



Crisis Economics: A Crash Course in the Future of Finance

Nouriel Roubini , Stephen Mihm

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Marcus says

Crisis Economics is more of a history book than a casual read about the recent crisis. The book provides a history of economic crisis since the 1600's with a brief description of each. This history lesson ends with the 2008-2009 financial crisis. The history lesson supports the book's central themes (1) economic crisis are not the exception, but rather a part of the normal economic cycle (2) A building economic crisis can be recognized. These themes dispute claims of mainstream economists and central bankers that "no one could have seen this coming" or that this was a "once in thousand year event".

Modern economists have a tendency to believe that past crisis were due to an intellectual failing of past generations ie.... "how could the Fed have been so stupid in 1930, we would have simply eased monetary policy and avoided The Great Depression". As studied historians know, this type of reasoning is often overly simplistic and ignores complexities of a situation at the time. Roubini criticizes modern economists for clinging to the latest economic theory as gospel (in this case the efficient Market Hypothesis and free market dogma). Roubini suggests that economics is more complex than any one theory allows. He feels that economists should have a solid understanding of historical crisis alongside their theoretical education.

The final quarter of the book includes suggested financial reform and a forecast for the next decade. In short Roubini, continues to see trouble ahead with a Sovereign default likely. The monetary system remains very fragile and vulnerable to additional shocks, inflation or deflation. Finally, he ponders how China might use its huge position in US treasuries for political purposes. A good primer if you are wondering what is going on in the economy and have that sinking feeling that this time its different.....

Robert Chapman says

I gave this book five stars because I found it to be the best one stop shop on the topic. I've read a lot of different books on the recent crash and each of them tends to focus on a specific influence such as the slicing and dicing of mortgages or currency devaluation.

This book has it all from the history of previous crashes, the full story line of the recent crash, and a complete set of recommendations on what needs to be fixed to avoid a similar or worse crash happening in the future. Above all else, it's written in such a way that anyone can understand it, you won't find financial jargon getting in the way of the real story.

The really scary part of reading books like this is the realization that to date almost nothing has been learned by those in positions to act as clearly little to nothing has been done.

Mark Rossiter says

I just finished a book of this name by Nouriel Roubini (famous for predicting the 2008 crash) and Stephen

Mihm. It's hardly a work of art, and in places quite dreadfully written (how about this for a string of cliches: “[shareholders] don't actually have much skin in the game. They've put up some of the bank's capital, but not a whole lot of it, and while they don't want to lose their shirts, they're fine turning a blind eye when traders roll the dice”; or this: “When things go south, traders and shareholders don't necessarily retreat from risk. Instead, they may share a willingness to double down and bet the farm in the hopes of righting the sinking ship.”)

But the writing style is not the point. What the book does offer is a cogent analysis of the runup to the banking crisis, placed in a long historical context, and the sensible point of view that horror stories like this are always going to happen unless you regulate the banking system properly. The prescription they offer is entitled “Glass-Steagall on steroids”, and (put simply) consists of regulation (including the proper structuring of incentives), enforcement of that regulation, and breaking up the badly run and economically dangerous monster institutions that now seem to exist just for the enrichment of those who run them, with no regard to the social cost. That sounds about right to me, though I'll add one of my own: tax the rich, so that society is seen to be fair.

It's dismaying that the political will to do this seems to be nowhere in sight.

SVEN says

Summer 2011 with the dollar in the jaws of Republican utopians, the euro at the cross rounds of a poker all-in or fold, the aftermath of the CDS debacle and the massive government bailouts risk to make all our daily worries trivial. This book makes the origins of the current crisis more tangible and carries hope and warning in its historical perspective, at least it does so far, crossing my fingers that all will end well..

Barry says

All in all, a comprehensive, albeit understandable for the economic novice, account of the most recent global financial crisis, what "caused" it, the historic precedence, and how to move forward. That being said, the reader must use caution as he continues through the chapters, as it becomes increasingly difficult to differentiate fact from the authors' (highly academic/informed, and political central) own opinions. This is not to say that all sides are not presented, quite the contrary. However, economic theories differing from those of the authors are too often dismissed with a simple analogy. It is not always clear where the authors get their data, either (the bibliography is quite extensive, but it is not annotated or cited in the text itself). Like most economics paperbacks, there is plenty of hole-poking and name-calling, without much in the way of new, substantive propositions or solutions (at least not in any great detail).

