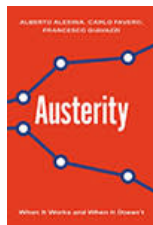


**Economics books****Summer books of 2019: Economics**

Martin Wolf selects his mid-year reads

Martin Wolf 10 HOURS AGO



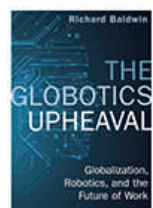
**Austerity: When It Works and When It Doesn't**, by Alberto Alesina, Carlo Favero and Francesco Giavazzi, *Princeton*, RRP£27/\$35

This is an extremely important book. It uses empirical evidence to assess the effects of fiscal austerity through spending cuts versus tax increases. It concludes that the negative effects on output of spending cuts are far smaller than those of tax increases. Moreover, spending-based plans are more effective in lowering the growth of debt than tax increases. Yet, it should be noted that the costs are assessed only in terms of aggregate output and so ignore the distributional impacts of spending cuts versus tax rises.



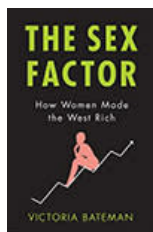
**Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy**, by Anders Aslund, *Yale University Press*, RRP£25/\$35

Vladimir Putin once called the collapse of the Soviet Union “[the greatest geopolitical catastrophe](#)” of the 20th century. This superb book shows why Putin’s regime is a leading catastrophe of the 21st century. Russia’s president has constructed what Aslund calls “an iron quadrangle of four circles of power”: vertical state power; big state enterprises; his cronies; and the “Anglo-American havens, where he and the cronies can safely keep their money”. This delivers macroeconomic stability, but long-term stagnation: it is death to Russia. A part of the solution, argues Aslund, should be radical transparency over the beneficial ownership of wealth held in the west.



**The Globotics Upheaval: Globalization, Robotics and the Future of Work**, by Richard Baldwin, *Weidenfeld & Nicolson*, RRP£20

This is a thought-provoking book by a leading expert on world trade. “Globotics” describes the integration of artificial intelligence with robotics. Improvements in technology will make it far easier to collaborate at a distance. Moreover, many tasks now carried out by people will be done by AI and robots. The combination will, he argues, transform (and threaten) the economic opportunities of huge numbers of relatively educated people in high-income countries.

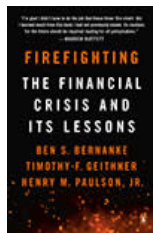


**The Sex Factor: How Women Made the West Rich**, by Victoria Bateman, *Polity*, RRP£55

The transformation in the role of women is the most important social and economic revolution of our time. In this thought-provoking book, Bateman, an academic at Cambridge, notorious for her “naked protests”, argues that the transformation in our thinking has not gone nearly far enough, especially in economics. She argues that “women’s freedom is vital for economic prosperity. It boosts wages, skills, saving and entrepreneurial spirit, and it delivers a democratic and capable state.” Bateman is a feminist, but she believes, against many feminists, that markets “have . . . been central to building women’s freedom”. She is right.

**Firefighting: The Financial Crisis and its Lessons**, by Ben S Bernanke, Timothy F Geithner

and Henry M Paulson Jr, *Penguin*, RRP\$16/Profile, RRP£9.99

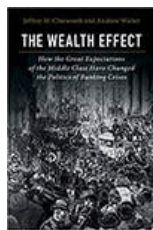


If what these three men did during the financial crisis had not been done, the world would, in my view, have experienced a second great depression. This makes the story told in this short book fascinating and important. Unfortunately, it also contains a sober warning. Despite stronger regulation and more robust financial systems, further financial crises will happen. Policymakers need tools to put out these fires. But, in the US at least, their ability to do so is now less than it was before the crisis. We must pray that we do not learn to regret this.



**The Case for People's Quantitative Easing**, by Frances Coppola, *Polity*, RRP£35

Coppola is a widely read commentator on central and commercial banking. After the last crisis, the principal monetary response was lower short-term interest rates and quantitative easing. This was only moderately effective. It was also unjust, since it principally benefited the wealthy. The alternative, she argues, is for central banks to create money in a crisis that provides people with purchasing power directly. Her view that this operation should be entirely in the control of elected politicians is far too risky. But the view that this must be part of the policy arsenal is right. We should think about how this is to be done when a crisis hits once again.



