

Reviews of books

C. Hanes, S. Wolcott (eds.), *Research in Economic History*, Volume 31, Emerald, 2015, pp. 262.

This volume of *Research in Economic History* – a refereed journal, specializing in economic history, published in the form of a book – contains four papers that primarily present newly constructed data sets.

The first paper, “Decline and Stagnation in the Arab World: Preliminary Real Wage Evidence Comparing Algeria, Egypt, Syria and Tunisia, 1847-1913”, is by Paul Caruana-Galizia (London School of Economics) and focuses on the Arab world, venturing off the well-trodden paths of American and European history. The paper constructs new series for real wages in Algeria and Tunisia from 1847 to 1913 and, comparing them with existing Egyptian and Syrian series, paints a less optimistic picture of Arab living standard in comparison to literature based on measures like GDP per capita. In his *History of the Arab Peoples*, Hourani (2013) considers governance as the driving force of positive developments occurring in Arab countries in the nineteenth-century (for example, investments were made in public works, and new laws defined and protected property rights). This view finds support in Maddison’s (2006) real GDP per capita figures for North Africa, which almost trebled between 1820 and 1913. However, literature was lacking consistent and easily interpretable indicators of living standards. To close this gap, Caruana-Galizia uses real wages. Archival sources are used for price and nominal wage data; nominal wages rates are deflated for skilled and unskilled workers, using consumer price indexes. The series are tested for robustness. The Author also

compares his series to Issawi's (1998) for Syria and Williamson's (1998) for Egypt. What emerges is that real wages were initially dispersed, but converged to similar levels by the end of the period. While countries started out with very different real wage levels, by the end of the period there was convergence around similar living standards – apart for unskilled Syrian wages. Therefore, if there ever was an Arab living standard, it emerged towards the end of the nineteenth century. However, real wages did not generally rise and there is no evidence of a broad-based improvement in living standards over the period. Other papers in the volume focus on the economic history of Europe and of the United States.

The second paper, "New Deal Funding: Estimates of Federal Grants and Loans across States by Year, 1930-1940", is by Price Fishback (University of Arizona).

During the 1930s, Franklin Roosevelt's New Deal created a wide range of programs that are still in place today or set precedents for existing ones. Today there is a vast interest about the New Deal, and it has only grown rapidly after the Great Recession of 2008-2009. Scholars have analyzed the impact of New Deal, and particularly that of the distribution of the funds across geographic areas, using cross-sectional datasets with data aggregated over several years. However, Fishback and his colleagues worked to create a panel data set for the period 1930-1940 with annual observations for over 60 grant and loan programs for which the federal government reported the distribution of funds by state. The starting point for the data set is Report no. 9 from the Office of Governments Reports (OGR), dated 1939. All the New Deal programs, except the Commodity Credit Corporation, are included in the data set, which contains information on a number of programs that were already in place before the New Deal. Since the OGR did not report two major types of fund distributions – the Veteran's Bonus associated with World War I Adjusted Service Certificates and the construction expenditures of the Tennessee Valley Authority – Fishback collected data to add those funds to the data set. The database is an important

result that allows scholars to conduct studies on several topics including the origin of New Deal programs and, more generally, on the economic, social, and political effects of government spending.

The paper written by Bernard Harris (School of Social Work and Social Policy, University of Strathclyde), Roderick Floud (National Bureau of Economic Research), and Sok Chul Hong (Sogang University) focuses on people's welfare during the Industrial Revolution ("How Many Calories? Food Availability in England and Wales in Eighteenth and Nineteenth Centuries"). In recent years, several studies concerning the number of calories available for human consumption in Britain from the thirteenth century onwards were published. Harris et al. contribute to this literature. First, they present new estimates of food supply, measured as calories available for human consumption, in England and Wales from the nineteenth century up to WWI, correcting errors present in their previous work ("The Changing Body", 2011). In addition, new information about the calorific value of meat and grains imported from Ireland are included. The authors suggest that these items may have provided 90 additional calories per person per day in 1800 and more than 150 additional calories in 1850. The revised figures are compared with those published by different scholars (Robert Allen, Stephen Broadberry, Craig Muldrew).

The paper by Jessica S. Bean (Denison University), "Not Much Use in Disliking It: The work and Wages of Female Home Workers in London, 1897-1908", uses newly compiled data from two surveys of female home workers conducted by the Women's Industrial Council (WIC) in order to explore the labour market characteristics of the lowest-paid workers in the early twentieth century. The WIC had been established in 1894 in Britain as a "permanent association" for watching over the interests of women engaged in trades, and over all industrial matters, which concerned women; in 1897 and 1907 it interviewed in London women who worked at piece rates in their homes. The reports contain several information (occupations, average weekly earnings and hours, marital status, household size, composition, and total income) for ap-

proximately 850 female home workers. Tabulated results of the two surveys were published by the WIC in coeval reports, but data have never before been examined in scholarly literature. In addition, even if the number of observation is relatively small, the reports offer an opportunity to understand better the relationship between a woman's wages and hours in employment and her bargaining power, as affected by her health and family structure.

