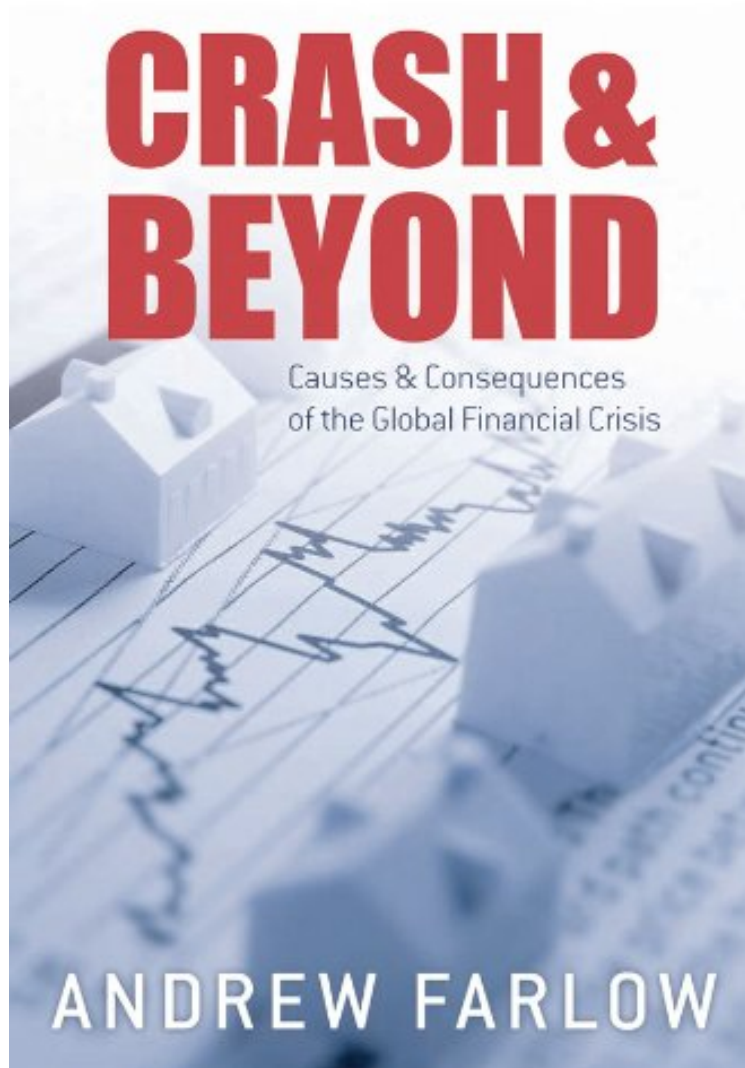


Crash and Beyond: Causes and Consequences of the Global Financial Crisis

Andrew Farlow

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Andrew Farlow : Crash and Beyond: Causes and Consequences of the Global Financial Crisis before purchasing it in order to gauge whether or not it would be worth my time, and all praised Crash and Beyond: Causes and Consequences of the Global Financial Crisis:

2 of 2 people found the following review helpful. MORAL HAZARD REIGNS SUPREMEBy DAVID BRYSONThis is the most comprehensive study of the recent financial crash that I have seen so far. There are 350 closely printed pages filled with closely reasoned argument, the author's style is sometimes heavy going, but it is a book for all of us,

