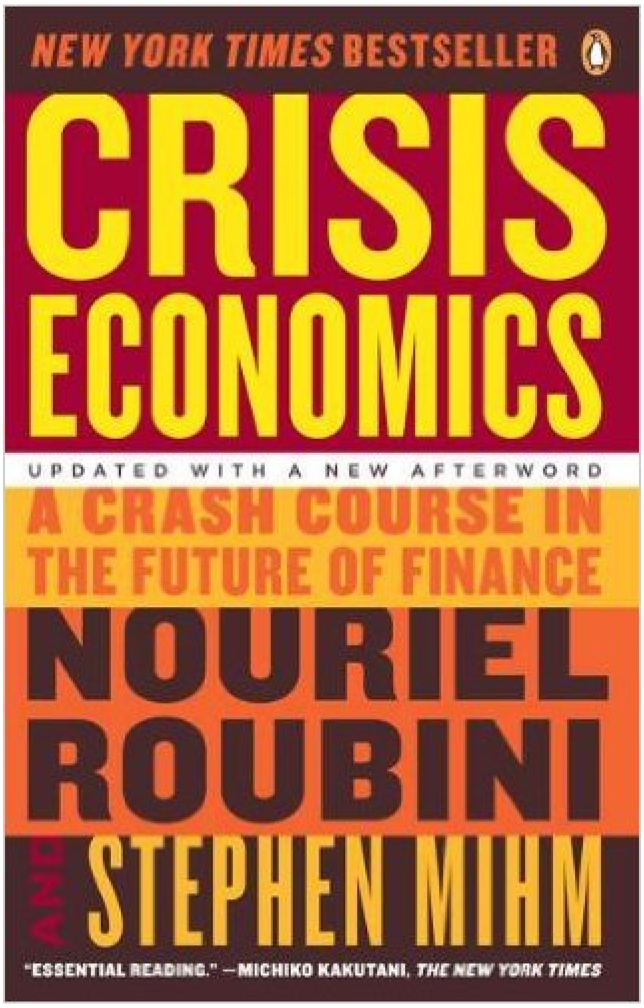
Crisis Economics: A Crash Course In The Future Of Finance



Synopsis

"A succinct, lucid and compelling account . . . Essential reading." -Michiko Kakutani, The New York Times   Renowned economist Nouriel Roubini electrified the financial community by predicting the current crisis before others in his field saw it coming. This myth-shattering book reveals the methods he used to foretell the current crisis and shows how those methods can help us make sense of the present and prepare for the future. Using an unconventional blend of historical analysis with masterful knowledge of global economics, Nouriel Roubini and Stephen Mihm, a journalist and professor of economic history, present a vital and timeless book that proves calamities to be not only predictable but also preventable and, with the right medicine, curable.

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Customer Reviews

Nouriel Roubini gained great notoriety as one of the few economists who correctly predicted our current financial crisis, specifically pointing to the 90 percent increase in home prices from 1997 to 2006. While Roubini has written other books, "Crisis Economics" is his first foray into economic literature aimed at the mass market and serves to expound on his argument that most financial bubbles are not only predictable, but avoidable. To borrow a phrase from Nassim Taleb, these are not unpredictable "black swan" events, but can be forecasted with some degree of probability. The authors aptly point out the difficulty in defusing bubbles as they inflate as no one within the financial markets or the regulatory structure typically wants to take the punchbowl away from the party. As bubbles inflate they typically open the door for schemers and opportunists who become the inevitable scapegoats for the inevitable crisis, conveniently deflecting criticism from those who deserve it. Worse still there's little accountability in either the public or private sector for those who should have known the bubble was over-inflated and took no corrective measures to stop it. What compounds the problem this time is governments are re-leveraging the system by taking on massive debt to prop up the private sector, leaving them vulnerable and unable to respond when the next crisis inevitably comes. Worse still, these "balance-sheet" crises hobble government finances resulting in anemic recoveries that drag on as happened in Japan in the 1990s. And for all the talk of the private sector de-leveraging there's little real proof that's occurring and instead it appears to be stabilizing at unsustainably high levels, setting the stage for the next liquidity crisis.

Dr. Doom sounds more dire than ever...and with good reason. As a college instructor and business writer, Nouriel Roubini has been a personal favorite since properly predicting the real estate and resulting financial fiasco. However, this book takes everything to the "next level". Here is why you MUST buy this book (and a copy for friends or family)...1. Compares alternatives...doesn't just complain. Many economists make a living from finding fault in current policy but when it comes time to making a suggestion they fall silent. Not so with Roubini and co-author Mihm. This book sorts through the clutter to discuss the pros and cons with each course of action, the limitations and the illusions to current and past policy...and the missed opportunities.2. Future Trends...unlike other books that focus on the past, this book provides a firm foundation for what you can expect next. Unfortunately, the news isn't good. In fact, it's more than a bit troubling but those that fail to heed good advice are the ones likely to suffer the most. At times such as these there are two types of people...those that prepare and those that simply believe it is all "doom and gloom" so ignore it all at their own peril.Roubini provides the reader with a firm foundation to understand how we arrived at this point and what the likely outcomes will be in the future. In fact, he clearly spells out exactly the type of scenario currently taking place with Greece...the default of nations rather than just banks and the resulting social-political and financial outcomes. There are no quick/easy fixes - just tough choices.3. Inflation/deflation/gold and other debates. Although not the focus of this book, the authors don't shy away from taking on these hot button debates.

Most books on economics are boring and predominately filled with vacuous philosophy. Not so with "Crisis Economics." Nouriel Roubini, Professor of Economics at New York University, is best known for his detailed forecasts of the recent U.S. financial meltdown. Co-author Stephen Mihm, is a journalist and professor of history at the same school. The authors begin by demonstrating that financial cataclysms are as old as capitalism itself (China inflated its way out of financial problems in 1075), not 'Black Swans' (rare events, per fellow author Nassim Taleb). Then, the authors provide an excellent summary of varying economic schools' perspectives on today's problems.Today it is fashionable to see the economy as a self-regulating entity that, left alone, stabilizes at full employment and low inflation. A prominent example is Alan Greenspan, who took his basic economics lessons from philosopher Ayn Rand. Karl Marx, on the other hand, was the first thinker to see capitalism as inherently unstable; Marx contended that capitalism would inevitably plunge into chaos because continual cost-cutting by owners would eventually leave so many unemployed that a revolution would result. 'Behavioral economists' try to explain why markets are inefficient - explanations include the naive jumping on the bandwagon, and various other biases and irrational inclinations. Keynes, like Marx, also undercut conventional wisdom, stating that deflation will occur and demand will fall if wages are cut and workers fired. Keynes' solution was to have the government create the needed added demand. Milton Friedman et al (the Chicago school), explained the Great Depression as a result of the decline in bank deposits and reserves, coupled with the Federal Reserves' failure to cut the discount rate.

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