

Essay:

Reflections on Vercelli's Conceptualization of Financialization

Crisis and Sustainability: The Delusion of Free Markets BY ALESSANDRO VERCELLI., Palgrave Macmillan, 2017, pp. 329

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The problems of recurring financial crises and their ever-increasing consequences prompt many economists to revise their views on the principles of sound economic policy. A general lack of a financial stability occurring in market economy countries raises questions about the validity of decisions regarding neoliberalism as a leading economic force and intensifies the everlasting discussion between supporters of the free market and those for state intervention in the economy. The book written by Alessandro Vercelli is an important view in this discussion, as the author tries to deeply analyze processes of liberalization, globalization, and financialisation. Moreover, he does it in a very unique way.

The main thesis set by Vercelli in this book states that coming back to the neoliberal concepts from the 1970s has made changes in the trajectory of financial development, which resulted in financial crises and a general instability of the economy. The aim of this book is to define the consequences and effects of neoliberal policy. The idea of neoliberal policy being the main reason for the economic and financial instability is broadly explained, and the

author refers to economic facts and achievements of mainstream economists.

The research undertaken by the author requires the ability to move around broad aspects of finance, macro-prudential and fiscal policies, and financial market regulations. All considerations in this book are based on the main theories of economic thought and in reference to the most well-known economists. Therefore, the work is a good compendium of knowledge about changes taking place in the financial markets and about the history of economic thought and of the economic policy applied over the past centuries. This alone is a good enough reason to get familiar with this book. As the starting point of the discussion, the author presents his approach to methods of analysis and interpretation of facts. It is based on the history of economics, which means following the evolution of the theory of economics, facts associated with it and its results. Using this background, in three parts and nine chapters, the author describes various aspects of markets and financial system functions.

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The book begins with an introduction, which, at the same time, is the first chapter. It is a background and base for the opinions included in the following parts of this work. It describes neoliberal concepts at length, including the idea of a free market, which this book revolves around. According to the author, understanding those concepts is necessary to understand the causes and the course of the latest financial crisis.

The first part of this book is about globalization and financialisation in a long-term perspective and is built of three components, where the first is freedom, the free market and neoliberalism, the second describes global market processes, and the third – the evolution of financialisation.

In the second chapter, the concepts of liberalism and the free market are discussed. There is a description of the evolution of these terms and of consequences of the changes; various ways of understanding the types of liberal economies. The chapter ends with thoughts on the role of the state and the possibility of fulfilling the tasks imposed on them, in the context of maintaining rules in force on the free market.

In chapter three, the author presents the process of globalization of markets as a consequence of the adoption of liberal ideas. It starts with the history of globalization, from changes that triggered the industrial revolution, to modern times. The summary of this process is then presented, which describes and discusses arguments for and against globalisation.

The fourth chapter shows yet another consequence of neoliberal dominance – financialisation. The author once again uses the historical perspective and shows the evolution of this process, distinguishing two stages in the development of financialisation. The development of the financial sector, which took place after the industrial revolution is called the “First Financialisation”, and changes that have taken place in the markets since the nineteenth century are called the “Second Financialisation”. The dangers associated with the process of financialisation in the context of the stability of economies are widely discussed, but some attention is also given to the benefits of this phenomenon.

The rest of the book shows consequences of the previously described processes. The second part is devoted to the period from the late 1970s to the emergence of a global economic crisis on the financial and banking markets, which started in mid-2007. This crisis is

called “The Great Recession” and most of this part, which has three chapters, is devoted to this issue.

Chapter five shows the development of neoliberalism in this period. The author blames neoliberalism for the financial development of the subprime crisis and for contributing to the Great Recession. In his opinion, the neoliberal model of economic development leads to the emergence of economic, financial and social instability.

In chapter six, the discussion on the consequences of the paradigm of neoliberalism continues, this time focusing on the phenomena taking place in the financial markets. Based on that, processes taking place in the shadow banking sector, their genesis and consequences are discussed. The biggest focus is on the process of financialisation. The author presents a proposal of reforms that he thinks could take place in the shadow-banking sector, as well as in the whole financial system.

Chapter seven deals with environmental issues. The return to liberal concepts, according to the author, brings consequences to the environment. Focusing on market operations and the growing importance of large corporations, we have neglected the issues of energy, climate change and the role of public investment. The current situation requires an updated environmental policy.

The final part of this book is titled “The Epilogue” and it consists of two chapters: the eighth and ninth. The eighth chapter is devoted to the topic of the Eurozone crisis that we have been facing since 2010. The indicated causes are a faulty construction of a common currency and the management applied to it, as they were not created as long-term solutions.

Chapter nine includes the concluding remarks, summarizing the previous discussions. The author points to the complexity and nuisance of the process of deregulation of the market and denounces the ineffectiveness of some of the measures taken.

There are two extras in the book. The first is a compendium of legal regulations introduced in financial markets and the second is a glossary of financial terms.

The book as a whole gives a very interesting picture of processes and trends in modern financial markets; it is well written and consists of a lot of details. It gives an insight into the nature of the current economy and effects of financialisation. There is a lot said about instability, economic and social inequalities, and poverty. The nature



of this book and the manner of narrative makes it very accessible, and the rich literature allows you to look at both the main subject area and what is currently being said and written about this issue in Western literature.

Best of all, the manner of analysis presented by Professor Vercelli is innovative and authoritative, and although not everyone will agree with the author's views, as there are many argumentative opinions present,

readers will appreciate his intransigence, novelty and bold approach to these well-known subjects. It is worth mentioning that this is the first work on the Polish market which describes the most important trends in the global financial situation in such a comprehensive and detailed way. This Italian author's views may vary from those we can find in Polish publications; it fills a gap existing on the market and may prove interesting to many Polish readers.