Review of Steven Hail's *Economics for Sustainable Prosperity*

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Steven Hail's *Economics for Sustainable Prosperity* is a supremely ambitious book. In it, Hail collects the economic frameworks and theories that he believes are necessary to guide scholars and policymakers towards a more equitable and environmentally sound future.

These topics run the gamut from micro to macro and from modeling to policy, with Hail attempting to get at not just superficial details, but the core underlying axioms of each, and do it all in under 300 pages. The author is quite self-aware of the impossibility of this feat, humbly reminding readers that his descriptions of certain topics are, for instance, "superficial and incomplete" (p.110) or "(very, very) highly simplified" (p.164). Nonetheless, this book is well-suited to somebody looking for a high-level but intensive overview into any of the literature that make up the chapter headings.

Chapter 1 is a call to action, with Hail arguing that theory and practice in economics must escape old ideas and embrace new. He eschews what he calls "soft economics," essentially a stand-in for the neoclassical approach: lack of realism, over-reliance on mathematics, a barter paradigm biased towards laissez-faire while normative influences are denied. Hail instead argues that we should embrace a "hard economics," an interdisciplinary, realistic set of theories based around monetary production and actual observed human institutions and behavioral tendencies. This is a charming chapter, and Hail draws readers in well, writing "[w]e can—you can—play a part in building a future of sustainable prosperity. It is up to us" (p.17).

Chapters 2 through 7 contain the substantive subject material. Chapter 2 is primarily a critique of the neoclassical paradigm, as well as an overview of its history. While Hail does mention several times that he believes neoclassical economics has provided some valuable insights, he also notably calls the mainstream DSGE modeling project "a colossal waste of time and intellectual effort" (p.47). Chapter 3 begins to present alternative views, focusing on Keynes as well as three Post-Keynesian authors: Davidson, Minsky, and Kalecki. A particular highlight is the reference to "Minsky's Paradox," defined as the situation in which "[a]n appropriate institutional and regulatory framework and set of balance sheets, allowing for full employment and financial stability, encourages orthodox economists to argue that capitalism is self-correcting and to advocate for the removal of the very institutions, regulations and financial flows which allowed for the full employment and financial stability in the first place" (p. 89). He also presents a Kaleckian theory of distribution, in which individual attempts by firms to increase their profit share are independent from the determinants of aggregate profit, and so merely reduce GDP - essentially a tragedy of the commons trapping capitalists.

Chapter 4 dives into behavioral economics (BE). It reviews the history of neoclassical expected utility theory, arguing we should replace it with Kahneman and Tversky's Prospect Theory. It also covers the biases/heuristics approach and Lowenstein's work on the context of inequality. While BE is certainly an insightful project, the chapter lacks any engagement with the heterodox critiques of BE. One such critique is that BE uses neoclassical rationality as its normative ideal, assuming that behavior is "rational until proven irrational" (Beunder 2018). A specific critique of Simon's "procedural rationality" might be that many questions in life are ambiguous: although humans do face limited information and limited cognitive capacity, "correct answers" simply do not exist, and so no additional amount of either could ever lead to a "substantively rational" answer. Finally, Hail sets up BE as an opposition paradigm to conventional economics, but this may be an expiring critique, with people like Angner (2019) recently claiming that "we're all behavioral economists now."

Returning to more macro issues, Chapter 5 introduces Modern Monetary Theory. Besides laying out the basics, Hail uses this section to simultaneously reply to many sets of MMT critics, including both mainstream and the "monetary reformer" variety, and does so adeptly. There's probably too much discussion of bank reserves and the money market for an introductory piece and not enough metaphors for money (eg. tickets to a sports game, or passes for the bus), but what's here is well done. Hail's discussion of fiscal sustainability toes the usual MMT line that debt of a monetary sovereign is sustainable because the interest rate is a policy variable and so can be set below the growth rate by the central bank (eg. Fullwiler 2016); however, I'd argue that any concept of fiscal sustainability should really start with an examination of automatic stabilizers, not the interest rate. That is, will the automatic stabilizers "swing" the budget position far enough to compensate for any and all expected changes in private spending and other government fiscal variables, *including interest payments*, in order to prevent inflation from rising above target due to excess demand? If not, then active policy interventions will be needed in the future, hence the policy is not sustainable as is. Hail does acknowledge the importance of automatic stabilizers, rejecting the "fine-tuning" approach (p. 184) and arguing for "instability thwarting mechanisms" to prevent financial crises, but not in the fiscal sustainability context.

Chapter 6 is a brief introduction to Post-Keynesian Stock-Flow Consistent Modeling (SFC). This is a very strong section, especially considering the complexity of the subject material. Hail manages to present an appropriate level of detail but without overwhelming potential beginners and discusses both the strengths *and weaknesses* of the SFC approach. The chapter works up a simple SFC model, including transactions table, then performs some simulation experiments on it and displays the results. Most of the math is relegated to the appendix, which goes through each equation individually and clearly.

The last subject topic is the Job Guarantee, covered in Chapter 7. This chapter begins quite compellingly discussing the intangible costs of unemployment, including arguing that real GDP per capita isn't indicative of subjective well-being. There is also an extended discussion of inflation, which feels somewhat out of place in an otherwise more humanistic chapter on employment policy; this may have been better placed in the MMT chapter, but is nonetheless insightful. The section on "Framing the Job Guarantee" artfully draws on Graeber's 'baseline communism,' 'hierarchy,' and 'exchange' social relations taxonomy and returns to Loewenstein to argue that mass support for a Job Guarantee will require reconsidering our notions of community.

Finally, the book concludes in Chapter 8. This section tackles some pragmatic issues around adopting Hail's 'economics of sustainable prosperity.' These include constructing suitable indicators, such as the Genuine Progress Indicator (GPI), and the use of framing and language regarding MMT, as per Lakoff.

The biggest flaw with the book is that it seems to be ambivalent about who its audience is, despite stating in the preface that it's intended for "non-academic audiences." At some points introductory economics concepts are spelled out in detail, while in other places advanced terms like "debt deflation" and "Walras's Law" are dropped with no explanation. For those with no economics background, this book will be very difficult. For orthodox economists, except for the very patient and curious, the invective against the mainstream (such as repeatedly calling the history of neoclassical thought one of "circular progress") is probably alienating. The sweet spot is likely somebody with an undergraduate degree in economics, or an eager self-taught activist or journalist. Academics in related fields would also benefit, as would heterodox economists who are unfamiliar with a particular subject chapter.

In general, Hail has a logically structured mind, and is often looking for the 'axioms' that underlie a theory. This is helpful for getting to the root of the matter, and distilling down the point. On the other hand, Hail also aims for precision, trying to fit all relevant details or cases once he picks a topic to talk about. This is both a gift and a curse: it keeps the descriptions detailed, accurate and legitimate, but also may cause newcomers to the topic to lose the forest for the trees.

Overall, *Economics for Sustainable Prosperity* aims to present a blueprint for the future of the field, and it does just that. It is a welcome addition to the Global Institute For Sustainable Prosperity's book series.

Works Cited

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