Book review: “Crisis economics: a crash course in the future of finance”

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Book review by Sabyasachi Biswal – ‘Crisis Economics: A Crash Course in the Future of Finance’ by Nouriel Roubini and Stephen Mihm

“You cannot kill what you cannot see” or at least this was the text-book excuse that was resonated across the world by the eloquent table of economists, policy-makers, central bank chiefs and analysts who failed to see a problems of recession creep right past under their nose in late 2006 to early 2007. Some of these widely revered men also took no time to compare the 2008 Global Recession with 9/11 attacks which they deemed impossible to foresee. In the words of Former US Vice President Dick Cheney in the late 2009, “Nobody anywhere was smart enough to figure”. But, was that the case? Did nobody had a faint sense of something fishy going under the carpet of world capitalism? Or is it just a classic example of exemplary ignorance which famous economists and central bank chiefs with their shining degrees on office walls showed by not learning from the past experiences which once haunted the walls of capitalism and the pockets of its citizens?

Nouriel Roubini’s widely hailed book Crisis Economics: A Crash Course in the Future of Finance takes us into a religious journey to find the answers to these questions that linger in our frightful mind as we see the world yet again soar high on the wings of capitalism holding the reins of what we call the source of all problems, “Easy Money”. Nouriel Roubini or “The Prophet” as The New York Times likes to call him is an Iranian Jew who was born in Turkey and spent his youthful energy in the beautiful streets of Italy. Currently working as a Senior Professor in Stern School of Business, he has completed his BA in Political Economics from Bocconi University, Milan and has received his doctorate in International Economics from Harvard University. He also has adorned prestigious monetary firms and organisations such as International Monetary Fund, Federal Reserve, World Bank and Bank of Israel as their Visiting Advisor. Greatly impressed and inspired by the academics of emerging markets, he founded an economic and financial analysis firm in London in 2004 with
headquarters in New York and Singapore specializing in Macroeconomic Analysis Research namely Roubini Global Economics[1].

Self-christening himself as an independent thinker in the business of economics, Nouriel Roubini along with his co-author Stephen Mihm as the title suggests boasted of the book as a myth busting crash course on how even a human having no relevant background on economics and finance can predict the future-coming of a probable crisis. Roubini as Jesus Christ and Mihm as his ardent aide created a literary attempt to open eyes and prove that whatever we have thought of economics till now is a delusional bubble in itself, about to bust. We don’t know if Roubini indeed is born with greater intelligence (read mystery) of foresight but as the introduction of the book suggests, he successfully struck panic in the hearts of some of the world’s famous economists, politicians and analysts in Washington DC when he gave a prediction that the then sailing US economy will soon meet with a never experienced before housing bust, oil shock, declining consumer confidence with increasing consumer withdrawal from financial institutions and an inevitable deep recession[2]. But as usual the crowd, riding on the hallucinating trance of capitalism who they believe is self-sustaining, self-regulating and can never fail took no time to diss his claim and call him as “Dr Doom” of International Economics, taking reference from the famous Marvel villain whose main motive is to strike fear and chaos in the citizens he wants to rule.

But none of this criticism stopped him to dish out his selfless propaganda of educating the world about the history, present and past of monetary policies, credit roll-outs, easy money and above all the bust which opens the door for depression/recession right from the 1800s. But he was not the only one who shouldered the responsibility for letting the world know about the dangers which surrounds even the safest country in the world. Earlier contemporaries like Barry Eichgreen’s Hall of Mirrors; Mervyn King’s the End of Alchemy; Robert J. Gordon’s The Rise and Fall of American Growth; Vince Cable’s After the Storm among many others also resonate a similar tone or at least a bird’s eye view of the history and the present of economic failures but Roubini’s work stands out as a greater spectacle to behold not because of its freak show of precision[3] but an advice of how to overcome the unpredictability of economic crises and prepare the policies accordingly in future.

