Book Reviews

Diminishing Returns. The New Politics of Growth and Stagnation.
Edited by Luccio Baccaro, Mark Blyth and Jonas Pontusson
New York, NY: Oxford University Press, 2022. 541 pages, £ 22.99 (paperback)

This edited volume marks a milestone in a research agenda that Baccaro and Pontusson ignited with their 2016 article in *Politics & Society*. The title of the article already made the ambition of this research agenda clear: to rethink comparative capitalism research. This book presents another step in this pursuit.

The aim here is to re-focus a discipline which for the last two decades has been overly concerned with questions about firm competitiveness and supply-side institutions on the central issue of how to achieve economic growth. Growth has to take centre stage since it is growth that undergirds the stability and legitimacy of capitalism. To achieve this, the book argues for embracing a growth model perspective (GMP) for the comparative analysis of modern capitalism. Doing so, it is argued, allows researchers to analyse the different responses of countries to the common problem of declining growth rates that they have been faced with following the golden age of capitalism.

The GMP breaks with the New Keynesian macroeconomic foundations of much of comparative political economy scholarship and instead actively espouses a post-Keynesian perspective. Growth in the GMP is therefore fundamentally driven by demand. The classification of growth models is descriptive and follows a decomposition of national GDP growth rates. This exercise gives rise to two archetypes of growth models that have dominated the post-Fordist era: a consumption-led and an export-led growth model. In an era of financialisation and falling wage shares, both types are built on debt, either domestic (the former) or external (the latter), rendering both inherently fragile.

These and further theoretical considerations are treated in the introduction and the first part of the book. The remaining three parts, which are self-contained and can be read independently of each other, showcase the explanatory power of the GMP.

Part two of the book analyses how international system dynamics interact with national growth models. In their contribution on the euro area Alison Johnston and Matthias Matthijs, for example, present a lucid discussion of how, following the Eurozone crisis, the architecture of the currency bloc was re-written to favour countries with an export-led growth model to the detriment of other models. Individual country cases are considered in part three. Here, contributors provide readers with detailed accounts of the evolution of the political economies over the last decades of countries such as Germany or Sweden. The fourth part of the book, finally, discusses the interaction between growth models and specific issues such as austerity, financialisation or the ecological transition. In their readable chapter on austerity, Hübscher and Sattler for example show that growth models better explain a country's fiscal stance than other economic indicators, government ideology or voter preference, as long as the growth model is pronounced enough.

The book is ambitious in what it sets out to do and this ambition is amongst its core strengths. Amongst other strengths are its attempts to build bridges with disciplines such as international political economy and post-Keynesian economics. Marrying insights from comparative political economy with international political economy enhances our understanding of contemporary capitalism and should prove a fruitful avenue for future research. For post-Keynesian scholars, the open embrace of their school of thought by the GMP is exciting and should be welcomed by the community. It opens up new spaces for collaboration and provides a chance to increase the reach of their research.

Where the GMP remains at times a bit too wedded to comparative political economy's old New Keynesian foundations is in its treatment of money, especially in the international dimension. Here, tropes such as countries with current account surpluses exporting capital to finance the current account deficits of other countries resurface. A closer engagement with the insights from the critical macro-finance literature from recent years would help in strengthening the theoretical foundations of the GMP (for an overview of critical macro-finance see, for example, Gabor (2020)).

Similarly, how politics matters for establishing and sustaining growth models could have been elaborated in more detail. Questions about the role of ideology, hegemony and the state are hardly touched upon. The editors write that this volume is not intended to provide a fully-fledged theory of the politics of growth models. Rather, it is meant as providing some common ground which allows for further 'exploratory research' (p. 30). While such an approach might provide flexibility, it risks elusiveness and genericness.

These minor criticisms aside, this edited volume represents an important intervention in the space of comparative political economy research. It is a stimulating and refreshing read and provides researchers with an eclectic toolbox for analysing the vagaries of modern capitalism. The book will surely turn into a useful compendium for political economists.

Andreas Maschke
University of Leeds

Gabor, D. (2020). Critical macro-finance: A theoretical lens. *Finance and Society, 6(1)*, 45-55. https://doi.org/10.2218/finsoc.v6i1.4408