not just for economists. I take two main lessons from it: firstly, how did we get into this mess considering how clear the warnings were? and second, are we even yet prepared to act on such warnings another time? Britain's Queen is quoted by the author as asking the first of these questions, noting that even the most eminent economic thinkers stumbled. The cause, your Majesty, was wishful thinking. There is an excellent short book by Galbraith on the history of economic euphoria, and I am not sure it is even an exaggeration to say that we seem to have learned nothing since the South Sea Bubble (which fooled Isaac Newton among others) or even earlier. Neither disaster was brought about by lack of brains or lack of knowledge on the part of the decision-makers and opinion-formers. It was a matter of people believing what they wanted to believe, and that is a far deeper-rooted human tendency, it seems, than any supposed economic motivators that Ricardo, Hume, Hayek and other believers in perfect markets have attributed to the little two-dimensional stick-men whom they represent as humanity at large. So I pass on as a first piece of advice from Farlow- there is no such thing as a perfect market, and don't believe anyone, however seemingly eminent, who tells you there is. What is vital is controlling the conversation. Happy talk, however foolish, can become compulsory for anyone who wants to be heard. It's not fair to blame the politicians for this state of affairs if it is the rest of us - the general public - who are demanding it in the first place. Farlow cites case after case where unwelcome arguments and counter-strategic facts and figures were either talked down or ignored. For instance the US Congress had plenty of evidence available of the way things were going long before the collapse of Bear Stearns, but you would never think so from the way some (who should have known better) claimed afterwards to have been taken by surprise. Mr Bernanke practically said it was all too difficult for him. Some kind of prize for sheer effrontery is also due to Mr Gordon Brown. This strange and Byronic personality was Britain's Prime Minister in 2008, having been Chancellor of the Exchequer for 10 years prior. [It is presumably to help American readers that Farlow refers to this latter post as 'finance minister'. I thought the American term was Secretary of the Treasury]. It all hit Gordon out of the blue if you can believe him, which neither Farlow nor I can. Who masterminded light-touch regulation of the banks? Who set up the Financial Services Authority that blurred lines of communication and responsibility with the Bank of England? Who spent at the peak of the business cycle as if Keynes had never lived, then claimed to have abolished boom and bust before it all backfired on him so that it was now time to affect surprise? Again we're not considering any lack of intelligence or lack of detailed knowledge here. The explanation is in human psychology, and Farlow will leave you in little doubt of that. The other main lesson to be drawn from Farlow's account is to beware of unchecked gambling. This insight is even less novel than the perception that perfect markets are perfect pie-in-the-sky. Farlow is thorough in his analysis of securitised trading and the impact of subprime mortgages. However I would actually have wanted him to answer the question that was bothering me throughout that part of the book, namely 'To what extent were trades of this kind just punts - sheer blind bets and gambles?' It is all instantaneous on-line trading these days, and I wonder in many cases whether the parties at either end of such deals knew or cared what was in their bundled securities. See what price someone will pay for them, whatever they are. Ask no questions, don't open up the bundles, because God knows what you might find if you do. Take the money and run because there may be no tomorrow. Indeed there may not. I read an article in the Daily Telegraph just a week or so ago in which some supposed financial sage, wizard or mountebank made statements touting the attractiveness of some of the too-clever-by-half financial trickery that landed us in this mess. It was an appeal to the wisdom of the markets once again, and could have been uttered by Greenspan in 2005. The whole allure of such trickery and sleight-of-hand was of course the large cash prizes involved, so we have made some faltering attempts at recovery only to find the wrong sort of people whoring after their false gods again. They took us down with them the last time, and they will do it again. Obviously we need leaders brave enough to fight them, but we the public in our turn must resist as well. If we need a motto to rally behind can I suggest 'THE ONLY FINANCIAL REALITY IS CASH'. That would go down like a brick budgie in Wall Street or the City of London, and a good thing too. For a British reader it's a pity the book ends after 2012, because since then Britain is allegedly seeing an upturn. This has taken three years to achieve, it is very modest, and I don't think it has reduced the sovereign debt at all. To me it proves what our government used to emphasise but is now soft-peddling, namely that the real austerity measures are still to come, because as both Paul Krugman and Mark Blyth have shown if it had been real austerity there could not even be the pretence of an upturn. Meantime the guilty hope to thrive again.

In 2007-2008 the world was plunged into a financial and economic crash. This book explores the multiple entwined roots of the crash, including the build-up of global economic imbalances, the explosion in the use of novel financial instruments, the mismanagement of risk, and the specific roles played by housing and debt. It reviews the evidence that on the eve of the crash all was not well and that many political and finance industry leaders ignored the dangers. The book details the key events of the crash, and explains the main amplification mechanisms. Instead of a blow-by-blow account of the numerous bank rescue programs, it uses an economics lens to dissect the logic of each category of rescue measure to make them more digestible for the lay reader. It pays particular attention to the hidden ways in which rescue measures worked and their longer-term consequences, and investigates why some approaches were favoured over others, who will ultimately bear the costs, what political constraints shaped outcomes, and to what degree new risks were created and problems only delayed. Half the book is devoted to the numerous policy struggles

after the crash. It evaluates fiscal and monetary policy measures used to rescue economies, efforts to tackle unemployment, proposals for dealing with collapsing housing markets, the widespread application of austerity and the battles over long-term sovereign debt. A chapter is devoted to the handling of the Eurozone crash and policymakers struggles to fix it, and another to the continuing risks of global economic instabilities, some old and some newly-created. It reviews reforms of mortgage markets, monetary policy and banking designed to make such disasters less likely in the future. Written before, during, and in the years immediately after the crash, the book is a lively chronicle and engaging analysis of the events and thinking of these years and of the economic and political constraints that shaped responses. The book's arguments take on added authority given that the author had identified, and called attention to, key features of the crash before it happened. It is a very timely analysis of how policymakers arrived where they are now and of the many hurdles that still lie ahead. It provides a scholarly yet highly accessible account that will appeal to a wide audience and contribute to the public debate about the lessons to be learnt and future policy options.

