

Alessandro Vercelli, *Crisis and Sustainability. The Delusion of Free Markets*, London, Palgrave Macmillan, 2017, pp. 329.

The reader of Adam Smith's *Wealth of Nations* (1776) in search of opinions on the nascent industrial revolution in England will be disappointed indeed. The pages of the father of classical economics pay only scant attention to the innovations that would produce the industrialization of the productive structure of Great Britain. But this should come as no surprise, insofar as the years in which the Scottish philosopher lived marked only the beginnings of the process of deep and rapid transformation.

Today, almost two and a half centuries later, the scenario may seem, in some respects, paradoxical. Despite the wide range of specialized literature since Smith, the "Great Recession" of 2008 has spotlighted the limits of the prevalent academic approach to economic science, which cannot be allowed to focus only on the mistakes made but should look beyond the most significant crisis since the Great Depression that followed the crash of 1929. Thus, in the awareness that we are now in the throes of an uncertain phase of transition, we could say that contemporary economics has to recover its social dimension. If Adam Smith's contemporaries were the first to see the smokestacks of the factories as the icons of a new era, we too are now witnessing new structures and a new equilibrium, and if we are to adapt to it, as Alessandro Vercelli shows in this book, we have to maintain the central role of market

dynamics as a fixed point in the international debate. Markets are, in fact, the sounding-board of both good and bad economic practices.

Vercelli's book stands out in a panorama that offers an impressive number of publications thanks to his mainly historical analysis, with particular reference to the *new economic history*. This historical approach constitutes a definite point of view, in clear, sharp contrast to the various economic analyses that pay little attention to social issues. In considering the current fluctuations of the global economy, one cannot, and must not, discard the historical approach. Indeed, historical vision is essential to an understanding of economic cycles.

An analytical approach that fails to consider the specific problems and sensitivities of history, and in particular economic history, risks being unable to transmit what is a very simple and at the same time very complicated concept: namely that the proper object of study should be society as a whole.

Not by chance, and remaining faithful to a broad vision of economic analysis, the author refers to the dynamics that emerged in early modern Europe between the Genoese bankers and Emperor Charles V as a perfect paradigm of the interconnections, not exactly virtuous, that may be forged between political and financial power.

The volume is composed of three parts ("Globalization and Financialization in a Long-Run Perspective", "The Great Recession: Causes and Consequences," and "Epilogue"), divided into nine chapters, with an introduction ("Approach and Basic Concepts") and two appendices by Maria Carmen Siniscalchi ("The Evolution of Financial Legislation: A Short Compendium" and "Glossary of Financial Terms").

The author's main objective is to offer a comprehensible interpretation of the trajectory of neoliberalist thinking from the time it began to take hold in the 1970s to the subprime mortgage crisis in the United States and the consequent inception of the Great Recession. The first part consists of three chapters, focusing on markets from different standpoints ("Freedom, Free Markets and Neoliberalism," "The Globalization of Markets" and "The Evolution of Financialization"). The second part is

devoted to the causes and consequences of the crisis that broke out in 2008, not neglecting the adverse consequences of the strict application of the neoliberal approach (“The Neoliberal Trajectory and the Crisis,” “The Neoliberal Financialization” and “Environment and Sustainability”). The epilogue shifts the focus to the political level, thus taking a twofold path. On the one hand the author dwells on the negative repercussions on the European Union (“The Eurocrisis”) produced by the financial crisis. The political belief that the crisis could only be dealt with by austerity and responsible budgetary policy (viz. Greece) fostered widespread mistrust while creating the conditions for the resurgence of contrasts and the re-emergence of dangerous nationalistic forces. The errors made by the European Union in managing the crisis offer Vercelli the opportunity to ascertain that the enormous corrosive force of economic crises is such that, if poorly managed, they may engender, in public opinion, the suspicion that the real danger derives from free trade and economic integration, threats to be eliminated by restoring national borders and restricting the movement of people and goods. In the last few pages of the “Epilogue”, Vercelli goes on to the much more challenging task of launching some ideas for the future. As the author sees it, the point is not to place the blame either on the markets or on the freedom generated by globalization. The problem is not so much economic as political, in that what is needed is policies of regulation and control. It is not a question of limiting the positive effects that markets can have but of making sure that neoliberalist policies do not impede the achievement of sustainable and integrated development. With the victory of Donald Trump in the United States, it is now evident that the economy can act as a real tool of particular political tendencies, far removed from an interpretation of “freedom” in broad, universal terms. In tracing the evolution of the Western economy after the Second World War, the author underscores the importance of the changes that took place during the 1970s. The “certainties” of the golden years of the economic boom were undermined first by the breakdown, in 1971, of the Bretton Woods monetary agreements and then by the oil shocks

