labor to productive (where unproductive *labor* refers to labor employed in circulation or supervision activities, which according to Marx's theory do not produce profit). These are the same two reasons why the rate of profit has increased so little in recent decades in spite of stagnant real wages; continued increases in the composition of capital and the ratio of unproductive labor to productive labor have mostly offset the increase in the rate of surplus value and thereby limited the increase in the rate of profit.

This limited increase in the rate of profit suggests that the stagflation of recent decades is likely to continue, and the worse may be yet to come. At best, the low rate of profit will continue to have a negative effect on business investment and will also continue to exert downward pressure on wages and upward pressure on prices so that unemployment will remain high and real wage growth will remain low. At worse, the next downturn could cause more widespread bankruptcies among both businesses and households because the current debt levels of both businesses and households are at all-time historic highs by a considerable margin. This rapid increase of private debt in recent decades (which Desai does not mention) has made possible at least a tolerable rate of growth, but it has also left the economy more vulnerable, to an unprecedented degree, to another debt-deflation depression.

Therefore, Marx's theory suggests that Desai's "resurgence" of capitalism is likely to be short lived. Indeed, this "resurgence" already looks much less impressive today (fall 2002) than in the heady days of the late 1990s when this book was written. And Marx's theory suggests that the worse may be yet to come. "Marx's revenge" might be on Desai himself, and it could happen soon.

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Understanding Capitalism: Critical Analysis from Karl Marx to Amartya Sen
Douglas Dowd, ed.; Sterling, VA: Pluto Press, 2002, 183 pp., $65.95 (Cloth).
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Douglas Dowd, a long-standing leader in heterodox economics and a tireless supporter of radical thought, has put together a masterful volume of thought-provoking essays in an attempt to better understand the working and evolution of the capitalist system by surveying past and present dissenting schools of thought. The common theme of the book revolves around the development of nonmainstream political economy. In this respect, *Understanding Capitalism* is an excellent introductory text, comparable to Sackrey and Schneider's (2000) *Introduction to Political Economy*.

This book is an indispensable guide for heterodox economists to understanding capitalism in the light of new developments in critical analysis from Karl Marx to Amartya Sen; it is a fresh look into the development and evolution of capitalism from a heterodox-radical perspective. I highly recommend this book, especially for the younger and promising generation of heterodox economists.

Dowd laments the state of the economics discipline today citing Veblen's famous line, "to be an economist is to have developed a trained *in*capacity" to comprehend the vital elements of the socioeconomic process (5). He argues that economists learn theories, but they never learn anything about the economy.

Dowd critically examines the increasing power of global corporations in the twenty-first century. He embraces Marx's view that the "ruling ideas" in society are those of the ruling class. Dowd distinguishes between the originators (capitalists) and the transmitters (media) of ruling ideas. This volume provides criticism of conventional economic thought, which Dowd views as a source of inspiration and justification for ruling ideas. The ensuing seven chapters present interesting arguments from several critical heterodox perspectives, ranging across the spectrum from Marx, Veblen, Gramsci, Sweezy, and Sen to include Post Keynesianism and critical institutionalism. By doing so, Dowd and the contributing authors attempt to bring to the front some of the dissident theories and update them in the light of new radical movements in political economy.

The first chapter by Michael Lebowitz explores Marx's concept of human potentialities. In Marx's view, the ideal society would be one in which "the free development of each is the condition of the free development of all." Capitalism, however, is a system in which the endless drive for more capital accumulation hinders the development of human beings. According to Lebowitz, the relation of production is crucial for the full development of human potentialities. In capitalism, however, the relation of production favors capital over labor, as opposed to Marx's society, which would promote a system that values the worker's own need for development.

In chapter 2, Dowd reminds us of the richness of Veblen's economic analysis of the development and evolution of capitalism. He discusses Veblen's concept of "instincts" as the driving force for social and economic change. Dowd argues that even though the similarities between the analysis of Marx and Veblen are important, several differences were crucial in shaping Veblen's thought. From a methodological point of view, Marx was attacking classical economics, whereas Veblen was attacking the neoclassical school. Veblen was also writing half a century after Marx. Capitalism was developing in the United States at full steam. For Veblen, big business and monopoly rather than competitive structures ruled the economy. Furthermore, unlike Marx, Veblen fully understood the role played by the media in shaping the way socioeconomic institutions evolve. Dowd demonstrates the validity of Veblen's thought to today's capitalism. Multinational corporations are bigger and more powerful than they ever have been. Communications media have developed more sophisticated means of penetrating people's beliefs and thoughts. And as Veblen argued, social and economic conditions depend on which of the two conflicting instincts (constructive and destructive) is more nourished by the ongoing social process (54).

In chapter 3, Carl Boggs examines the extent to which Gramsci's Marxism remains valid for exploring today's capitalism. Boggs tries to draw parallels between Gramsci's political economy writings about the economic system of his time (Italy under fascism in the 1920s and 1930s) and our contemporary capitalist economic system. While in prison, Gramsci struggled to build a Marxist-Leninist model for Western Europe. In the process, he developed a set of concepts stressing the importance of ideology in civil society. "Ideological hegemony," "social bloc," and the "war of position" were key to Gramsci's thought. His definition of hegemony was much broader than Lenin's concept of ruling-class propaganda. Gramsci rather viewed hegemony as a more complex ensemble of social relations that are the result of both "consensus" within civil society and physical "coercion" by state-military power (62). Gramsci saw hope in "the organic intellectual" who will unveil myths about the underlying class and power relations, and put forward critical ideas to eliminate the status quo.