Analysis of the data reveals, on the one hand, the heterogeneity of the home workers included in these surveys, but, on the other hand, it stands out that generally home workers were older than female factory workers, most were married or widowed, and the majority of married workers reported that their husbands were out of work, sick, or disabled. Weekly wages and hours of work averaged about 7-9s and 40-45 hours per week, with many workers reporting the desire for more work; the relationship between hour of work (daily and weekly) and hourly wages was negative, and the wives and daughters of men who were out of the labor force tended to work longer hours at lower wages. These findings lend support to contemporary perception that women driven into the labour force by immediate household need were forced to take the lowest-paid work, whether because they lacked skill and experience or bargaining power in the labour market.

The last paper, "Capital Inflows, Current Accounts and the Investment Cycle in Italy: 1861-1913", is by Barbara Pistori and Alberto Rinaldi (University of Modena and Reggio Emilia). The paper examines the causes of fluctuations in the current account and investment in Italy, before the First World War, a question widely debated in the economic history of Italy. Until the 1980s, the prevailing view was the one of Bonelli-Cafagna, in which persistent current account (CA) deficits in the year from unification to World War I were generated by the dynamics of GDP. However, in recent years Fenoaltea (2011) stressed the primary role of variations in capital inflows. Pistori and Rinaldi test Fenoaltea's argument by using Granger causation analysis and a new data set, which uses two different series for the CA: for the years 1861-1867, the

series produced by the Italian national statistical office (Istat) in 1957; and, for the years 1868-1913, the more recent series produced by Morys (2006). For GDP, total investment, and investment in plant, machinery and transport equipment, authors rely on the new series provided by the Bank of Italy in 2011. To take into account the possibility of two distinct chains of events depending on whether the Italian lira adhered to the gold standard, two separate Granger causality tests are performed. One for the years in which Italy had a fixed exchange rate regime (1883-1892 and 1903-1913); the other for the period in which gold convertibility of the Italian lira was suspended and the exchange rate fluctuated (1866-1882 and 1893-1902). On the authors' interpretation, the overall results show that persistent CA deficits in the years from unification to World War I were generated by variations in capital inflows, as argued by Fenoaltea. They provide only partial confirmation for Fenoaltea's theory of the investment cycle in Italy: capital inflows prompted an industrial investment cycle in equipment and machinery but not – as claimed by Fenoaltea (1998) – a general investment cycle which included also construction and more volatile components of investment.

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P. Germuska, *Unified Military Industries of the Soviet Bloc. Hungary and the Division of Labour in Military Production*, Lexington Books, Lanham, MD & London, 2015, pp. 328.

Pal Germuska's study deals with integration in the field of socialist military industries. The book is a chronological and historical narrative of Hungary's role in the socialist countries' military cooperation and production from the beginning of the Soviet bloc in the 1940s to its end in at the turn of the 1990s. It is based on extensive research in Hungarian party and state archives. While not an economic history of the military

industry as such, it deals with the mechanisms of the industry and provides insights for research on more general themes in the field of Soviet and Eastern European history.

Germuska sets as the book's task to analyse socialist military cooperation in the context of the Soviet-led bloc. He analyses a field of industrial cooperation that was de facto situated between the bloc's two organisations: the COMECON for economic and the Warsaw Pact for military cooperation. After the end of the Cold War, more focus in research has been put on the military cooperation of the Soviet bloc and on the Warsaw Pact. Germuska's book is an attempt to tie the currently rather separate narratives of the two organisations in a case study that integrates both of them, i.e. military cooperation. It fills a gap in the historiography and raises high hopes for anyone doing research on either one of the organisations, or on the Cold War in general.

The Council for Mutual Economic Assistance, CMEA, or COMECON as it was derisively called in the West, must rank amongst the least well researched and known of international organisations. The absence of research on the CMEA has been due to both a lack of primary sources as well as the (supposed) insignificance of the organisation. The unfortunate situation in access to archival sources in Hungary leaves Germuska's book even without a thorough analysis of the final phases of CMEA integration. Yet, the situation for studying the CMEA is improving as access to CMEA materials in Moscow have been enhanced since this research was conducted.

Due to the limited amount of studies on the CMEA, it is not uncommon for a monograph on socialist integration, as this does, to start the narrative noting that there is still controversy surrounding even the establishment of the organisation in 1949. Much of the prior literature has referred to an article in Pravda dated January 25, while more recent research has pinpointed the event to an earlier date – January 8 – which is discussed also by Germuska. There is disagreement even regarding the reasons for the creation of such an organisation. Contemporary Sovietologists considered the CMEA as an attempt of the

Stalin leadership to tie the newly founded People's Democracies of Eastern Europe closer into the Soviet orbit. Recently, more emphasis is put on the economic needs of all the members-to-be.

The priorities set for the organisation at its establishment were self-sufficiency and uniformity, yet both of these principles went through a redefinition during the following decades. The socialist division of labour was interconnected, if not with official approval then at least through an unofficial compromise, to the global division of labour. The capitalist economy and market turned from a political taboo into an object of desire whose best features the socialist economy sought to imitate. It is in this vein that the CMEA launched its own integration programme, the Complex Programme, adopted in the summer of 1971. As Germuska's study points out, amongst the most controversial issues of the CMEA integration programme were the bloc's relations with the outside world.