of 1973 and 1979. The entire world economy, despite the presence of the two Cold War blocs, went into a state of general “uncertainty” that has persisted to this day. Therefore, following Vercelli’s careful reconstruction, one could say that Eric Hobsbawm’s “short century” was followed immediately by a “new century” marked, to cite just a few of its characteristic features, by economic volatility, the primacy of monetary policy, the loss of individual and collective certainties, and the delocalization of production processes.

This is the only way to understand the outbreak of crisis in 2008. The campaigns to reduce the economic role of the State and the systematic use of the mass media to convince public opinion that the loss of public protection in health, education or work was the proper price to pay for the primacy of individual “liberties” expressed guiding principles that have dominated the western economies since the 1970s. This process has undergone a decisive, dramatic acceleration since the outbreak of the financial crisis, which ushered in one of the most convulsive phases of the contemporary economy. The measures of austerity and retrenchment of public spending imposed on European countries and society called seriously into question social rights and achievements that had been considered definitively acquired.

Even in today’s dynamic global context, some elements attract our interest as if they were the real keystone of the most immediate reality. As the book confirms, there is no doubt that one of the most controversial contemporary issues is the proper role of the market. A great deal has been and will continue to be written about the market, as it is a factor with a seemingly unending series of varieties: regulated markets, planned markets, perfect competition markets, national markets, international markets, and the list could continue. Not by chance – and Vercelli’s book dwells on this aspect at length – the market is the heart of economic action. In fact, one might say that the rules of economics were born at the very moment – we do not know when or where – the first exchange of goods was made. Ever since, interpreting the behavior of the market has been a difficult, maybe impossible task. Sometimes

the market appears as a space (less and less physical) where the decisions of economic agents (individual and aggregated) are reflected; but in other circumstances it presents itself as autonomous, with its own rules and dynamics. A world in constant evolution powered by the wings of Mercury, the god of commerce.

During the twentieth century, in some cases, the market was considered the real and almost unique engine of economic progress and therefore of well-being. However, at least in Western Europe, it was a market driven mainly by the presence of the State and public operation. At the same time, for many people the market was a symbol of exploitation and greed. Then, in the 1970s, the great wave of neo-liberalism swept Western society, and the free market economy, which was on the verge of victory in its secular battle against the Soviet-style planned economy, began to show a far less reassuring face. The weight of finance increased and the resulting regional crises (Asia, Latin America) determined, at a constantly accelerating pace, developments in a globalized economy that, in the absence of political counterweights, could conceal some nasty surprises. Unfortunately, by the end of 2008 we had the answer. But should the blame be put on the “market” as such or on choices of a political nature?

From a certain point of view, the first, principal victim of the crisis of 2008 was trust in the market, so the greatest challenge for the future is rebuilding that trust. Indeed, we might argue that the economy was betrayed by certain financial services. One of the strengths of Alessandro Vercelli’s book is its proposal of an intellectual exercise with parsimonious use of graphs and tables, so as not to lose sight of the cultural dimension of the discipline. In fact, this approach enables us to deal with changes, breaks with the past, growth and crises, as solid parts of a universe of words and deeds that are not themselves at all rigid or permanent. Fluidity, really, as in the story being told.

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