That being said, this is a must-read for all, and is worded in a way to accommodate both the novice and the connoisseur.

Lychee says

Extremely readable book about economics. Read more like a thriller and often kept me on the edge of my seat. News stories about economics are much more understandable. While the authors have a particular

perspective, I felt like they provided a wealth of information and attended fairly to diverging viewpoints. Very impressed with their ability to take such a complex and dry topic (at least to readers such as myself) and produce such an engaging and informative overview, not only of the current crisis, but within an historical context. I hope they write some kind of sequel.

John Hibbs says

An exceptional work that provides a superb analysis of the sources and causes of the financial crisis. The authors also provide sage recommendations for the necessary reforms that must be enacted.

This is a book that will appeal to both financial laymen (such as myself) and practitioners steeped in financial necromancy. A great starting point for those who work all their lives for money, but are clueless about how money works. If you have to read one book on the financial crisis, this is it.

Owen says

If you predict that mortgage crash, predict which companies will be allowed to go bust and what order it will happen in 2 years out, then you get a book deal. The first half of the book seemd almost like the fulfillment of a contract. There was a lot of repetitive history. Informative, yes, but not terribly interesting to start. The second half (or so) of the book gets much more useful. Roubini outlines the pros and cons of dozens of regulatory strategies and paths for the future. I began to feel less hopeless, at least, by the end of it. Worth the read for serious students of the crisis.

Matt Cooper says

Would highly recommend to anyone wishing to understand both the foundations and the implications of the 2007 economic crisis. Having read a number of books on the events of the last five years, I found the Roubini and Mihm text cogent, powerful and the implications particularly interesting.

Given Roubini's previous foresight I would advise others to read and take on board his prognosis.

Effendy Yahaya says

It is a very good book as my journey in 2015 has started in an overview of both economics and finance. The findings from various sources of both finance and economics had brought to a level of broad assessment that come to this piece of book. From a world complexities from macro and micro economics, to banking, investment, insurances and to the more on how practical it is that makes more sense in current world. Details gathered by Roubini and Stephen deliberately that makes interest to another assessment from Paul Krugman, Robert J. Shiller, Martin Wolf and many others.

Zohar - ManOfLaBook.com says

Crisis Economics: A Crash Course in the Future of Finance by Nouriel Roubini and Stephen Mihm is a non-fiction financial book.

I thought Crisis Economics: A Crash Course in the Future of Finance by Nouriel Roubini and Stephen Mihm was a very interesting book, offering solutions to stabilize the financial system. Even though the book might no longer be as relevant as it was when it was written, it is still fascinating.

The book gives a good overview of capitalism from the point of view of the crisis that happens every once in a while, before and after reforms. The authors give a clear look about the crisis of 2008 and what got us into it, as well as what long-term improvements should be done.

The authors go on to give some good, solid advice which is likely never to be implemented. Much of the proposals are politically poisonous (letting the Bush tax cuts expire in 2010), or will not gain support in government and especially with the financial industry.

The book ends with a gloomy look into the future – some of it seems to be coming true these days (China starting to fall, Europe is on financial brink). A very interesting book for those who want an overview of the financial crisis without going into too much detail or more complex reading.

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Han C. says

Roubini is a smart dude who manages to tell an interesting and informative story without resorting to hyperbole. Unfortunately, the same cannot be said about the book's editors, who presumably wrote the following shamelessly self-indulgent and misleading description: "This myth shattering book reveals the methods Nouriel Roubini used to foretell the current crisis before other economists saw it coming and shows how those methods can help us make sense of the present and prepare for the future."

Were the book to truly provide readers with all the details of its author's forecasting models, there'd be no reason to seek the no-doubt pricey advisory services of the vindicated Roubini Global Economics, LLC. Ah, well. Nothing is truly free except on the Internet, where content is only free until it costs you a lawsuit.

That said, *Crisis Economics* does an honorable job of broaching a subject that is still touchy despite being, by now, a familiar one. A confluence of forces related to financial markets nearly collapsed the economy as we knew it. MORAL HAZARD! RENT-SEEKING! SYSTEMIC RISK! Ho-hum.