Surprisingly, he never believed the fact that a crisis is unpredictable. In fact, throughout his books he echoes a similar phrase again and again that crises are an inherent and unattached part of capitalism and frequently occurring event in the financial system of a nation with the same opening
factors even with different variety of casualty. In line with his inherent modesty he also takes note of the contribution of various schools/models of economics and his former colleagues – Robert Shiller, Raghuram Rajan, James Grant etc. in assessing and comparing the Great Recession with the economic crises that marred the past. To their astonishment all of them found the very same reason with one or too minor differences to be reason for the great bubble bust since the evolution of economic failures – financial de-regulation, too much freedom in the market, bad monetary policies and the failure of central banks which concreted his claims of crises starting with very predictable baby steps but which, out of human greed or ignorance is left out as a minor anomaly of market functionality until it turns big enough to devour the very market it exists on. Roubini very righteously names this phenomenon the “White Swan”, a frequently occurring bird, spot able from a distance unlike the “Black Swan” whose appearance is hard luck.

“The world is ruled by madmen in authority, who hear voices in the air, distilling their frenzy”, taking inference from this line by Keynes, of who he appears to be a big self-proclaimed disciple, Roubini throughout the book advocates for fast-paced yet radical reforms to neutralize or apparently put an end to this dangerous occurrence of meteor shower called crises. He somehow is very skeptical of the way governments, bankers, central monetary reserves and policy makers deal with economic crises and shows his dissent in the very first chapter itself titled the “White Swan” as he likes to jump straight into his idea of criticism and constructive solution than making a “beating around the bush” case (a thing to learn for future economists and his contemporaries). He states that the world after 2008 luckily got out of a situation that looked like the end of this world but that came out from a sacrifice of a magnanimous cost that crippled the US economy as well economies that depended on it by ballooning public debt and letting it go at the cost of the general public. Ever after too big a cost the nations have still failed to tackle the acquired genetic mindset of laissez-faire capitalism which turns out to be the root of this very problem and lack monetary policy that will ensure accountability in terms of banks and businesses with shaky assets and loose reins of control that will seduce them into behaving recklessly because they know if things go South, Central Banks will arrive as a team of superheroes to breastfeed them in crises as a lender of last resort.

Unlike a contemporary generation of louche in early 2000s who take any crisis as a funny event taking place every five to seven years, Roubini stands out as a much serious figure with a holier than thou aim of uncovering the truth piece by piece in this book in the subsequent chapters
until he reaches to a point where he becomes a master of tackling crisis, much like an image of Daenerys Targaryen whose sole aim is to ride on the dragons of solutions to break free the concept of capitalism from its long withstanding anomaly. An avid reader well versed with first hand knowledge of economics and finance will not take longer than five chapters of this book to realise that Roubini in his assessment has been hilariously ruthless, full of witty rebuttals and punches to those who dealt with the Great Recession or did the mistake of avoiding it but as you move further, you will also figure that Roubini like any other anxious future economist or banker reading this book is skimming through hundreds of question and learning from his very own experience, trying hard to find better answers to what he has previously recorded. The book runs on this very dynamicity of looking at umpteen avenues of financial problems in chapter five, six and seven to establish a new accord of reform options which will have the accountability to not spark another crisis unknowingly. One with a sense of great elation might as well feel that Roubini like a five year old is continuously sharpening his pencil and crayons to draw the most flawless picture of world capitalism because like any other economist relying on the function of a model, Roubini is not against the ever changing, innovative model of capitalism but simply despises ignorance that shrouds its success as he believes that like any other inanimate object, capitalism also needs some measured amount of force, mostly by governmental monetary policies to go upward or fall down into an abyss of darkness yet again.

