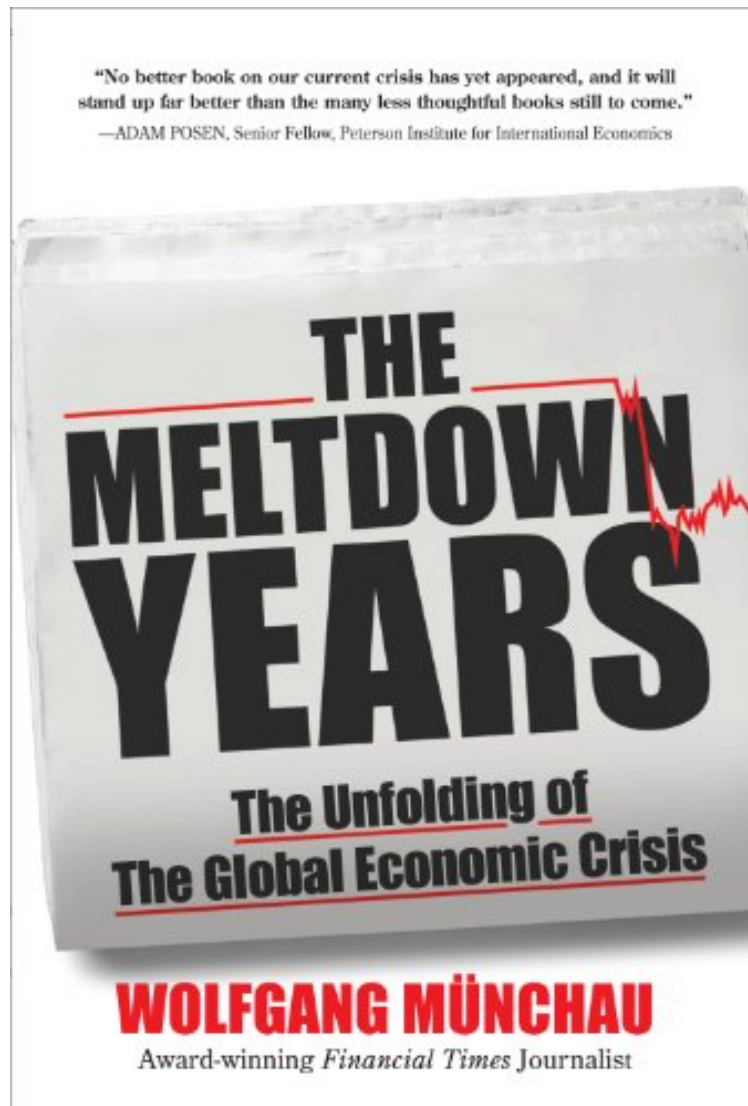


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The Meltdown Years: The Unfolding of the Global Economic Crisis

Wolfgang Munchau

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Wolfgang Munchau : The Meltdown Years: The Unfolding of the Global Economic Crisis before purchasing it in order to gage whether or not it would be worth my time, and all praised The Meltdown Years: The Unfolding of the Global Economic Crisis:

0 of 0 people found the following review helpful. The What, How, and Why of the Financial CrisisBy Lazy TomThis is a very useful book about the financial crisis. It is written in three parts. The first explains banking, financial products, and financial markets. This is necessary background for understanding what happened. Imagine try to understand WWI without any grounding in European politics and colonial expansion of the late 19th and early 20th century. Can't be done. I've read several books on the financial crisis and they focus mainly on events and

personalities. They are fun to read, but in the end I knew very little about how the crisis came to be. The second part is an account of what happened in the financial crisis. The author is brief and to the point. Little embellishment of personalities or drama. Indeed, he hardly mentions anybody's name; just the facts. The third part is why did it happen. He lists causes (things that made it happen) and contributing factors (things that made it worse, but did not necessarily cause it). He explains why he selected causes and factors and explains why he thinks some popular scapegoats are not significant. I thought he was balanced and fair. The book is only 220 pages of large print on small pages plus an epilogue and an appendix. There are parts in the main text that are shaded and explain financial products (e.g. credit default swaps, collateralized debt obligations, etc), financial statements, banking rules, and other technical details. People familiar with banking can skip these explanations making the book even shorter. Complaints? some of the shaded explanations were not adequate. There were a couple of times that I went to Wikipedia and some things I did not understand until I got someone to explain. I've read about 5 books on the meltdown. This is the one I plan to keep.