An interesting detail emanating from the study is that some Eastern European states, Hungary in the forefront, had asked the organisation to discuss the members' trade relations with capitalist countries as early as 1953, in the aftermath of Stalin's death (pp. 26-7). The effort had even been repeated a few years later as well (pp. 80-81). The book does not indicate why the Hungarian proposals were disregarded during the Khrushchev era, though.

In addition, the restricting uniformity rule needed to make room for a more flexible one, the interested-party principle. It was formulated to allow firstly, the member states to show their disinterest in cooperation and let them step aside, and secondly, to enable the interested ones to continue without vetoes from reluctant partners. While the change in the code of conduct brought a boost to CMEA cooperation, it also was a showcase of how Soviet coercive force over the "satellites" was evaporating.

Germuska addresses the Soviet influence over its allies through the framework of two concepts: hegemony, which is understood as a relationship based on some degree of mutual interest; and imperial power

that is defined as the subjugation of the conquered. He argues that during the Cold War decades the relationship turned from one based on Soviet imperial power to a hegemonic one, with the members of the alliance in some degree of understanding of common interests. However, the longest of the book's chapters, chapter four entitled "Common Interests, National Interests" dealing with the 1970s, touches upon the core issues of the alliance. As Soviet influence over its allies was clearly diminishing, and its power was transformed from imperialist coercion to hegemonic command, the allies were empowered to fight for their own interests. The 1970s was a period during which the centrifugal forces within the bloc came to the fore.

The author defines the international context in which Hungary and its military industry actors and officials manoeuvred to be the Soviet-led bloc. A reader not knowledgeable of the inner workings of the socialist system might have welcomed some references to the outside world as well. To name a few important global frameworks, the study could have made references to Western technological advancements, the globalization of production and the digital revolution. Moreover, what is missing in the big picture is a discussion of the enemy against which the Warsaw Pact was arming itself, that is, NATO. The author refers to the "enemy" a few times, and notes that the socialist countries seemed to have been preparing for a nuclear war, but there is no discussion on the extent to which the military armament of the Warsaw Pact members was connected to what was happening on the other side of the Iron Curtain. The US-led high-technology embargo, the Coordinating Committee for Multilateral Export Controls (CoCom), is mentioned in passing, but it would have been an interesting side story to the socialist countries' coordination of military technology to read more on how they sought to bypass the restricted access to Western technology.

The monograph would have benefited from copy-editing as well as from reducing the abundant references to titles of actors, reports and organs. More importantly though, the book would have improved with proper introductions and conclusions in the chapters. Currently,

only chapter three starts with a summary. As it stands, some of the research results are left a bit in the air.

Even with these small misgivings, the book by Pal Germuska fills an important gap in the literature on socialist cooperation. His is a detailed history of an entire industrial field, but it can also be read as a case-study on how the bloc's military and economic organisations, the CMEA and the Warsaw Pact interacted, and consequently fought over jurisdiction. Their failures to define their respective authority, as depicted by Germuska in his book, testify to the reasons why the socialist bloc was not able to stand up to its vision to challenge the Western bloc.

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T. Herzog, *Frontiers of Possession. Spain and Portugal in Europe and the Americas*, Harvard University Press, Cambridge, Massachusetts, 2015.

Tamar Herzog's *Frontiers of Possession. Spain and Portugal in Europe and the Americas* embodies the author's major scientific concerns. First, linking history and law. Second, overcoming nineteenth and twentieth-century only national narratives: on the contrary, the book stresses long overlooked continuities between several early-modern imperial experiences. Third, reconstructing the territorial formation of Spain and Portugal in both the Old and the New World.

The book focuses on the creation of borders between the two monarchies, and in both continents, in the early modern period. Diverting the attention from royal agency, Herzog observes how the division came into being on the field, highlighting the central role played by a large and heterogeneous set of agents, moved by multiple, variable, but always concrete interests, responsible for shaping identities and the boundaries. The book portrays a complex, even chaotic, process of ap-

appropriation, in which individuals and groups «explored, settled, and used different spaces», while «they vocally and often violently rejected claims by neighbors who wanted to do the same, arguing that they had preferential rights» (p. 1). By doing so, they were defining who they, and others, were and which their spaces were. Herzog describes those «multilogues» that involved a «plethora of agents» as follows: «informed by categories that might have proceeded from erudite legal theories but that according to them represented the way things were or ought to be, those struggling to affirm their rights over certain territories were also guided by the stories they had heard and the loyalties and disloyalties they harbored as they imagined themselves as participant in families, groups, and communities» (p. 243).

The work offers an original contribution to the literature on the formation of boundaries. Herzog's book stresses the importance of diplomatic, political, and military history. In this, it shows how territorial confrontation, «manifested itself mostly in minute struggle rather than great wars, individual actions rather than formal treaties or diplomatic negotiations» (p. 8).

