

## **BOOK REVIEW**

### **Phoenix Economics: From Crisis to Renaissance**

**Author:** Carmelo Ferlito (Senior Fellow, Institute for Democracy and Economic Affairs, Kuala Lumpur, Malaysia)

The author of this recently published book is an Italian academic, who earned his PhD in Economic history. *Phoenix Economics*, his fourth book, is addressed to academics, researchers and those in need of food for thought to debate on economic current issues such as debt, financial crisis or fiscal and monetary policies.

Over the years, we sadly witness the fact that the teaching of economics thoughts is slowly disappearing, leaving the way to a quantitative obsessive approach. This is the starting point of the book and Dr Ferlito's reflections. "The result is the formulation of economic theories that are apparently 'exact' but nevertheless not true. Not everything that can be proven mathematically is also logically valid" (p2). Indeed, prior to explain at length the theory of business cycle, introducing the methodology of economic science is important. The issue is largely discussed in the first chapter.

The second highlight of the book is its Austrian school conceptual framework. When economic perspectives are taught, it too often concentrates on the mainstream liberal dominant dogma. Heterodox approaches are not given enough space. This volume fills this gap.

The author revisits the Austrians background from Tugan-Baronovskiy, Spiethoff, von Mises, Schumpeter and von Hayek in a chapter entitled "For an integrated theory of the business cycle". This long chapter is a textbook style with quotes and graphs complementing a pedagogic writing. Because there has always been a heat debate between Hayek vs Keynes, Dr Ferlito also includes this comparative though aspect from a critical point of view.

In this chapter, the author also makes a theoretical contribution to the role of expectations in the wake of Shackle-Lachmann, with a new concept of dynamic equilibrium, as a process rather than ending point.

In chapters 3 and 4, the topic of fiscal policy is widely discussed as well as its linked issue of public debt. Based on the recent 2008 financial crisis, Dr Ferlito takes a strong stance against the Keynesian type of policies followed by governments, justifying unsustainable deficit spending. All is well backed-up with specific references to Austrian authors (Hayek, Garrison, Leoni).

The last part of the book focusses on the debate around the euro currency from its *raison d'être* of social engineering project to its sustainability in face of European crisis, with the author to admit that "today we find ourselves having to defend the euro as an approximation of a natural currency system" (p144).

Proposals on the way out of the recession are suggested within Austrian approach. Dr Ferlito, considering a certain cyclical dynamic as unavoidable, defends a system that is not run by Central Banks

or State which cannot do better than the market. “What the State could do without causing harm in controlled spending focused on vital infrastructures in terms of development implemented in accordance with market logic” (p150).

Saving, not credit expansion beyond the level of available savings, is the only way to go and sustain investments thus growth. The on-going state of depression we are all in is due to the lack of suitable strategies and poor activities by monetarists and Keynesians, the author concludes.

*Review provided by Marie-Aimée Tourres, Associate Fellow, Foundation for Int’l Development Study and Research (FERDI), France.*