Not to a point of exaggeration, the book in its long series of claims yet again announces to be a roadmap with Roubini being its chauffeur who will not only drive in and around the world of extreme gamble with banks and governments as players but will also safely maneuver out in case the system of gambling decides to fall. To honour his claim, Roubini has given away a free Christmas gift apart from his 275 paged book from chapter 1 to 10, a 35 paged outlook and afterword which is nothing but yet another of his predictions for the future which quite interestingly holds true as you move further over the years. Also at the very end, the book dives down to look at current economic scenarios to find out if the regulations through a course of steady evolution confirms to the norms of tackling crisis in an effective and accountable manner or It is just yet another farce to camouflage the lackluster efforts of the parties who still prefer to bask under the falsified assumption that capitalism and institutions around it are too big to fail and still go on taking pressure to meet deadlines like an over-burdened assembly line where everyone is bothered about passing off the dilemma rather than tackling it effectively.
Roubini’s book gives away solutions for free, which in a real world would cost millions coming out of advisory bodies and are unguaranteed when it comes to their implementation in the real world. Some of the solutions to effectively tackle crisis in the future include moderate government regulation on monetary policy implementation, increased responsibility by Central Banks to effectively monitor the signs and tackle the crisis at the very first stage, accountability on the part of various sectors of bank which will help government to monitor their risk taking initiatives and make sure they don’t end up taking more risk than intended. As Financial Times explains the book, it is one of the most readable, sensible accounts to date of the financial disaster and quite true to that is the fact that the book itself is deemed as a crash course, a 400 odd paged classroom worthy knowledge yet more and more interesting. Lucid, flowing, witty and brutal, this very book has all the element which will make a non-fiction adventurous and educative at the same time even if you have an apparent disgust for such genres like me. Jumping from one part of the history to another, the book and the author do not leave any stone unturned gather valuable information to assert their claims of being the economic world’s knight with a shining armor. The ornamental bibliography reasons the claim of precision and hard work Roubini and Mihm have taken up for this dream of operation that stretches far beyond the plausible explanation of so-called economic experts. In fact, this book if read thoroughly will give you more information about the functionality of Macroeconomics than any class of master’s level in a reputed university. The very fact that Roubini is a seer of crises makes us feel safe about the not so rigid structure of world economy and their translucent policies that if anything goes wrong, we have him as our savior to predict and protect us from yet another economic downfall.

But on a negative note this book misses out on what we call as simple language because if not so, the book will have a very limited audience, mostly for those who intend to academically involve in this as it contains lot of economic and financial jargon which if one doesn’t have firsthand knowledge on economics and banking will not understand unlike its contemporary Yaris Varoufakis. In relation to that the book at some parts, mostly at chapter 1,2 and 3 turns out to be quite repetitive in historic comparison without adding much to the dynamicity of the book which at a longer run is bad since people nowadays do not enjoy non-fiction even more so if the beginning is not well laid out to their liking. Apart from that I personally vouch for the book and the spirit of knowledge it upholds as by the end of the book not only one’ll have the answers and understanding to lot of financial crises around the world, you can also detect signs of
minimal crises if not large in the market to give solutions to like Mr. Roubini.

It is without a speck of doubt once in a lifetime read with an enriching gamble to be a crisis super-hero as the cover representation of the book suggests as well as a topsy-turvy path of financial world full of jargons to run to the nearest dictionary but until then there a lot of catching up to do for the audience and the so called economists alike who prefer to be specialists in handling crises how many times you get the opportunity to learn first-hand from the savior himself whose book looks like a teaser trailer to his blog itself which takes you further without the limits of pages in a hard-bind holding you from exploring the world of international macro-economic more.

But the bigger question here is are you ready for this un-conventional international adventure yet?

References:


[3] Roubini in the book predicted exactly how the Great Recession of 2008 will come about with the collapse of two major investment firms in USA months before the fall of Bear Stearns and Lehman Brothers which started it all.

[4] Notably Keynesian School; Austrian School

[5] Jaime Dimon, Chief Executive Officer of JPMorgan Chase and Former Director of Feder Reserve Bank of New York

Link to his blog: https://www.roubiniblog.com/

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