Herzog questions narratives that present metropolitan borders as natural (emerging from autochthonous and spontaneous dynamics) and colonial borders as artificial (suddenly and forcedly imposed from the outside). She also refuses resorting to the distinction between internal and external frontiers, which assumes that, differently from Europe, the occupation of land and the control of its inhabitants was achieved only after the establishment of boundaries between neighbors. Supported by sources, culled out from dozens of archives on the two sides of the Atlantic, *Frontiers of Possession* aims at providing a «fully integrated account» (p. 10) the processes of territorialization of early-modern Spain and Portugal.

The book is deftly designed, and divided into two parts, each comprising two chapters.

The first part reconstruct territorial confrontations that tended, more than the metropolitan ones, to be presented by the contemporaries as

involving *naturales*, which identified themselves as members of the royal community and claimed rights. Stimulated by the promises of the Americas, the locals' effort to secure land fed a debate in which kings occasionally participated, though their attempts at instituting bilateral agreements mostly failed. Juridical doctrines based on Roman law (which presumed that titles depended on possession) «encouraged the occasional employment of violence». Moreover, by establishing that «only actions taken by vassals could lead to the acquisition of rights», they «forced contemporaries to identify who they and their rivals were and to which community they belonged» (p. 68). Integrations were therefore as important as eliminations. In this, «the category of Spanish and Portuguese often metamorphosed» (p. 245). In addition, the situation was even more complex because of the union of the crowns of Spain and Portugal from 1580 to 1640. These dynamics affected also indigenous communities, which became, in Herzog's words, «the true *terra nullius*, the real object that was to be occupied» (p. 245).

The second part of the book is centred on the European case. Frontiers were established after prolonged negotiations, which had begun in the Middle Ages and would only end in the twentieth century. Municipal bodies were the main, though not the sole actor involved in the process, as individuals or groups interfered. Just like in the New World, most territorial disputes focused on possession, but involved neighbors that tended to identify themselves as *vecinos*, members of different municipalities, rather than as *naturales*. Neighbours, called *fronterizos*, were stereotyped by contemporaries as being wild and aggressive. Their identity was being shaped, and reshaped, along with the definition of their territories. To depict European border conflicts, Herzog speaks of 'shifting sands': apparently motionless, though always in movement. Border shifts were due, on the one hand, to the play of memory and forgetfulness and, on the other hand, to changes in the broader picture. Opposing parties often claimed to be the expression of imaginary past rights. All this was encouraged by a change in the idea of property and

of jurisdiction, whereby territory gradually came to be perceived as a changing human product. Reference to possession shifted from a means to maintain territorial control to a tool for grabbing, from a mechanism of preservation to an instrument of change. In the third and in the fourth chapter, Herzog reconstructs several conflicts, presenting the parties involved, and their claims, in the *long durée*.

This book offers an original contribution to the history of borders formation in early-modern empires. It is therefore a refined book in global history. It also throws a special light on Marc Bloch's idea of the *historian's craft*. What «all historians usually do», concludes the author, «is to argue that things were more complicated than they appear. Unpacking historical narratives, they seek to demonstrate how they were constructed, by whom, and to which purpose. Witnessing constant instrumentalization of the past to discredit or support certain claims, they hope their work might illuminate alternative ways to think about what transpired. Departing from the study of genealogies that argue that the present was inevitable, they suggest that there were roads not taken, possibilities not explored. Their principal task today is to explain not how we got here but what we have missed in the process» (p. 257).

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M. Moroni, *L'impero di San Biagio. Ragusa e i commerci balcanici dopo la conquista turca (1521-1620)*, Bologna, il Mulino, 2011, pp. 273.

Traditionally, Ragusa (present day Dubrovnik), the Dalmatian city devoted to San Biagio, has been crucial for historians for its relevance in maritime trade – both in the Adriatic and Mediterranean regions – between the low Middle Ages and early modern age. Apart from some exceptions, including the works by Antonio Di Vittorio, literature has failed to fully grasp the importance that Ragusa had in the Balkans

and particularly during the Ottoman Empire, when the “Repubblica di San Biagio” played a valuable role as economic (and not only economic) mediator, between the Christians and the Turks. Marco Moroni devoted this book to this research, through an extensive use of archival sources, precisely the *Debiti di Notaria*, which are conserved in the State Archive of Dubrovnik.

It is almost impossible to find sources like these in other cities. In this case, the obligation to register trade credit (which in Ragusa existed since the end of the XIII century), has produced a vast amount of information. Moroni uses it to reconstruct the «golden age» of the “Repubblica di San Biagio”. The period under examination extends from the conquest of Belgrade by the Turks (1521) until the European crisis of the 1620s. What emerges is an interesting picture, one in which the author accompanies the economic trends brought to light by *Debiti di Notaria* with the stories of families and of merchants.

