands of economic thought, in order to chart a theory in which the main ideas of macroeconomics from different

3 Basil Blackwell, Oxford, 1977, 1985.

4 H. Minsky, *John Maynard Keynes*, Columbia University Press, New York, 1975.

schools can find 'their proper places'. I believe that he has succeeded, up to a point. Although at times dense with unfamiliar terminology, the book can be recommended to the theorist with an open mind and a willingness to examine what light the tools of mathematical economics allied with a keen intelligence can shed on some important issues which are not on the traditional macroeconomic agenda.

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The Theory Of Externalities, Public Goods and Club Goods by R. Cornes and T. Sandler (Cambridge University Press, Cambridge, 1986), pp.xii + 303. $A32.

Cornes and Sandler provide a useful overview of the theory of externalities, public goods, and club goods for graduate students and specialists in public economics. It will be especially valuable for teachers of public economics who have not followed closely the literature on these topics in recent years.

The clarity and precision of the exposition is somewhat uneven, possibly reflecting the state of the literature. The chapters on public goods are the best written, especially chapter 7 in which the authors show how one can significantly extend and generalize the pure public good model by incorporating the possibility of joint production of a public and a private characteristic.

Since the proofs are typically only sketched, the book is not a good substitute for a standard textbook even at the introductory graduate level on the topics covered. The details would have to be provided by lectures and reading the more important articles. At the undergraduate level, the book would only be suitable for senior seminars on the topics covered at schools with the very best students.

On more substantive matters, surprisingly little attention is devoted to externality arguments for redistribution. This is a serious omission in light of the large fractions of the budgets of developed countries devoted to welfare programs.

In discussing public goods, the authors almost always assume that everyone will contribute something to the provision of the public good in the absence of government action. Although this may typify the recent theoretical literature on public goods, some justification seems to be in order. The conventional wisdom is that many, perhaps all, would contribute nothing voluntarily to the provision of many important public goods such as national defense. If this is the case, some of the major results in the literature cannot be derived, for example, a change in the distribution of income will change the Nash equilibrium allocation of resources in a model with a pure public good, contrary to Becker's invariance theorem (pp.84-6).

With respect to club goods such as parks, swimming pools, museums, and golf courses that are frequently provided by local governments, the authors are not at all clear on what would happen in the absence of government involvement. For example, what pricing scheme would be adopted by profit-maximizing firms? As a result, it is not clear whether the government could do something that would make everyone better off.

Despite these shortcomings, I feel that the time spent reading the book was time well spent and I recommend it to others seeking to catch up on recent developments in the theory of externalities, public goods, and club goods.

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