Michael Keaney discusses critical institutionalism (or original institutionalism) in chapter 4 and compares it with the new (or noncritical/neoclassical) institutionalist movement. After a brilliant historical account of the emergence and development of institutional economics in the United States and Europe, Keaney correctly argues that "institutionalism is a multi-faceted collection of theoretical approaches to the study of capitalism. Its constituent parts are united by a commitment both to theorizing what is historically relevant and to the treatment of history as an evolutionary process with no pre-ordained end" (106). He further adds that for institutionalists, capitalism is "neither the inevitable product of human progress nor the pinnacle of human achievement. It is a historically contingent configuration of social institutions, a product of human action that can be altered according to human design" (106–7).

In chapter 5, Fred Lee treats Post Keynesian (PK) economics as an "emergent heterodox economic theory of capitalism." A brief survey of the historical development of PK economics since 1971 shows the extent to which this school of thought has benefited from contributions from Marxism, institutionalism, as well as radical social economics. Lee weaves a quick description of PK microtheories and macrotheories, including the theory of business enterprise, mark-up price theory, and fiscal and monetary theory. Post Keynesians see capitalism as a system with an inherent tendency to remain in a state of rest below the level of full employment. Hence, they argue for an interventionist government policy to push the economy toward full employment. Based on the Chartalist theory of money, it is argued that the government as the monopoly issuer of money does not and cannot have any financial constraint to stop short of implementing a full employment policy commensurate with price stability. For Post Keynesians, the purpose of taxation and bond sales is not to allow the government to spend; rather, it creates a demand for the currency, gives it value, and helps stabilize interest rates (Wray 1998). Lee concludes that PK theory only explains how capitalism works but does not provide "a blueprint for the good society." He argues that radical Post Keynesians believe that "capitalism cannot be made to work better" and that "it must be replaced" (129), a viewpoint that only few (radical) Post Keynesians agree with.

In chapter 6, John Bellamy Foster revisits the theory of monopoly capital developed by Sweezy, Baran, Braverman, and Magdoff from the works of Marx, Veblen, Hilferding, Lenin, Kalecki, and Steindl. Foster argues that globalization is another stage of capitalism in which further worldwide concentration and centralization of capital is taking place. He concludes that instead of the realization of Adam Smith's invisible hand on a global level, we are witnessing an increasing monopolization of capital at a global scale fueled by fierce competition between multinational corporations and leading to a faster globalization of workers' exploitation.

In chapter 7, Robin Hahnel critically examines the contribution of Amartya Sen to contemporary political economy. He praises Sen's devastating criticism of neoclassical welfare and social choice theories. Hahnel argues that "welfare theory is not a theory for predicting human behavior but a theory for evaluating economic institutions" (164). In this sense, Hahnel blames Sen and other heterodox economists for throwing out the baby with the bath water by rejecting rational choice theory as a compelling theory of actual human behavior and, at the same time, denying its usefulness as a means to criticize economic institutions (164). Hahnel, however, did not fully elaborate this argument and leaves the reader puzzled with his claim about the "usefulness" of rational choice theory. He finds it both mysterious and unfortunate that Sen missed the opportunity to use rational choice theory to explain why people "rationally" develop socially counterproductive preferences (171). I believe the answer to Hahnel's question is to be found in the work of Veblen and other institutionalists on the role of instincts in the emergence and persistence of social institutions over several time periods, resulting in cultural lags and the survival of inappropriate habits of thought. It has nothing to do with rationality.

Despite Sen's outstanding contributions to the political economy of hunger, famine, and gender issues; his ingenious empirical work on poverty and human development indices; and his evident dissent from mainstream economics, Hahnel persuasively concludes that Sen could not be considered a "radical" economist, although Hahnel does not mind using Sen's rhetoric of "entitlements," "capacities," and "development as freedom" to combat today's ascending global neoliberalism (177).

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The Fundamental Institutions of Capitalism
Ernesto Screpanti; London: Routledge, 2001, 302 pp. + index, $95 (hardcover).
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The ambitious aim of this challenging book is to go beyond Marx in providing the foundations of a general theory of capitalism. Departing from the traditional approach, which identifies the source of capitalist power in the private property of means of production, Screpanti argues that other institutions "create the conditions for labour exploitation in a free society under the rule of law" (4). More precisely, "the fundamental institution . . . that makes exploitation . . . possible [and that] constitutes the basic power relations in the labour process [is] the *employment contract*" (5).

The structure of the book—a proper treatise of Marxian institutionalism—is the following: in chapter 1, the author lays down the basis of his theory of capitalism by dissecting the employment contract; then, building on this in the following chapters, he rethinks the main categories of political economy—namely, individuals and culture (chapter 2), the state (chapter 3), the forms of cooperation and power (chapter 4), and the production governance structures (chapter 5). The book concludes with a theory of different forms of capitalism