Paul Krugman. *End This Depression Now!* New York, USA: W. W. Norton & Company. 2012. 288 pages. U.S. $ 15.95.

In "End This Depression Now!" Krugman has tackled the economic recession that has plagued countries across the globe in the aftermath of the 2008 financial crisis. In contrast to other books on the subject, however, the focus of the author is not on how the crisis and the resultant recession happened, but rather on the more pertinent question of what to do now and how to recover from the slump. Krugman is of the view that the aim should not be merely to avoid a complete collapse, as several economists and policy-makers seem content to do, but to address the "chronic condition of subnormal activity" of this recession and pursue a complete recovery.

The author sets the stage by painting a bleak picture of the impact of the recession on the citizens of developed countries, countries rich in natural and human resources. There is a lack of jobs in these countries, as represented by a rising involuntary employment rate, and the author feels that lives have been ruined because the recession is lingering on, and because of that, unemployment is following suit. While temporary unemployment is a feature of a complex, dynamic economy, persistent unemployment erodes the employment prospects of workers in the post-recession period. Moreover, low business investment in the private sector and government investment in the public sector will have a detrimental effect on productive capacity in future years as older scrapped machinery is not replaced, and public sector programmes in education and health are scaled back.

Krugman goes on to argue that the core of the problem lies simply in the "magneto trouble" or "software crash" the economy is suffering from and not in a more complex issue. In other words, the issue is one of organisational and coordination of failure of managing a technical problem. These issues can be fixed relatively easily if the reality of the situation is understood by policy-makers. The solution proposed by the author, however, is one that contradicts people's instinctive response, i.e., to spend more, rather than to curtail spending and investment. Krugman believes a shortfall in demand is what is causing the software crash with the result that companies end up with unsold inventories and thus will be unwilling to produce more goods until their inventories are drawn down.

According to Krugman, conventional wisdom suggests that overall lack of demand cannot occur in the economy and since the supply of money in the economy is finite the only way to increase government spending is by first taxing or borrowing more from the economy. According to the author, this reasoning that new demand will not be created and instead existing demand will be transferred from one group to another is flawed, as is the policy recommendation of simply reducing interest rates to encourage investment and thus raise spending levels. To the contrary, with businesses, government and consumers saving more now and reducing their demand in the hope of buffering their revenue stream for the future, the author believes there is a shortfall in demand and this gap needs to be covered for production levels in the economy to rise. Moreover, zero or close to zero interest rates have not succeeded in raising the employment levels and economies attempting do so are finding themselves caught in a liquidity trap. Krugman cites an interesting example of a baby-sitting co-op to justify his criticism of conventional wisdom and in support of his belief that increased demand is required to bring the economy out of recession.

The author suggests that the wonders of modern finance are what brought the financial system to the verge of collapse in less than three years. "Asset-backed securities" or sale of mortgages and loans by banks to investors encouraged reckless lending, bad debt was converted into collateralised loan obligations and widespread use of credit default swap weakened the financial system so collapse was inevitable when the rules and regulations put in place in the 1930s, to ensure banking crises did not occur, were dismantled. Income growth was limited to the select few in this time of deregulation and growing debt, giving rising to rising income inequalities. These income inequalities helped create an environment that harmed the intellectual and political ability to respond effectively to the crisis.

The author has reviewed the developments leading up to the crisis in the United States; a credit crunch and run on the banks that necessitated a bailout package for troubled banks to buy stakes and improve their capitalisation. Krugman believes the bailout package, though successful was badly handled and rather than demanding a higher stake in banks in exchange for emergency aid, the government effectively provided a subsidy to stakeholders so they would not lose, even if someone else did.

Krugman further points that for the recovery to work, the real sector also needed to be rescued; however the stimulus package failed on two fronts. One, it was woefully inadequate of what was needed to restore the economy to full employment or near full employment levels. Two, the limited success of the package damaged the concept of government spending as a means to create jobs. In terms of the design of the stimulus package, the author highlights the fact that the bulk of increased government spending was on unemployment benefits and Medicare, and not on building roads, infrastructure and associated projects. The author also believes that the shift in focus from unemployment to the deficit in the United States was a mistake and that the warnings about inflation were over-rated.

In conclusion, it can be seen that "End This Depression Now!" is a work supporting Krugman's view that fiscal stimulus and not economic austerity is what is required to bring countries, and the world economy out of the Great Recession. Krugman has advocated this view based on a Keynesian analysis of the prolonged recession resulting from a liquidity trap which itself was the result of a housing price bubble that burst in 2006. The author has argued that the recession has been prolonged by a deficiency in aggregate demand which has resulted in falling investment and a corresponding fall in productive capacity of the economy as old machinery and equipment is not replaced when it is worn out since there is not enough demand to justify the expansion. The author has convincingly argued that the shift of focus from dealing with unemployment to dealing with the deficit is a mistake, and warnings about excessive inflation and the damage it could do have turned out to be unfounded.

The limitations of this book include the fact that the focus of the author has been on the United States, but Europe also plays a role in the analysis, in particular, the failed austerity measures of England serve as an example of what not to do. Also, the author does not appear to have dwelt in any great detail on the consequences of his proposed policies; other than simply quoting Keynes' famous saying that "in the long run we are all dead".

Bearing in mind the highlights, the contribution and the limitation of this book, it is safe to say that Krugman has succeeded in making a well-reasoned and fairly convincing case against austerity and in favour of a more pro-active stance of the government with regard to spending and investment that will boost demand in the economy and help push countries out of the persisting recession.

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