richly throughout the book. But neither the (graduate) student nor the scientist is likely to use the volume as a systematic reference. Despite its lively style it remains hard and disputatious reading, and one that requires much knowledge about the philosophy of science.

Reference


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This book brings together contributions to macroeconomics made by Jean-Pascal Bénassy over the last 30 years. The core of the book is based on previously published work, to which some new material is added. It is all presented with logical progression from earlier work within the “fix-price” approach to more recent work using explicit stochastic intertemporal general equilibrium model. The unifying theme across these contributions is why economies tend to mal-function in the sense of creating inefficient low and persistent levels of economic activity and employment as well as displaying adjustment failures (business cycles). Moreover, the role of macroeconomic policy is carefully addressed by considering both whether various forms of policy intervention are effective and whether there is a welfare case for such activist policies.

The book is organized in 6 parts. Part I offers an introduction to various concepts including rationing, quantity signals, price setting and fix price (wage) equilibria. Part II introduces general equilibrium concepts outside the Walrasian framework including fix-price (with endogenous price determination) equilibria. The role of imperfect competition for the level of activity and policy is addressed in part III, while part IV turns to fluctuations and growth. The implications of nominal rigidities for business cycle fluctuations and in particular persistence are analyzed in part V, while part VI provides a detailed analysis of various issues related to macroeconomic policy.

The book highlights the important contributions Bénassy has made to macroeconomics within the last three decades. While the scene of the debate
has changed significantly both due to an adaptation to empirical work and methodological changes over the years, Bénassy has consistently pointed to problems with the market mechanism and why there is a need and scope for policy intervention. As such, this book brings together key contributions to what is sometimes termed “New Keynesian Macroeconomics”.

While addressing classical themes in macroeconomics, the book also has some more recent material of great importance for the current research agenda in macroeconomics. This applies in particular for the work on the role staggered contracts may have for generating persistence, endogenous growth and the interaction between fiscal and monetary policy.

Reading through this book one is struck by the analytical elegance with which the analyzes are conducted. Even though some of the issues addressed are fairly complicated and technical, the text is very clear and unnecessary complications or details are skipped. The work is analytically concise, but the reader is never left within the impression of “techniques for the sake of techniques”. A particular hallmark of the book is that it presents – with only a few exceptions – models for which closed form solutions of the equilibrium can be fairly easily found. This adds considerably to the clarity of the exposition, eases the interpretation and provides more insight than is often the case for the “black boxes” of calibrations currently very popular in macroeconomics. The book provides the reader with a very deep insight in how the models work and the role played by various assumptions.

Given that this book provides a modern but also highly relevant input to the ongoing debate between “Keynesians” and “Classicals”, I find that the book format in contrast to journal articles could have been exploited to elaborate on two majors issues.

First, the introduction stresses that this book combines “General equilibrium theory, Keynesian economics, Imperfect competition and Rational Expectations”. It would have been useful if the author had elaborated more on these methodological choices to convince more traditional Keynesian-minded readers of the relevance of the insights of this book.

Second, while a few remarks are made on empirical work, the different chapters do not go very deep into a discussion of neither the empirical motivation for many of the issues studied nor on the testable or empirical implications of the theories. I think – in particular for less Keynesian inclined readers – this is a missing part in convincing them on the importance of the approaches and results taken in this work.

In conclusion, I find that this is a splendid book that clearly is a “must” for anyone interested in macroeconomics, not least for those with a non-Keynesian inclination. The books shows very elegantly – using modern methodologies –