

## BOOK REVIEWS

Samuel Hollander, *The Economics of Karl Marx: Analysis and Application* (New York: Cambridge University Press, 2008), pp. xvi, 532. HB \$130. ISBN 978-0-521-79078-9. PB \$65, ISBN 978-0-521-79399-5.

How splendid to read a book on Marx that takes him seriously as an economist and pays proper respect to the logical structure of his economic theory. There are literally hundreds of books on Marx that do neither—instead giving ample space to his philosophy of history, his theory of revolution, and his concept of alienation without so much as mentioning that he was first and foremost an economist, steeped in the writings of Adam Smith, David Ricardo, and John Stuart Mill. (See, for example Popper (1945) and Kolakowski (1978), both of whom are erudite and knowledgeable in social theory but barely acknowledge Marx's views on economics.)

Hollander begins his book quite rightly with a thorough explanation of the so-called Transformation Problem (chap. 1), without which almost nothing in Marx's labor theory of surplus value makes much sense. It was this theory that was truly revolutionary in Marx and even today requires the reader to ask him or herself whether it is true and how one would go about answering that question. The question is indeed answered in the last pages of Hollander's book (pp. 463–88) and these pages are worth reading and rereading.

Chapters 2–5 are preoccupied with Marx's growth theory, with the falling rate of profit and the downward trend of real wages, as well as with the cyclical dimension of Marx's macroeconomics that intertwines in his work with a steady focus on secular trends. In some sense, the work comes to an end with chapter 5 but at this point we are less than half way through the book.

Chapters 6–12 are too preoccupied for my liking with the development of Marx's own system from the first draft of *Capital* in the 1840s to the *Grundrisse* in the 1850s to the *Economic Manuscripts* of the 1860s, which finally saw the mature statement of his theory of profit as unpaid labor, but undoubtedly some readers will find these pages absolutely riveting.

This is a long book of 500 pages, which seems even longer by its tenacious and even exhausting tone of sorting out every wrinkle in Marx's argument. Nevertheless, there are wonderful set pieces on particular difficulties in the Marxist schema, such as the mechanism by which aggregate surplus value for the economy as a whole is redistributed between sectors to yield an uniform rate of profit (pp. 254–56), the role of absolute rent in the profit-rate equalization process (pp. 297–325), the role of overpopulation in the downward trend of real wages (pp. 375–81), the role of entrepreneurship and even Knightian uncertainty in the investment process (408–43, 466–70)—an insight I myself denied previously—, the downward trend paths of both the wage and profit rates (477–83), and Marx's increased appreciation of the potential for welfare reform under capitalism (pp. 444–62).

Now and then Marx is not simply expounded but exposed, as weaknesses in his own defense of his theories are ruthlessly pulled apart (pp. 463–71). This book, unlike the author's earlier books on Smith, Ricardo, Malthus, and Mill, finally abandons Hollander's habitual tendency to defend every statement ever made by the canonical classical economists.

This is not an easy book to read. The argument is dense and exceedingly subtle. Sometimes I found myself having to read some pages two or even three times before I grasped the elusive thesis and even then I was not entirely sure that I understood the points he was making. Of course, this may only show how dim I am but this is a conclusion I must resist.

So, my advice is to read this book and to study it carefully because it is full of insights gathered over a lifetime of study of the classical economists.

Mark Blaug

## REFERENCES

- Popper, K. R. 1945. *The Open Society and Its Enemies*. Routledge & Kegan Paul, 2 vols.  
Kolakowski, K. L. 1978. *Main Currents of Marxism: Its Rise, Growth and Dissolution*. New York: Oxford University Press.

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Hollander critically reviews a wide range of central topics in Marx's economics, including value theory and the transformation problem, the theory of exploitation, competition, simple and expanded reproduction, the determinants of the wage and the value of labor-power, the industrial reserve army and labor markets, differential and absolute rent, and the tendency of the profit rate to fall. The book has a particularly careful discussion of the role of aggregate demand in Marx's thought, and the interplay between cyclical fluctuations and secular accumulation. Although the main focus of the text is on Marx as an economist (or political economist in the classical political economy tradition), there are thought-provoking discussions of broader issues including Marx's philosophy of morals, attitude toward equality, view of the relation of science and engineering to economic innovation, and theory of the role of the entrepreneur. Hollander also looks in some depth at Marx's political attitudes toward revolutionary and evolutionary social change, and the outlines of possible socialist and communist organizations of society. Hollander works through these topics with copious and helpful quotations from Marx's texts, which will make the book a very useful resource for students and scholars who want to make a preliminary survey of some aspect of Marx's economic thought. Another pervasive strength of the book is Hollander's knowledge of the classical political economy tradition, which