1 of 1 people found the following review helpful. A EUROPEAN ECONOMIST LOOKS "GLOBALLY" AT THE 2008-2009 FISCAL CRISIS By Steven H Propp Wolfgang Munchau is considered one of the world's foremost experts on the Eurozone. He writes the European economic column of the Financial Times. He wrote in the Prologue to this 2010 book, "[The book] takes the reader on a journey starting in the early 1970s and ends in 2009, in the hope of presenting a broader picture of our crisis... [it] aims to furnish the reader with sufficient background knowledge to understand what happened, and to follow the present debate about the economic recovery, how to rescue the banking sector, and what consequences to draw for the future of financial capitalism." (Pg. 2-3) He notes, "The buyers of these loans are the Special Purpose Vehicles (SPVs) mentioned earlier... The important thing is that the SPV does not appear on the bank's balance sheet. An SPV is therefore a nonbank, but part of the shadow banking sector. An SPV performs the function of a bank, and yet it is not regulated as a bank." (Pg. 67) He observes, "Most economists, central bankers, and finance professionals looked the other way. And as for the general public, they had no idea that the credit market even existed. They certainly had no idea that it would soon blow up and so greatly affect their lives." (Pg. 94) He adds, "After the collapse of the credit markets in 2007, the blame game began... The rating system was completely discredited... the question arises as to whether a system that consists of the ratings and valuations of a small group of private companies is optimal." (Pg. 113-114) He states, "When the big banks and insurance companies got bailed out by their governments... the top executives nevertheless insisted on their bonus payments... Bankers were so incompetent that they had to be bailed out by the government, and then they rewarded themselves for their failure. It is no surprise that this outrageous behavior has greatly contributed to what I call regulatory outrage." (Pg. 170) He concludes, "the really good news is that the best talent of the next generation will no longer be devoted to moving wealth from one corner of the globe to another. There are more important things to do in the twenty-first century. Nobler tasks will emerge." (Pg. 222-223) This "european" perspective on the fiscal crisis is very interesting, and will be of great value to anyone studying the crisis of 2008-2009.

7 of 7 people found the following review helpful. PONZI MUST DIE By DAVID BRYSON The only financial reality is cash. I was first taught this elementary wisdom nearly half a century ago, and here it is reinforced although not precisely so phrased. The author gets nearest to saying it when he quotes the source from whom I would most expect economic wisdom, the mighty Galbraith, who states that the financial market is entirely unsuited to innovation. The so-called innovations are almost entirely sleight of hand, and Munchau makes that abundantly and beautifully clear. The whole history of derivatives-gone-doolally is sketched in until we reach his publication date of mid-2009, by which time our own self-inflicted crisis is well and truly on us. And by long before then Munchau is ready to call the whole looking-glass world of Credit Default Swaps, Collateralised Debt Obligations and the rest of such gobbledegook a scam and a Ponzi scheme. Let me make it clear that this book is a piece of analysis and not a sermon or a political tract. What superb analysis it is too. The bare bones of the matter, all the way from the basic structure of a balance sheet to the essentials of the most outre modern 'instruments' are laid out with exemplary clarity. No political or ideological thrust is needed for it to be clear, just from a patient exegesis, that the banks and the money markets were operating a giant Ponzi scheme. As with Madoff, it was all dependent on fair weather conditions. As long as the economic bubble kept expanding people kept being paid out and those few who questioned the whole mad scenario in public were ignored or loftily dismissed, although there must have been many more who were silenced behind the scenes, as is the way of it all. When the bubble burst, or deflated with greater speed or less, it was Madoff all over again - nobody knows you are bathing naked until the tide goes out. When it went out, it was obvious (as it could have been long before if folk had been willing to see the point) that the emperor had no clothes, which is to say that many banks and insurers had no cash. It is not particularly harmful to Munchau's very clearly presented case, but he gets tied up in his own terminology by looking for the 'cause' of the present crisis. Talking about 'cause' is a convenient way to talk, even in academic and scientific discussions. However when we try to press the expression to the point of identifying it with precision we find we can't do it, and Munchau can no more do it than any of us can. David Hume proved that for all time in the 18th century. Doing without this unhelpful word, Munchau's lucid reasoning separates the greater from the lesser elements in the vipers' nest of intertwined problems we have landed ourselves in. I'd say to any reader - take M's presentation of the facts and build your own reasoning on it. For instance, how crucial are trade imbalances between countries? I thought he was leaning

