

REVIEW OF MARIO MORRONI, *WHAT IS THE TRUTH
ABOUT THE GREAT RECESSION AND INCREASING INEQUALITY?
DIALOGUES ON DISPUTED ISSUES AND CONFLICTING THEORIES*,
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Mario Morroni's 2016 book on the Great Recession has now been translated from its original Italian and published in English by Springer. It makes accessible to the general reader, and those just embarking on economic studies, discussions and debates on the causes and effects of the Great Recession, the impact from which we still suffer more than a decade on. Nine dialogues are presented in the form of chapters, each of which focuses on a key theme: Increasing inequality; The failure to predict the Great Recession; Why fiscal austerity?; Rolling back the welfare state; The state and the market; The gigantic German trade surplus and the euro; Crisis policy; Environmental degradation; Industrial policy. The dialogues are between a group consisting of a neoliberal economist (Max), a Keynesian economist (Agatha), an environmental-anticapitalistic economist (Forrest) and a third-year PhD student in anthropology (Sarah). The four protagonists are marooned in an airport somewhere in England, their flight greatly delayed by fog, and discuss their common interests in economics and related issues to while away the time until their flight departs.

Max (or, to confer on him the full name the author of this review feels appropriate given his views, Max Utility) is a mostly agreeable straight man for the others' views, which have much more in common with each other than with his. The fifth dialogue makes reference to Max's personable nature and contrasts it with his gruff public persona. These dual aspects of Max's character are quite plausible, given his role as the designated mainstream economist. Max really is Mr Mainstream Economics, both in terms of his split gruff public, and more personable private, persona, and in many

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other respects. The dialogues are a little one-sided because they are, effectively, three against one. It's pretty clear whose arguments young and idealistic Sarah really buys (Forrest's and Agatha's), even if she is written as a neutral arbiter of the others' standpoints. The characterisations can sometimes spill over into cliché, especially in Max's case, but are nevertheless entertaining. The implied demand-management remedies for the lingering aftermath of the Great Recession, outlined towards the end of the book, are quite obviously Keynesian in flavour, and the book seems primarily designed to contrast the Keynesian viewpoint with that of mainstream economics, which it does quite well in many places.

It's pretty clear which side of the debate the book's author is on. Nevertheless, as suggested by the reference to 'truth' in its title, this is a realist account, and much of what is said about the Great Recession and its aftermath is indisputable. Indeed, so widely accepted are some of the espoused non-mainstream views now, one might be hard pressed to find a Max who genuinely thinks all – or even the majority – of the blame for the Great Recession lies with governments rather than banks, or that austerity policies are effective in bringing about strong recovery – both of which Max seems to believe. As noted in one of the dialogues, deep damage was done to many of these mainstream views – and especially that on austerity – by the Rogoff-Reinhart scandal, through which we learned that some of those in the world's great economics departments cannot adequately use a decimal point. Similarly, the fifth dialogue makes reference to the 'meaningless oxymoron' that is 'expansionary austerity', which is indeed a phrase reminiscent of Orwellian doublespeak if ever there was one, given the singular failure for the expected rapid recovery to spring forth once government spending had been slashed and burned. Today, one would have to be truly blind to reality not to see that austerity is self-defeating, and in that respect the book sets out the 'truth' of the matter in commendably simple and accurate terms. The setup, and the discursive approach it entails, facilitates this commendable simplicity. And indeed, as evidenced by the fact austerity policies are still being widely pursued, Morroni is not simply preaching to a world already converted. Such policies are still pursued despite their sometimes tragicomic implausibility and contradictions, as highlighted by Agatha and Forrest herein. The fact that they outright fly in the face of all evidence tells us something important: they have nothing to do with genuinely trying to resolve the aftermath of the credit crunch; they are ideologically motivated.