What's impressive is how diplomatically the author dives into the juicy details, refusing to succumb to the sweet intoxication of finger-pointing and dogmatism. He's harshly critical of Alan Greenspan, and he mocks Goldman CEO Lloyd Blankfein repeatedly, but it's always in the context of a complex system with numerous actors and changing circumstances. In weighing interpretations from economists influenced primarily by Keynes versus those who prefer "Austrians" like Hayek, he points out that we can learn from both. OMG, cupcakes and rainbows!

Roubini also offers a number of policy suggestions that he himself admits are likely to be ignored--mind you, that's a tier lower than being dismissed. He doesn't reckon that anything material will be altered in the interest of avoiding another near catastrophe until history repeats itself at least one or two more times. If you have a baby in your life, you owe it to posterity to tell them this heartwarming truth.

In short, *Crisis Economics* won't give you the ability to impress people at cocktail parties with bold, accurate predictions about impending doom, but you will be able to explain the difference between a CDO, CDO², CDO³ to my grandmother. She won't understand you, but if you try to pass off a bunch of hot dog meat by insisting it's steak, she will slap you.

Aderyn says

As an ex bank currency and money market traders, our defence for speculative trading was that economics was an art and not science. Having read this book, the author have proven that economic is rigorous science. In my reality in the past ,market players in the financial system ridden mainly on the animal spirit behaviours rather than the rationality of the science of economic. The author hit the nail that it was short term interest incentives that rewarded the market . Infact the system of remuneration for traders contributed to manifest greed inherent in human nature. The author highlighted that Central banks in the past had not exercised power to enforce regulations to prevent speculative manias to fed the bubble and spinning out of control. I recalled most of our top traders who were rewarded handsomely had the 'reckless' traits in them to be speculative manias to succeed.

Thanks to the transparency and accountability of the American financial system, the author could provide such a profound and insightful detailed analysis of the complex causes and effects of the crisis. The system can regulate accountability and transparency but not responsibility. The author suggested enforcement of more responsible regulation by central bank; the 2008 crisis had proven it was the central bank (which are taxpayers money) that bear the responsibility of bailing out the culprits.

Shua says

I have a terrible affliction. Its like a python coiled around my neck; its trying to squeeze my throat but I can pull on the snake just hard enough to keep from suffocating. Recently, I stopped resisting my reptilian oppressor and that's when I started watching cable news again.

I know cable news will crush my wind pipe and deprive my brain of oxygen, but I get tired from the struggle and give in. And when I give in, I hear the most absurd and illogical assertions from the talking skulls on the screen. Its like watching a 2-D representation of my most intense fever dream.

Thankfully, I have a safe word: "unprecedented". This wonderful word is used incorrectly 99% of the time by cable news journalists. The word means "without precedent" and should be applied to situations where a dragon swallows a skyscraper or the moon splits in half, or, you know, things that have no precedent. It is not a synonym for "unusual". And it is a weirdly popular word on cable news, so it didn't take long to snap out of cable news hypnosis.

Now after an unnecessarily long introduction; my opinion of this book. It was a welcome antidote for the

overly simplistic and uncritical analysis presented on cable news networks. I read this book at a time when I wanted to learn more about the systemic nature of the American and global economy. I feel the authors took the time to validate their conclusions with the support and authority of historical fact. I frequently forgot that I was reading a book about economics because I enjoyed the presentation of the author's analysis so much. While I did not agree with all of the author's conclusions, I felt like my oxygen-starved brain received a concentrated dose of the precious gas. The next time I feel that twisted urge to watch cable news, I will reach for another economics book. Maybe that metaphorical python will die from boredom and I'll never again watch cable news. We'll just have to see about that.

Noah Stacy says

A bit too polemical for me, perhaps due to the audiobook narrator--I've heard him before, and he often lets a hint of a righteous sneer sneak into his tone when the authors are responding to some opposition view.

Besides that, I am suspicious of Roubini's conviction that crises are essentially predictable. We look at history with the benefit of hindsight; causes and effects seem crystal clear, and we wonder how we could be such fools. But life has to be lived forward, and the crystal ball is always murky.