The volume is divided into seven chapters. The first chapter (*Tra Adriatico e Balcani*) presents the source used, the afore-mentioned *Debiti di Notaria*. The second chapter (*La pacifica invasione, 1521-1560*) reconstructs the rise of commercial trade of Ragusa in the Balkan peninsula. Its rise can be traced back to the XIIth century, although it was not until the XIII and XIV century that the status of the merchants of Ragusa in the region would consolidate and be strengthened, above all in the trading of salt and precious metals. With the Turkish conquest, the mineral trading was to fall under the direct control of the Ottoman Empire. *Rebus sic stantibus*, Ragusa would appear to be heading for an inexorable decline. On the contrary, the “Republic di San Biagio” transformed what could have caused a structural crisis into an opportunity. Thanks to the agreements signed with the Ottoman authorities in 1430 and in 1442, the city obtained, with the payment of a conspicuous sum of money annually, exemption from most of the duties and freedom of trade throughout the Empire. The conquests of Suleiman the Magnificent in the years during the 1520s, with the occupation of Belgrade and Buda, mark the conquest of the Balkans. Suleiman, following his pre-

decessors, would permit Ragusa to possess its own merchant colonies in the principal Balkan cities (understandably, with the payment of an annual sum of money). In this way, the merchants of Ragusa, using maritime or overland routes, could benefit from the market that the "Turkish pax" made larger and stable with respect to the past. They were, therefore, unrivaled in their commercial trades with the most important centers in the area. Among the goods exported one finds leather, wool and wax, while imported goods included ceramics, paper, utensils, weapons and various other manufactured goods.

If trade in the Balkan area of Ragusa were to grow in the mid-XVIth century, it would not be until the 1560s to the Battle of Lepanto, that a record of the apogee was kept. It is analyzed in detail by the author in the third chapter of this book (*Il primato, 1561-1570*). It would just be sufficient to mention one detail: «between the first January 1561 and 31st December 1570, the notary of the Republic, entrusted with the task of recording data in the acts *Debiti di Notaria*, stipulated 7392 loan-contracts; at an average of 740 contracts annually, with loans for over 200.000 Ducats in total per year ... during the decade, it exceeded two million Ducats» (p. 70). What emerges from the contracts is a microcosm of merchants and artisans, above all ship-owners, ship-captains and members of known well-to-do families of the city. As to the geography of the trade routes, the merchant-bankers of Ragusa would succeed in creating a network of their economic interests that increasingly extended over wider areas; the most important centre was undoubtedly Belgrade, followed by the colonies of Sophia, Bosnia and Novi Pazar.

The parabola of the merchant company in Ragusa would undergo a change after Lepanto, marking a definite turn-around in the trends (see chapter IV). Even though the "Repubblica di San Biagio" would not participate in the war of the "Sacred League", the consequences on the economy were inevitable. On this, Moroni provides a scenario that is quite different to what had been depicted by the literature, which on more than one occasion had highlighted the benefits that Ragusa, despite the difficulties that Venice was undergoing, would have gained

from the conflict. The information obtained from *Debiti di Notarìa*, provide evidence of a process of «decomposition and re-composition of the entire mercantile system of Ragusa in the Balkan area» (p. 115), in which the general decline in trade would be accompanied by the marginalization of those colonies that proved to be less dynamic and less well-organized.

The negative trend would continue well into the successive decade (1590-1600), when, in addition to the pre-existing internal strife, there would be an attempt by the “Serenissima” to disrupt the commercial hegemony of Ragusa in the Balkans, through a revival of the Port of Spalato (chapter V, *La reazione di Venezia*). These were the most difficult years for Ragusa, ones in which the micro-story of a small state would intertwine with the macro-transformations that were taking place in international trade. Nevertheless, as it had happened after the Turkish invasion, the small Adriatic Republic was able to resist to a shock that could have led to its disappearance. One finds old and new players, respectively members of the well-to-do families in Ragusa and new economic operators, trading leather, animal-skins and other products imported both from the Balkan hinterland through ports on the Black Sea, trading English and Flemish fabrics on the Ottoman market (see chapter VI).

The early decades of the XVIIth century are, therefore, characterized by a recovery of Ragusa, which, however, would not be long lasting. For several reasons, including the conflict within the borders of the Ottoman Empire, the outbreak of the Thirty-years’ war in Europe, and the rise of new merchants in the Atlantic area, from the 1620s the “Repubblica di San Biagio” would experience a gradual ‘peripheralization’ from which it would never recover (chapter VII, *La ripresa e il declino, 1601-1620*).

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G. La Malfa, *John Maynard Keynes*, Feltrinelli, Milan, 2015, pp. 119.

The economic and financial crisis has led to vivid and profound debates about economic policy-making. It has also rekindled interest in the 1930s Great Depression and the revolution in economic theory which it triggered. This book by Giorgio La Malfa on John Maynard Keynes is a clear example of this tendency.

La Malfa's book is published in the "Heirs" series of short essays in which scholars reconstruct the ideas of their "symbolic father". The essays are intended as a dialogue between the author and his intellectual mentor, in which the author not only offers a historiography of his mentor's ideas, but also explains the relevance for him and for his contemporaries. Key questions are: what does it really mean to be an heir of a master? What does it really mean to "rethink" the ideas of a master? What is still relevant today?

Giorgio La Malfa has taken up this challenge in an excellent way for John Maynard Keynes. La Malfa is a well-known person in the Italian and European political and intellectual world. An economist by training, he was, like several other Italian economists of the postwar generation, close to Modigliani and his approach to Keynesian economics. During the last decade, La Malfa has become increasingly interested in Keynes, two of whose works he has edited in Italian: "Am I a Liberal?" and "My Early Beliefs".