Yet, apart from the obvious fact that, what mainstream economics implies should work as a response to the Great Recession simply hasn't, the issues under discussion are complex ones. A downside to the book's commendable accessibility is the sometimes glib nature it lends to some of the

arguments, which can seem much more simple and clear cut than they really are. Nowhere is this more obvious than when the debate touches upon immigration on page 13 of the first dialogue, at which point violent agreement seems to break out between the protagonists (even Max). Labour mobility in the form of immigration is only a 'positive factor', according to Max. Agatha adds that diversity stimulates economic growth. The reasons for agreement are later hinted at: there is, it is suggested by Forrest, a fundamental distinction between neoliberalism and liberalism. The implication is that one can be in favour of migration and free movement of labour without being a neoliberal. This is a matter that cuts to the heart of many contemporary fissures and sores running through societies in Europe. However, while this discussion necessarily glosses over some of the more complex aspects of this issue, even here Morroni tries and largely succeeds in presenting an assiduously balanced viewpoint through his four mouthpieces, since on the following page Agatha reflects on the negatives of immigration and free movement of labour, which include undermining the welfare state and bonds of solidarity throughout society.

It's mostly correct that, as Agatha states in that particular discussion, 'econometric evidence overwhelmingly suggests that there is no proof that immigration in the UK lowers real wages' ('mostly' is used here because, in fact, econometric studies have shown a small negative effect from immigration, to the tune of 2%, on the wages of the lowest skilled in the UK). But then, a matter that is less discussed, or even entirely undiscussed, in the book is the privileging of econometric evidence over the more anecdotal evidence of the great unwashed, because the latter does not meet the allegedly objective standards of econometric modelling required by the technocrats. Which is, at least in the view of the author of this review, a central part of what has caused the many divisions in society we now see. Econometrics has a very simplistic understanding of cause at its heart, and provides very poor answers and predictions for any sort of open and complex system, which is what the economy is. In many respects, econometric modelling is as deficient as the highly abstract, single-agent mathematical modelling referenced as a cause of the failure to predict the Great Recession on pages 32 and 33. Sooner or later economists will have to realise that increasingly sophisticated mathematical and econometric modelling is not the solution to the failure to predict crises, it is the problem.

However, the most interesting part of the book is, in this reviewer's opinion, that on the 'gigantic German trade surplus' – the sixth dialogue. As highlighted correctly and with commendable candour in this discussion, the German economy that is so admired by the intellectual left at least in the UK, is an economy based on cheap labour. Real-wage reductions have been facilitated by the introduction of the Euro, which has boosted Ger-

many's competitiveness at the expense of pretty much every other country (apart perhaps, from those supplying intermediate unfinished goods to the German manufacturing powerhouse), and especially those countries at the periphery and to the south of Europe. Germany benefits on a massive scale from the Euro and is able to dictate fiscal terms and conditions and impose them on the other members. The implication is that without – and perhaps with – radical reform the Euro-currency straightjacket, which prevents lagging countries devaluing their now non-existent currencies and by so doing improving their competitiveness, cannot succeed over the long term. The neoliberal discourse of the laziness of the spendthrift Southern Europeans, which requires them to be 'bailed out' (page 120) by the more virtuous in the north, is laid bare. It's better to think that your success and prosperity is due to your superiority, rather than the fact the game is skewed in your favour. While this is not a new argument, it is immediately graspable to the general reader in the way set out here. Furthermore, this dialogue contains aspects that are more novel, such as the discussion of the parallels between what has happened to peripheral European countries since the introduction of the Euro, and what happened to East Germany upon reunification. That is a new angle on this subject, at least to this reviewer.

All-in-all, the book will not be to everyone's tastes, as some will find the discursive, dialogue-based approach grating after a while. But that is really just a vehicle for presenting the arguments in an accessible way. Most general readers will enjoy the characterisations. Goodness knows the dismal 'science' of economics can be dreary at the best of times, but not here. A final commendation should be made here for the sheer amount of ground covered in the book, which draws on a century and more of political economy and economic theorising, from Keynes to Krugman, encompassing Varoufakis, Mirowski, Kalecki, and many others. All in two-hundred pages!