one way for a while, but then he seemed to succumb to the traditional caricature of economists by leaning the opposite way. Usually he is less equivocal, and although he laudably views bankers claiming lavish bonuses as being of a social status roughly equivalent to that of child molesters, he has the fair-mindedness not to try to identify this phenomenon as a 'cause' of the present crisis. At least he may have (if not a British resident) escaped the frequent ordeal of beholding Angela Knight of the woeful countenance lugubriously lecturing the large tranche of the British public struggling with losing their incomes or pensions or having their homes repossessed on how multi-billion bonuses to bank executives, paid out of taxpayers' money, should not be opposed by morally minded citizens. Munchau bravely offers his own solutions or at least routes to a solution, and I don't feel like trying to assess these beyond saying Beware of the 'experts' who will. In the first place the experts are no more free from prejudices and pet theories than anyone else, and in the second place the increasingly-used mathematical models are suspect and demonstrably so. This is not to disparage mathematical modelling, it is only to say that it is inviting disaster to pretend that we can quantify risk when a bit of common sense tells us that we can't, at least not when a Gordian knot of complexity has to be processed. Models of this kind can only be as good as the assumptions fed into them and a few minutes' look at some of the latter should warn us to be careful. There is an additional risk in trusting to processes that we don't understand, and it is an elementary fault of methodology to leave that additional factor out of the risk-assessment overall. Munchau's own proposals rely rather heavily on international co-operation, and I don't wish to decry this view. I'm all for it but it's not unobvious that even within such a self-righteously trans-national co-operative model as the EU such values have to struggle, at least at our present level of maturity. Try selling the concept in practice to Frau Merkel. Myself, I'm attracted by a cruder plan, consisting of identifying and pillorying Ponzi schemes and any countries which use them. That is my own interpretation of what I have learned from this excellent book. As for the often-heard bleat that we should not deny bankers their bonuses, otherwise the best ones will go elsewhere, Munchau sees it off with magnificent scorn. Best at what? We've seen what they're good at and we don't need it.

The Meltdown Years offers the most lucid and useful explanation to date about why home values, life savings, job security, and investments around the world are in peril. Rather than focus on who is to blame, though, author Wolfgang Munchau takes the more practical approach of focusing on what is to blame. The fact that individuals were stupid, greedy, and corrupt should come as no surprise. What's remarkable is that our world's financial systems—put in place to help stave off such a crisis—failed so miserably. What is inherently wrong with the global monetary system? What happened to the regulatory process? What role did the credit market, hedge funds, and investment banks play? These are the types of questions one must answer in order to truly comprehend what caused the meltdown and, more importantly, to understand what must be done to repair it. Munchau dissects the global financial system, exposing its flaws and weaknesses in the context of the crisis. A decidedly global perspective of the greatest financial crisis of our time, *The Meltdown Years* examines the structure of the world banking system, global events that led to financial collapse, the growth of speculative bubbles, the descent from financial crisis into full-out recession, and pointing to an unstable global economic system as the root of the problem, the author predicts how long the recession will last and illustrates long-term consequences of the meltdown. "Apportioning [individual] blame for this crisis may be fun," Munchau writes, "but it is a dead-end road for anyone who seeks an understanding of what happened." *AIG*, Alan Greenspan, Fannie Mae, Bear Stearns—each is portrayed as a villain responsible for the state of the economy. In truth, the blame is much broader and lies much deeper. *The Meltdown Years* is required reading for anyone who wants to follow the ongoing debate about economic recovery and understand what the collapse means for the future of financial capitalism.

From the Back Cover *Total Systems Failure: The Global Financial Breakdown and How to Repair It 2008* will go down in history as the year the U.S. financial system plunged over the cliff and pulled the global economy along with it. Nevertheless, says *Financial Times* editor Wolfgang Munchau, this is not an American problem requiring an American solution. The meltdown was caused by inherent defects in the global economy. It is the world's problem, and it will take international action to fix it. An updated edition of Verboven, Munchau's award-winning book published in Germany in 2008, *The Meltdown Years* provides a solid foundation in the structure and workings of the global economy and presents a broad view of the financial crisis. Munchau focuses on three main questions: What were the key events that led to the global financial bubble? How did the meltdown start and why did it spread? What needs to be done to repair the economy and to avoid future setbacks? Munchau puts the pieces of the puzzle together to form a remarkably clear picture of an extraordinarily complex subject—while providing actionable advice for creating a more durable financial order. About the Author Wolfgang Munchau is an associate editor of the *Financial Times*, where he writes a weekly column about the European Union and the European economy. Between 1988 and 1995 he held several posts at *The Times* newspaper, including Washington and Brussels correspondent. Wolfgang Munchau lives in Belgium.