The book is divided into five chapters: Introduction; The Keynesian revolution (1936-1946); The genesis and the making of the General Theory (1931-1946); the origins of the General Theory; Right and left today: the legacy of Keynes. La Malfa focuses in the first instance on the Keynesian revolution in economics, especially in Anglo-American economics, and then goes back in time to the genesis and origins of the General Theory. He concludes, in the spirit of the "Heirs" series, with Keynes' legacy for today.

John Maynard Keynes was not a conventional man. He had an enormous range of activities: economist, fellow of King's College at

the University of Cambridge, journalist, speculator, chairman of an insurance company, pacifist, arts Maecenas, books and paintings collector. He he was a man who frequented many different milieus, some of which clearly belonged to the British establishment, while others were highly critical of that very establishment.

In this *Weltanschauung*, Keynes was heavily influenced by the Bloomsbury Group, to which he belonged, a group of artists and writers which rebelled against the dominant Victorian and Edwardian values and rules. Keynes' dual and ambiguous position, both as a member and a critic of the establishment comes clearly to the fore in his attitude during the First World War and the peace negotiations afterwards.

Although being a conscientious objector, he worked at the Treasury during the war, making the best of his skills to find ways to finance and support the English war effort. After the end of hostilities, Keynes was the principal representative of the Treasury at the Paris Peace Conference. He soon became convinced of the unreality of the Peace Treaty and felt that the German reparation payments were too a high burden to be bore. Consequently, he resigned, and wrote *The Economic Consequences of the Peace* (1919), which turned out to be a bestseller and made him famous worldwide. However, it did not help his popularity in the British establishment.

Keynes' economic vision shines through clearly in *The End of Laissez-Faire* (1926), to which La Malfa pays ample attention. Keynes rejected the notion that a free market economy can be left to itself. The two basic flaws of a free market economy are its incapacity to guarantee full employment and the unequal income distribution. Keynes did not want to submit to blind economic forces. He favoured government intervention to remedy these ailments. But he was certainly not a socialist. In his view, the government had to steer effective demand, mainly by means of monetary and fiscal policy. In this framework, private initiative could then prosper.

The Keynesian perception structure is deeply marked by the experience of the Great Depression. The story about high unemployment figures

and the fall in output in the 1930s precedes the exposition of Keynesian economic theory. There then comes a new vision on the free market economy as an inherently unstable and non-self-regulating system. For La Malfa, this division is now the crucial divide between left and right, with the right believing in self-adjusting free markets, and the left *not believing* in self-adjusting free markets and thus arguing for government intervention.

The key theoretical concept of Keynesianism is the theory of effective demand. Keynesians argue that output and employment are determined by demand on the goods market. The adjustments in output and employment have a crucial equilibrating role, especially thanks to the multiplier effect. This contrasts with classical economics, where this equilibrating role was performed by the price mechanism.

Keynesian economics is certainly not a homogeneous notion. Coddington (*Keynesian Economics, the Search for First Principles*, *Journal of Economic Literature*, vol. 14, no. 7, 1976, pp. 1258-1273) distinguished three kinds of Keynesianism: fundamentalist, hydraulic and disequilibrium.

Fundamentalist Keynesians, like G. L. S. Shackle and Joan Robinson, perceive Keynes' *General Theory* as posing a fundamental threat to conventional economic theory, both macroeconomic as well as microeconomic. They emphasise the importance of unreliable and suddenly shifting expectations in the determination of all economic variables. Hydraulic Keynesianism was especially popular during the postwar period. Important proponents were Hicks, Samuelson, Tobin, Modigliani and Hansen. They focus on the macroeconomic aggregates (income, consumption, etc.), whereby they assume that there are stable relationships among them, which they intend to analyse with the help of macroeconomic models. Disequilibrium Keynesians, like Clower, Leijonhufvud and Malinvaud, start from a Walrasian general equilibrium framework. They look for the conditions in which a Keynesian effective demand theory becomes applicable.

An issue where I rather disagree with La Malfa concerns his appraisal of Sir John Hicks. La Malfa argues that Hicks put Keynes in the same

lineage as the classical economists and that Hicks played an important role in the revival of classical economics (p. 33 and 38). Hicks' relationship with Keynes is certainly not a simple one, and it evolved through time (Maes, *IS-LM: The Hicksian Journey*, *De Economist*, vol. 137, no. 1, 1989, pp. 91-104). However, one should not forget that Hicks started as a disciple of Robbins and Hayek. In developing Hayek's monetary theory, Hicks became very critical of Austrian economics (Maes, *Hayek's Ailing Research Programme: the Case of Hick's Marginal Revolution in Monetary Theory*, D.E. Moggridge, *Perspectives on the History of Economic Thought*, vol. IV, Edward Elgar, 1990, pp. 125-136). His main criticism was that money and uncertainty were intimately related, making a monetary economy inherently unstable, something that was very close to the ideas that Keynes was also developing.

All in all, this interesting book fits perfectly into the philosophy of the "Heirs" series and offers a beautiful overview of Keynes and Keynesian economics and its relevance for today's world.