Andrew Farlow has written a most entertaining book on the Financial Crash, (Before, During and Beyond), that hides considerable scholarship (a 20 page bibliography of academic papers) behind a lively tale of the human frailties revealed. If I had to recommend a single volume on what happened to the inquisitive non-expert, this would be it. Charles Goodhart, Emeritus Professor, Banking and Finance, London School of Economics Andrew Farlow has added his strong voice to [the] gathering discussion; compelling reading; a fine addition to the crisis/recession discourse; a fine start on banking reform... Does Farlow point the way to the definitive text on the crisis? Joel Campbell, International Affairs [Farlow] does not simplify his analysis to reach quick fixes; Farlow does it with the flair of a novelist or a journalist. Indeed, his book is a bridge between an academic treatise and a journalistic account. While doing this, he does not sacrifice the nuances of financial analysis or the rigours of an economist; His chapters on the crash and rescue (4 to 6) provide original material; The most interesting account relates to the collapse of Lehman Brothers; Farlow is clinical in his analysis... The present reviewer has not come across a similar account of Lehman collapse in any other study... [Farlow] has gone deep into the bail-out attempts... Similarly, his discussions on quantitative easing (QE) are balanced and incisive; [A] scholarly book which enriches our understanding of the crisis; [Farlow] says he would be happy if the book serves as a collective memory of the crash and its bitter aftertaste and acts as guidance or warning to handle future crises. Indeed, he has succeeded. K. Subramanian, The HINDU Andrew Farlow's book is rare in showing how [the] various factors interacted to create the gravest situation faced by the global economy since the Great Depression that followed the crash of 1929; Farlow's focus on the importance of income inequality and deficiency of demand is refreshingly Keynesian in flavour; If we are to search for a single underlying cause of the crisis, it is in fact here... Crash and Beyond does much more than simply consider the causes of the crisis; it also looks to the policy response. It considers what policymakers have got right, who will bear the costs and what needs to be changed. At this point, Farlow sounds alarm bells, arguing that many of the policies that have helped in the short term (such as aiding the banks and the policy of quantitative easing) have created new risks. Victoria Bateman, Times Higher Education In 2004-05, [Farlow] wrote about how, after the equity bubble in the late 1990s, money was flowing into debt, especially mortgage finance, and how this could lead to another crisis. The theoretical possibility he thought of materialised soon... The crisis gave Farlow a reputation as an economic astrologer, and brought him many invitations to speak and attest. While this book deals with the crisis, it has a broader subject... This is not a dry and dusty book in economics; much drama has gone into it. Farlow covers the theoretical debates; but he also goes deep into the events and sequences, the errors and consequences. Ashok V Desai, Businessworld Very, very compelling research; refreshing; fascinating the way [Farlow] writes about it, the way [he] describes it, and the research [he] brings... in a very readable fashion; dealing with extremely sophisticated systems and to boil it down to where the average person can start to really comprehend what took place so that they can better understand how to react in the future; It is very, very important we look back and understand better what took place and make more informed decisions when it comes to our own finances or how we vote; Absolutely fascinating. Bill Kearney, Financial Spectrum, WKXL Concord News Radio "Instead of a blow-by-blow account of the numerous bank rescue programmes, [Farlow's] book uses an economics lens to dissect the logic of each category of rescue measure to make them more digestible for the lay reader; Half the book is devoted to the numerous policy struggles after the crash. Written before, during and in the years immediately after the crash, the book is a lively chronicle and engaging analysis of the events and thinking of these years and of the economic and political constraints that shaped responses; a timely analysis; a scholarly, yet highly accessible, account that will appeal to a wide audience and contribute to the public debate about the lessons to be learnt and future policy options. India Business A name to watch... A lively narrative, scholarly but with lay appeal, too. Oxford Today About the Author Andrew Farlow is Research Fellow in Economics at Oriel College, University of Oxford. Educated in economics at the University of Cambridge and the University of Oxford, he currently works in a range of areas of financial economics, including financial bubbles and instability, and global

health financing. He has provided advice to a wide variety of public and private sector organizations including: Credit Suisse First Boston; the World Health Organisation; UK Department for International Development; Bill and Melinda Gates Foundation; George Institute for International Health; Office of Health Economics, London; TB Alliance; Aeras Global TB Foundation; Medecins Sans Frontieres; Wellcome Trust; and a range of governments.