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Robert J. Franzese, Jr., *Macroeconomic Policies of Developed Democracies*, Cambridge University Press, Cambridge, United Kingdom, 2002.

Politics/political science and economics are cooperating very well recently and creating a new field in economics called 'the new political economy' or 'modern political economy'. Having started in the 1970s and advanced by the studies of authors like Alesina, Tabellini, Perotti, and Rodrik, to name only a few, the so-called new political economy has become an interesting and fertile area of research within the last three decades. Classical economists like Ricardo, Mill, Smith, and Marx were all described as political economists. The new meaning of the term of political economy, for better or worse, has changed dramatically over the last two to three decades. The new political economy is combining the tools of political science and economics to address the issues of politico-economic life. That is, the interactive relationship between economics and political science—applying economic tools to political issues or political tools to economic issues—has become a major field in the economics profession.

The book starts with the observation that there are many striking commonalities in modern democracies such as a common upward trend in transfer payments, increased total fiscal activity, the sharp post-oil crises rise in public debt, and a strong shift in anti-inflationary monetary policies across 21 developed democracies over the 50 years since World War II. Upon closer examination, however, the differences in policies and outcomes across countries and over time are also striking. The book draws from and extends current political economic theory to explain these policy and outcome developments, both in terms of the commonalities and the differences mentioned above.

The commonalities are readily explained. In every capitalist democracy, postwar governments committed to provide theirs citizens with political provision of social insurance, some public goods, and macroeconomic management. Over the ensuing decades, the differing allocation of political and economic power, ultimately of votes and wealth produced popular pressure on policymakers everywhere to make trade-offs between their competing goals that typically expanded the public role in the economy. Thus, to summarize, the commonalities arose because similarly democratic governments with similarly conflicting policy goals faced similarly incongruent distributions of political and economic influence and similar domestic and international policy challenges.

The book also states that these shared challenges and universal tensions also induced strikingly different policies and outcomes across countries and over time. Again to summarize, these differences arose because the incentives for political-economic actors that emerge from their similarly conflicting goals and the similar distributions of influence on them differ according to multiple interactions among the domestic and international institutions, and conditions within which they interact and to which they respond.

In elaborating the theoretical bases and demonstrating empirical support for these broad claims, the book makes five specific contributions.

First, chapters 2-4 offer self-contained studies of the politics and economics of macroeconomics policymaking and outcomes in developed democracies. Chapters 2 and 3 address fiscal policy, public transfers and debt respectively, and Chapter 4 analyzes monetary policy and wage-price regulation. Chapter 2 stresses that electoral institutions and party systems that foster more participatory democracy enhance government responsiveness to income disparity, resulting in more swiftly expanding transfer payments where conditions produce greater pre-transfer inequality. Chapter 2, in explaining economic inequality and demand for transfers in pure democracy, uses a static median-voter theorem. The model highlights the main factors determining the median voter's ideal tax and transfer rate in a static world. The impetus for redistribution, the book argues, derives from the median voter being poorer than the economy average. The median voter will seek larger transfers when this discrepancy is greater. Chapter 3 emphasizes that party systems and governmental institutions that create more policymaking veto actors retard fiscal policy adjustments to political economic challenges, inducing increases in public debt where government fractionalization was larger. Chapter 4 devotes a lot of pages to the monetary management of the macroeconomy, monetary policymaking and wage-price bargaining institutions, and empirical evaluation of the positive political economy of monetary policymaking and wage-price bargaining.

Second, the book elaborates a theoretical view of comparative political economy in which universal tensions between liberal democracy and free-market capitalism, arising from their differing distributions of political (votes) and economic (wealth) influence, induce strategic public policymakers and private actors to respond differently to similar challenges because of varying international and domestic political institutions. At this point, as a deficiency of this book in particular, but also of the literature of modern political economy in general, I would like to mention the confusion and looseness in the political and economic concepts. For example, in different parts of this book and in many other books/articles in the literature concepts such as political and economic *influence* or political and economic *power* or political and economic *democracy* are used without really describing what those concepts mean. Clearly, this is not the fault of this book; I am just mentioning the need to come up with stronger, more consistent, and theoretical definitions of these concepts in the literature.

Third, methodologically, the book demonstrates powerful, yet tractable and intuitive, empirical techniques for gaining 'evidentiary leverage' on such complexly interactive and dynamic theoretical prepositions from the limited data available to political economists.

Forth, in applying this interactive view of comparative political economy to studies of transfers, public debt, monetary policy and evaluating the propositions that emerge, the book offers a theoretically guided aggregate empirical history of the postwar evolution of macroeconomic policy in developed democracies.

Finally, the book argues that the familiar, traditional macropolitical-economic conflicts between right and left–efficiency versus equity, growth versus distribution, inflation versus unemployment– which used to occur primarily over policies conducted within the framework of the postwar commitments, are now produced in modern battles over putative reforms of that framework; that is, in conflicts over the institutional rules within which democratic struggle over macroeconomics policy and free market competition will continue.

This book is especially helpful and insightful for empirical political economists who are studying modern democracies and their macroeconomic problems subject to the political decision-making process. In the book, the data set is well organized and covers such diverse areas as public employment and public fiscal activity by year and by country, union density in developed countries, estimated response of transfers to income distribution volatility, expected deficit given the effective number of electoral districts, to name only a few. Another point worth mentioning is the analytical strength of the book: it combines verbal explanations with highly technical regression analysis. The book can be expanded to include studies addressing the endogeneity problem or can inspire to investigate further the endogenous determination of public and political institutions.

I highly believe that this book is a major contribution to modern political economy and will be helpful to researchers and empirical political economists.

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