Ivo Maes

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I. Maes, F. Moss (eds.), *Progress Through Crisis?*, Proceedings of the Conference for the 20th Anniversary of the Establishment of the European Monetary Institute, European Central Bank, 2014, pp. 164.

On 12nd February 2014, the European Central Bank (ECB) and the National Bank of Belgium organized a meeting in Brussels for the twenty-year anniversary of the European Monetary Institute (EMI). Born in 1994 and replaced by the ECB in 1998, EMI has been a key monetary institution for the second step of the European Monetary Union implementation. Soon after a currency crisis, EMI played a crucial role in the transition towards the monetary union, paving the way for the establishment of the ECB.

The Brussels Conference has been an occasion to celebrate the importance of the EMI, its role on the winding road to the monetary union along with the important contribution that economist and central banker Alexandre Lamfalussy, first president of EMI, provided in setting up the Euro. The goals of this volume go beyond the mere commemoration, highlighting the similarities between 1990s crisis and 2007-2008 financial turmoil, with the purpose of better understanding their consequences together with the knowledgeable teachings for a smooth transition to the further integration.

Conference proceedings are divided into three parts. The first is dedicated to accurately analysing the 90's crisis; the second defines EMI's role in the 90's crisis; the third one highlights the transition from EMI to EMU. Conclusions from Mr. Lamfalussy are also provided in the last part of the volume.

R. Moghadam, D. Gros, T. Wieser, W. Heine e A. Sapir investigate 1990s and 2007-2008 financial crisis causes.

Gros' analysis demonstrates the lack of options for nations with a high indebtedness level. The entrance in the monetary union, on the one hand, would force them to pay high-risk premia in order to remunerate the default risk. On the other hand, maintaining a monetary independence would mean higher inflation risk, therefore higher risk premia. In both cases, higher bond yields will generate unsustainable financial costs, with the only difference being that political and economic costs of a sovereign default are much higher than those linked to inflation or interest rates variation.

Sapir's contribution focuses on the very nature of the two crisis and the suitable instruments to combat them. The 1992 European Monetary System (EMS) crisis has not been a liquidity crisis (unlike the 2012 Euro area crisis). Rather, its causes can be found in a currency misalignment between countries. A lack of compatibility emerges in the three prerequisites of the EMS— fixed exchange rates, free capital mobility, autonomous monetary policy. The 1992 recession was caused by three structural deficiencies in the system definition, namely poor

risk comprehension, failures in monitoring financial and economic disequilibrium, and lack of coordination in addressing such issues.

The second part of the volume is dedicated to the analysis of EMI's role and contribution to the definition of the ECB mandate to preserve the Euro's purchasing power and guarantee price stability. Moss provides an accurate assessment about the EU treaty-based convergence mechanism. Sheller's work focuses on the monetary-policy design of the ECB and its instruments.

J. de Larosière, J. C. Trichet and M. Draghi provide final reflections about new challenges European Monetary Union will have to face in the future.

Trichet analyses the progress made by EMU. He acknowledges that it is not easy to find the right solution for the union's problems, as a distinction is necessary between the union as a whole and the countries composing it. Public debt, deficit, and balance sheet seem more stable than those of other western countries (Japan and the U.S., in particular). Fiscal, competitive and solvency differences, however, represent the reason for different achievements and results. Lack of a solid European governance, the incompleteness of the Stability and Growth Pact and defects in competitiveness indicators and crisis-management instruments are at the core of certain countries' vulnerability. Trichet's aim for crisis-management and its overcoming favours a fiscal and economic union in which major decisions are delegated to European Institutions, once a member state is no longer capable of undertaking fiscal and economic initiatives, therefore casting a shadow on the Union as a whole.

The legitimacy and the democratic nature of such centralized process implies an agreement between the involved nation and the European Council; moreover, the final verdict is up to the European Parliament. Draghi's speech focuses on the necessity of a banking union for an efficient and sustainable financial integration in the Eurozone. Financial fragmentation, which is at the core of the sovereign debt crisis, can be overcome through tight supervision and transnational banking integration.

As is evident from the present reality, it is an on-going process in which historians and economists will argue with increasing awareness in the years to come.

Sabina Smailovic

C. Manera, *The Great Recession. A Subversive View*, Sussex Academic Press, Brighton-Portland-Toronto, 2013, pp. 131

This is a book on the recent crisis. The crisis began in 2007 and was long underestimated by policy-makers, bankers and economists. Many have now acknowledged their errors. Luckily, the response to the crisis, in contrast to its prevention, was characterized by international cooperation, at least among central banks. This book is part of a series on economics and on economic history (including works by Attali, Krugman, Razin, Sabatini, Sapelli, Temin).

It is divided into five chapters. Chapter 1 provides an Introduction, presenting the structure of the book and its viewpoint. Chapter 2 analyses the crisis, seen as a cyclical rather than a one-off event. Fundamental elements are highlighted: the loss of capacity in the US economy, the emergence of new competitors in international trade and the causes and characteristics of the crisis that broke out 2008. Chapter 3 compares the orthodox and heterodox positions about how economic activity should be managed and looks at some key indicators, such as inflation, unemployment and growth variables. It also looks at profits, an essential factor in understanding the nature of the crisis, which is not simply financial. In addition, it provides information on capitalist overproduction in historical perspective. Chapter 4 underlines the role that historical perspective can play and explores factors affecting the dominant ideology in the economics profession, largely ignoring the past and focusing mostly on short-term factors. The concluding chapter suggests specific actions to be taken and designs new explanatory frameworks.

