

PAUL KRUGMAN

Întoarcerea economiei declinului și criza din 2008
(*The return of the depression economics and the crisis of 2008*)

Translated by Smaranda Nistor

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Considering the current economic situation we are facing, people become more and more interested in reading crisis related books. The hardest is to find a book that is accessible to the society at large and pertinently analyses the theme at the same time.

“**The return of the depression economics and the crisis of 2008**”, the latest book of the 2008 Nobel Prize winner, Paul Krugman, meets these requirements. The book, issued by the Publica Publishing House and translated by Smaranda Nistor, is an updated and improved re-edition of a book written in 1999 in response to the Asian economic crisis. At that time, the book did not have a great impact because most economists embraced Professor Robert Lucas’s opinion, according to which “central problem of depression-prevention has been solved, for all practical purposes.” This second edition includes new issues on the ‘90’s economic crises, as well as documents trying to explain how the United States get involved in the current economic downturn.

The book is definitely worth reading. It is easily understandable and at the same time it calls for reflection. He built this style by writing editorials for **The New York Times** twice a week. According to Krugman himself “...As an economist in good standing, I am quite capable of writing things nobody can read. ... what the world needs now is informed action; and to get that kind of action, ideas must be presented in a way that is accessible to concerned people at large, not just those with economics Ph.D.’s. Anyway, the equations and diagrams of formal economics are, more often than not, no more than a scaffolding used to help construct an intellectual edifice. Once that edifice has been built to a certain point, the scaffolding can be stripped away, leaving only plain English behind.”

The author presents a detailed history of the wide-world financial and economic downturns in the last 20 years. An emphasis was placed on the ones in Japan, Argentina, Mexico, Thailand, and of course, the United States. Krugman does not only present the evolution of these crises, but, based on the conclusions that can be drawn, he advances a set of keenest solutions belonging to the so-called the downturn economy. Briefly, the following measures should be implemented:

- 1) the introduction of additional capital in the banking system in order to unblock crediting;
- 2) the development of a direct crediting governmental programme of the non-financial sector;
- 3) a global effort to save the developing countries;
- 4) a fiscal incentive based mainly on public expenditure;
- 5) finally, after the worst had passed, the reformation of the financial system.

Of course, the readers may or not agree with Krugman's proposed measures, as well as with other theories that may raise controversy. I would mention only one of these: a recession is normally a matter of the public as a whole trying to accumulate cash (or, what is the same thing, trying to save more than it invests) and can normally be cured simply by issuing more coupons." If this were true, it would mean that the Weimar Republic implemented the best possible economic policy. But beyond these, the book reaches its goal, that to explain the current economic context to the society at large.

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