**The Wealth Effect: How the Great Expectations of the Middle Class Have Changed the Politics of Banking Crises**, by Jeffrey M Chwieroth and Andrew Walter, *Cambridge University Press*, RRP£29.99/\$39.99

This is an important analysis of the changing political economy of financial crises. The central argument is that middle-class electorates will not allow their wealth to be destroyed in such crises. But the consequent shift towards bailouts, in the interests not so much of the bankers as of the public at large, makes finance bigger and more fragile over time and so the crises themselves more dangerous. That, in turn, makes bailouts more politically essential, but no more politically popular. We have ended up in a race between the regulatory capacity of the state and the financial sector's ability to discover new ways to collapse. There is no straightforward way out of this dangerous red queen's race.



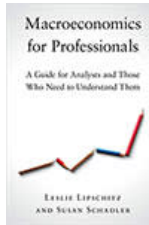
**Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century**, by Torben Iversen and David Soskice, *Princeton*, RRP\$29.95/£24

Many on the right argue that democracy subverts capitalism. Many on the left argue that capitalism undermines democracy. In this brilliant book, Iversen and Soskice argue compellingly that both views are wrong. Democracy and the advanced market economy are symbiotic, because all sophisticated economies are ultimately local: they are built upon dense networks of people and businesses created over time. The resulting combination of democracy and markets has, they argue, proved highly successful over the past century and, in all probability, will continue to be so in future.



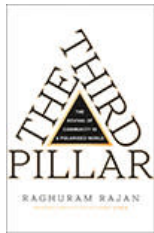
**The State Strikes Back: The End of Economic Reform in China**, by Nicholas Lardy, *Peterson Institute for International Economics*, RRP\$23.95

Lardy is the doyen of western observers of the Chinese economy. In this important study, he argues, persuasively, that China has moved away from market-oriented reform towards a more state-controlled economy, partly in order to strengthen the control of the party-state. This, he argues, is a mistake. Among other things, China cannot simultaneously promote a state-controlled domestic economy and argue for an open world economy. It must choose. The current path will prove damaging for both China and the world.



**Macroeconomics for Professionals: A Guide for Analysts and Those who Need to Understand Them**, by Leslie Lipschitz and Susan Schadler, *Cambridge University Press* RRP£29.99/\$39.99

The authors of this invaluable book are former economists at the International Monetary Fund. The book is written for professional economists and those who try to make sense of what they write. For such readers, it will show how to apply theoretical ideas and concepts to actual economies. It covers everything that matters in macroeconomics: the real economy, prices, monetary policy, fiscal policy, financial stability and the external accounts. Among potential users, frustrated students are likely to find it particularly helpful.



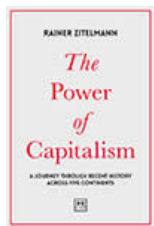
**The Third Pillar: The Revival of Community in a Polarised World**, by Raghuram Rajan, *William Collins, RRP£30/Penguin Press, RRP\$30*

Rajan, former governor of the Reserve Bank of India, has long spanned the worlds of economics, economic policymaking and public debate, with great distinction. In this **important book**, he argues that the balance between the market economy and the state has been disrupted. The solution is to empower a third pillar: the local community. He also recommends other important reforms, including shifting from maximising shareholder value to maximising the overall economic value of businesses, taking in investments by workers and suppliers.



**Economics for Policy Makers: A Guide for Non-Economists**, by Gustavo Rinaldi, *Routledge* RRP£29.99/\$39.95

This exceptionally useful book does exactly what the title claims: it explains economics simply, in words and graphs. Those without much, if any, training in the subject who find themselves having to deal with its underlying concepts and measurements regularly, which is most people in business and policymaking, will find this an invaluable guide. It will take a bit of effort to work through it. But nothing worthwhile is easy. The reward will be much greater understanding of the economy, economics and economists.



**The Power of Capitalism: A Journey Through Recent History Across Five Continents**, by Rainer Zitelmann, *LID Publishing, RRP£23.79/\$33.42*

Capitalism is the only economic system that has proven to be successful, in the long term. This is the core argument of Zitelmann's lively polemic. As is true of most ideologues, he oversimplifies. He understates the costs of high inequality. He also understates the fragility of free-market financial systems. But, at a time when socialism is becoming politically attractive, he rightly points to the proven economic superiority of market economies built on private property.

*Martin Wolf is the FT's chief economics commentator*

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