unions), the nature of the balance of payments constraint, beliefs about the unemployment-inflation trade-off (depicted by the Phillips curve), the influence of monetarism, the effects of floating the dollar, concern with the 'wage overhang' (oh dear, unions again!) and much more.

By scrutinising these matters, the book tells the story of economic policy, showing the influence of economic analysis channelled through institutional processes and shaped by the evolution of real-world conditions. It is a much deeper political economic exposition than Greg Whitwell's standard book on *The Treasury Line* (1986) which was written at the end of the period that Beggs surveys.

**Susan Schroeder**

**Public Credit Rating Agencies: Increasing Capital Investment and Lending Stability in Volatile Markets**

Palgrave Macmillan, New York, 2015, 196pp.

When the GFC began in 2008-9 there was widespread criticism of the major international credit rating agencies – Moody's, Fitch and Standard and Poor's. They were percived a having exacerbated, if not caused, the crash because of erroneous judgments they made about the riskiness of complex financial instruments such as 'collatoralised debt obligations'.

Critics, including Robert Wade, argued that the agencies were complicit because they derive income from payments by the very businesses whose securities they are supposedly objectively rating. Nothing new there, of course: as the author of this book notes, the ratings agencies have been subjected to criticisms, including 'regulatory capture', ever since they began. A critique of the agencies and their bizarre rating of Australian governments' securities was published in *JAPE* No.34 over 20 years ago.

Susan Schroeder's book thoroughly examines the functions that the credit ratings agencies perform, looking from a perspective informed by heterodox economics. It has chapters considering private credit risk, sovereign credit risk, regulatory capture and the role that a public credit rating agency could perform in stabilising an otherwise unstable situation. The source of the instability is located in the inherent nature of investment in a capitalist economy where uncertainty is ever-present. Schroeder's thoughtful application of insights from Keynes and various post-Keynesians – particularly Hyman Minsky – grounds her critique of the ratings agencies in a broader understanding of the economy. This distinctive analytical feature of the book can be expected to significantly enhance its interest to heterodox economists.

A second distinctive feature is the author's advocacy of public agencies, national or international, as a response to the current problems. 'Market competition', such as it is, among the private agencies is clearly inadequate to safeguard the public interest. The penultimate chapter of the book makes the case that public agencies could impart more stability of lending, promote new technology and increase the profitability of new investments. It is a reformist policy proposal that warrants careful consideration in an otherwise deeply problematic credit ratings process.

**Stuart Birks**

**Rethinking Economics: From Analagies to the Real World**

Springer, London, 2015, 87pp.

**40 Critical Pointers for Students of Economics**

World Economics Association, 2015

online orders at *www.worldeconomicsassociation.org/books*

These two publications seek to steer research and teaching in economics in more fruitful directions. The former presents a fuller version of the arguments that the author compressed into an article for the previous issue of this journal on 'heterodox economics'. Its primary concern is with paradigms and pitfalls in economics, showing why and how methodology matters. The book considers the importance of rhetoric and 'framing' for how economic issues are interpreted. It also shows the biases and misunderstandings that routinely arise in economic inquiry.

Three sets of pitfalls are identified. First are the problems of how theory relates to the 'real world'. Economists have a bad habit of talking about their theories as if they directly explain reality. They don't. At best, they are useful analagies (hence the book's sub-title). At worst, they are quite misleading, deflecting attention from what actually needs to be understood. Second are the problems in the relationship between theory and empirical formulations. Theories are supposed to be amenable to testing against 'the facts', but the process is fraught with difficulty in