The crisis has also questioned some of the fundamental pillars of mature capitalistic economies such as high standards of living and diffuse economic security within society. At the same time, the crisis could be, at least in part, the result of increasing inequality in advanced countries, starting from the 1980s. In this perspective, the crisis would be rather the consequence of the conservative shift begun in the years 1980 rather than the outcome of the alleged excesses of the welfare state. If this is the right explanation, cuts in public spending are not likely to strengthen the recovery, nor to address the underlying distribution problem. One should look at the post-war period as a source of inspiration for a renewed cooperative effort for prosperity.

Finally, Manera's is a most thought-provoking book. As he writes: "It is an exercise in subversion that is increasingly necessary given the one-dimensional, heated, Orwellian discourse that is pointing the world towards depression, discouragement and paralysis".

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A.A. Persico, *Il Codice di Camaldoli. La Dc e la ricerca della "terza via" tra Stato e mercato (1943-1993)*, Milano, Guerini e Associati, 2014, pp. 283.

The so-called "Code of Camaldoli", published in 1945 as *Per la comunità cristiana: principi dell'ordine sociale a cura di un gruppo di studiosi amici di Camaldoli*, played a prominent role in shaping and guiding the Christian Democratic movement in post-war Italy as well as inspiring several provisions of the Constitution of the Italian Republic (1948). The "Code" gathered the ideas of a group of Catholic scholars who, in July 1943, convened in the ancient Camaldoli Monastery, in Tuscany, in order to formulate a modern approach to Catholic social doctrine, seen as an alternative to the dominant ideologies of the time. Their aim was to exchange views and reflect on the social teachings of the Catholic

Church on issues such as work, the family, the international community, the relationship between human beings and the state, and that between the common good and personal freedom. They succeeded in drafting a document meant to update the “Code of Malines”, an earlier attempt in the history of Catholic social doctrine, published by the International Union of Social Studies in Malines, Belgium, in 1927. The war and the collapse of the Fascist regime forced the Camaldoli group to look for new links between Christian ideals and future social and economic challenges. Economists Sergio Paronetto (1911-1945), Pasquale Saraceno (1903-1911), Ezio Vanoni (1903-1956), and jurist Giuseppe Capograssi (1889-1956) – to name only a few – were entrusted with the drafting of the “Code”, which provided guidelines to the Christian community for the new social order of the postwar years. However, though representing the theoretical cornerstone of economic policy of Christian democratic governments, the “Code” was soon forgotten.

Attention was again drawn to the “Code” in the 1980s, thanks to the journal “Civitas”, which reprinted it twice. Yet, in a period of political crisis and of weakening ideological identities, it was almost impossible to reconsider the importance of the historical context in which the “Code” had been written, its impact on the Constitution of the Italian Republic, and its legacy well beyond its myth. According to some readings, which gave rise to a scholarly controversy about the roots of the “Democrazia Cristiana” (see, for instance, the view of Maria Luisa Paronetto Valier, 1918-2014, the wife of the aforementioned Sergio, who witnessed the drafting of the “Code” and later became a prominent figure in the newly-born UNESCO), the “Code” gave shape to a community of shared values, influencing the choices of the Christian-democratic ruling class.

The book by Alessandro Angelo Persico, is an in-depth study of the history of the “Code”, its drafting and its influence on Italian post-war history. Persico’s scholarly approach sets the historical background and the personalities involved, examining past differing interpretations of the Code along with their political implications.

Persico also illustrates how the drafting of the “Code” managed to fulfill the need for a common reflection on the moral basis of both the Christian and political commitment, which had been strongly sought by Catholic laity during the confrontation with Fascism and its ideology in the interwar years. Interdisciplinary discussion on the relation between Christian doctrine and daily life emphasized common values, balancing ideal motivations and technical solutions.

Persico’s book offers a detailed analysis of the available sources, and new insights. It has four merits. First, it illustrates the context in which the “Code” was written in July 1943, and its deep roots. The author rightly seek them in several important initiatives that had prepared and in many ways marked, a shift and a revival of Italian Catholicism during the war years. Second, it takes into account the plurality of issues raised by the group. Third, it provides a thorough examination of international debates occurring in different fields, such as philosophy, theology and economics and their impact on the drafters of the “Code”, focusing also on a relevant aspect that has been overlooked by historians: the influence of theologians. Fourth, it reconstructs the second phase of the drafting, which involved different groups, and in particular, one made up of prominent Catholic scholars based in Rome and at the Catholic University of Sacred Heart in Milan.

Finally, the overarching merit of the book is not just that of analyzing the contents of the “Code”, but also of reconstructing the development of its principles in the wider context of the political history of the Italian Republic. It this, therefore, a sobering reminder of the interactions between culture, economics, and society.

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