John Quiggin**,** *Zombie Economics: How Dead Ideas Still Walk among Us***,** Cloth, 2010, 216 pp., $24.95, ISBN: 978-1-4008-3598-0

Zombie Economics by John Quiggin is the latest in the post-financial crisis genre of 2008 whereas before the financial crisis of 2008, the ideas of efficient market hypothesis and the Great Moderation dominated economic thinking by economists and policy-makers The topics given in this book is not the striking feature but the title of this book is summarized by the subtitle, 'How dead ideas still walk amongst us.' Quiggin tackles some dominant themes by economists and policy-makers such as the Great Moderation, the efficient markets hypothesis, dynamic stochastic general equilibrium (DGSE), trickle-down economics, and privatization. These latter ideas form the basis of what Quiggin calls market liberalism. The basic premise by Quiggin is that each of these ideas has been shellacked by various events but these ideas continue to be practiced by economists and policymakers. Why do these ideas continue? Quiggins believes that these practiced ideas have no alternatives or become so ingrained in the policy discussions that it becomes difficult to bury these ideas. The main motif by Quiggin is the on the failures in macroeconomic policy-making of the last 40 years or so with no focus on the failures of microeconomic policy.

The first chapter deals with the Great Moderation that began in 1985 and ended in 2008 after the financial crisis. The Great Moderation was a decade of low inflation and stable growth in the Western economies that was attributed to the artifact of flawed policies. He argues that conduct of monetary policy by Greenspan or the loosening of monetary policy propped up the financial markets that created a boom and creating massive liquidity of funds to the economy for sectors that did not need excessive liquidity. Quiggin does not believe that the Great Moderation occurred, and he argues that the Golden Age of the 1950s and 1960s was more stable. Despite the implementation of the policy for creating this boom, this boom was supplanted by new technologies and deregulations that led to the alteration of the global economy. The business cycle was characterized as more stable than in the earlier years but in between the cycles there was more volatility in the macroeconomy. Despite the lack of success of the Great Moderation, the development of these models continues to thrive in academic research.

The idea of Efficient Market Hypothesis is more of a theoretical idea used by economists and policymakers rather than an applied concept. This concept promulgates that it is impossible to beat the market because all the information is needed by traders are contained in the stock prices. In fact, Quiggin postulated that the advocates of this theory should have been ended after the dot.com bust in the early 2000's but proponents of the Efficient Market Hypothesis continued to persist onwards with the Efficient Market Hypothesis. After the financial crisis of 2008, the Efficient Market Hypothesis just completely fell apart and the realization that the markets can behave irrationally and stocks can be mispriced. From this chapter it can be inferred that the theories of Fama (efficient markets) and Lucas (rational expectations) should probably no longer play a role in the implementation of macroeconomic policy especially after the Financial Crisis of 2008.

The next chapter dealt with the dynamic stochastic general equilibrium (DSGE) models. Under dynamic stochastic general equilibrium models, macroeconomic analysis should not use economic aggregates like trade balances or debt levels, but macroeconomics should be derived from individual behavior models as encountered in microeconomic theory. DSGE models are dominated by two schools of thought: Real Business Cycle (RBC) theory that expands the neoclassical growth model with the assumption of flexible prices. Then the latter could be used to study how real shocks to the economy could cause fluctuations in the business cycle. The other competing though of the DSGE models is the New Keynesian models that have a similar structure similar to RBC models. However, the pricing assumption differs since **the** New Keynesian models assume that prices are set by monopolistically competitive firms, and cannot be instantaneously adjusted or prices are not as flexible as in the RBC. These two models under DSGE provide a complex analytical framework for macroeconomic analysis, but these models fail to provide an effective strategy for macroeconomics policy-making for the last several decades.

Chapter 4 delved into the concept of trickle down economics, which Quiggin believes led to the rise of inequality in the United States. The basic premise of trickle-down economics assumes that economic policies helping the wealthy will provide benefits to everyone. Quiggin provided the example that the median real earnings for U.S. workers without a college degree have stagnated or declined since 1974 while incomes of the more affluent people have increased substantially since 1974. Quiggin asserts that economists need to develop economic policies that will generate a more equitable distribution of income.

The final chapter of this book deals with privatization. Quiggin does postulate that the privatization was overly implemented in the 1980s, and he does not seem wholeheartedly convinced that privatization is effective. More specifically, he thinks privatization probably is more effective for larger firms rather than smaller firms. The latter point becomes true for the transportation and public utilities sectors of the economy. Quiggin does argue that privatization is sometimes a viable option to the inefficiencies of government intervention in markets. He does provide examples where privatized enterprises had to be re-nationalized after the economic benefits were not realized. In fact, Quiggin contends that privatization was implemented rather quickly not as a means of economics, but it was a case of political expediency. Quiggin infers that sometimes that economic policy is often implemented to satisfy political interests rather than focusing on the true effects of the policy.

In the end, *Zombie Economics* provides a close examination of the dismal macroeconomic policies and its effectiveness of the past 40 years. On the onset of picking up this book and seeing the ghoulish title and cover, readers may think that this appears to be not so serious book about economics. However, after reading with care the reader will realize that this is a serious book that examines the macroeconomic policies of the past 40 years. The structure of each chapter is as follows. The chapter starts with a narrative exposition of an idea that is followed by a section on the theoretical and policy implications. Then the next section describes the failure of this economic idea.

In the epilogue of this book, Quiggin advocates three simple propositions for the 21st century economies: more on realism, less on rigor; more on equity, less on efficiency, and more on humility, less on hubris. Since he presented the zombies of macroeconomic policy; his next major work should examine the zombies of microeconomic policy. Then we have the complete set zombie series in economics. I am sure many readers including myself want to see the zombies of microeconomic theory. We shall wait.