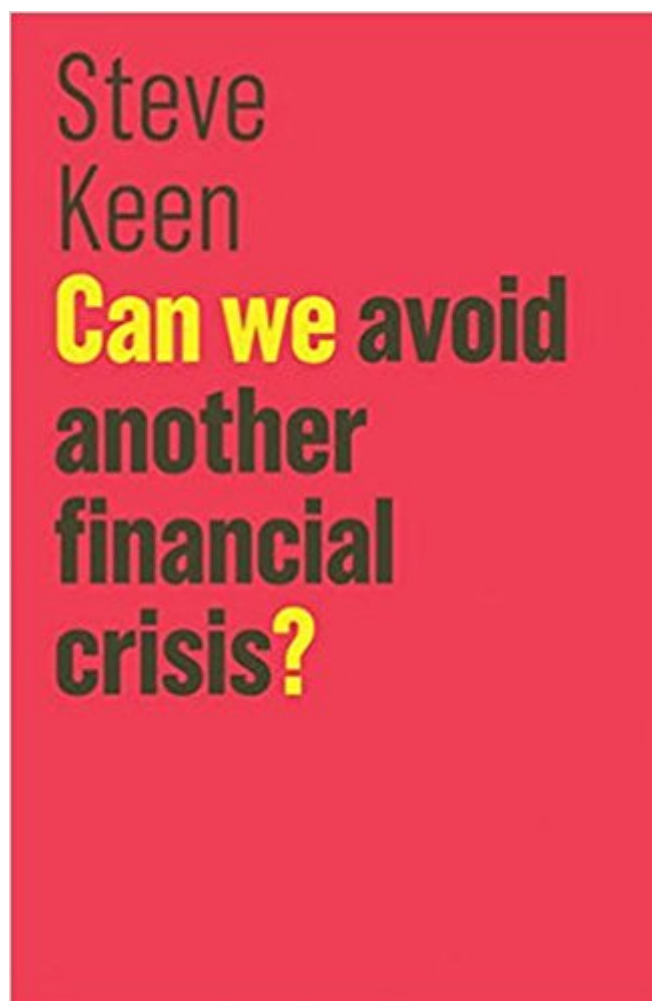


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# Can We Avoid Another Financial Crisis? (The Future Of Capitalism)



## Synopsis

The Great Financial Crash had cataclysmic effects on the global economy, and took conventional economists completely by surprise. Many leading commentators declared shortly before the crisis that the magical recipe for eternal stability had been found. Less than a year later, the biggest economic crisis since the Great Depression erupted. In this explosive book, Steve Keen, one of the very few economists who anticipated the crash, shows why the self-declared experts were wrong and how ever-increasing levels of private debt make another financial crisis almost inevitable unless politicians tackle the real dynamics causing financial instability. He also identifies the economies that have become 'The Walking Dead of Debt', and those that are next in line – including Australia, Belgium, China, Canada and South Korea. A major intervention by a fearlessly iconoclastic figure, this book is essential reading for anyone who wants to understand the true nature of the global economic system.

## Book Information

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## Customer Reviews

"No one is more qualified than Steve Keen to answer the question "Can we avoid another financial crisis?" with more than a single word. Read this book!" –Yanis Varoufakis, former Finance Minister of Greece "In this compelling essay, Steve Keen shows that the "Great Moderation" was in fact a great delusion and documents, to brutal effect, the foolish complacency of mainstream macroeconomists." –James K. Galbraith, University of Texas at Austin "Steve Keen explains

why the financial crisis it occurred, and why it can't just get better on its own, along its present track. He also explains in a hilarious and absolutely justified takedown why mainstream economists have a "trained incapacity" in being unable to understand why the economy has broken down and hence, why they don't have a real solution. We are still living in the aftermath of the 2008 crisis. It's all about debt. But economists fear they will lose their jobs if they say that debts must be written down. Keen asks what is more important: to save the economy, or to save the jobs for economists whose prestige rests on their not understanding why economies are in trouble today." •Michael Hudson, author of *Killing the Host and The Bubble and Beyond* "Non-academics interested in economic or financial markets should, if they read only one book on the topic, absolutely read this one." •International Investment

Steve Keen is Professor of Economics and Head of the School of Economics, Politics and History at Kingston University.

I had already read Keen's "Debunking..." and some mainstream macro and micro before that, but I still had a hard time digesting the initial assertions in this book. Considering its being really short, it would have benefitted greatly from a more extensive introduction, especially on net credit expansion (or, simply, "credit" in this book) as a creator (and destructor) of money and demand. Once you get on terms with this, the message is fairly simple: With interest on debt, debt cannot grow faster than GDP (output, income) in the long run. When debt grows slower, stops growing, or contracts this will lead to less money, less demand, less output and less income. And given Keen's very specific predictions and deadlines (2020!) the subject is all the more unnerving.

Just finished the book. I've been a fan of Steve Keen on Twitter and YouTube but I still had some questions about how his ideas all fit together so I bought his new book and it worked, I now understand well where Steve Keen is coming from. A few places in the book include econo-speak and I had to reread them a few times but I'm glad I did. The best part by far was the last chapter "A Cynic's Conclusion" where he pulls it all together. It was a great payoff to reading the book. After the next financial crisis, I bet this recommendation of Keen's will take place, "make the private debt to GDP ratio as significant an entity in economic management as the inflation and unemployment rates." If you want to figure out what the heck caused the Great Recession and what the economic future holds, this is an awesome, very original book.

Brilliantly summarised book on where we are economically and what we need to do about it. Not your conventional mainstream bull dust that waffles through ridiculous economics models that no-one understands or has no foundation in reality.

Finally there are some attempts to come up with new economic theories after the financial crisis rendered old theories clearly disconnected from reality.

Concise, to the point and well argued. Another debt crisis is coming. Debts that can't be paid, won't be paid and the defaults will destroy our financialized system.

As an occasional reader of Steve Keen's Debtwatch blog, I was pleased to find that Polity had asked the maverick Australian economist to contribute to its "The Future of Capitalism" series. Keen was one of few economists to predict the 2008 financial crisis and its anemic recovery. His theory is that rising private-debt-to-GDP ratios eventually become unsustainable, causing a reduction in private debt and subsequent recession or worse, from which it is not possible to recover without reducing private debt to a more sustainable level. I haven't read Keen's book "Debunking Economics" (2011), in which I understand he presents his critique(s) of mainstream economics in great detail, but I was glad to find this condensed version of Keen's theories on why the Global Financial Crisis occurred, why recovery has been sluggish at best, and what might be done about it. "Can We Avoid Another Financial Crisis?" begins with a brief history of the New Keynesian economic model favored by the world's central banks but currently demonstrating itself to be plain loopy. Keen introduces the reader to Hyman Minsky's Financial Instability Hypothesis, which posits that capitalism has "an innate tendency to both cycles and crises," and to the perils of deriving macroeconomic models from microeconomic foundations. He then suggests that economists should accept that macroeconomic behavior is unpredictable in the long term and incorporate complexity into its models as other sciences do. He explains why there is typically a "lull before the storm", when economies experience declining inflation and employment before another crisis hits, and why private debt must eventually stop growing. Keen looks at credit bubbles and the role of banks in creating money rather than simply multiplying central bank money. He concludes that "credit is the cause of both the booms and the slumps of the global economy" and identifies the nations most likely to fall into a debt trap from which they cannot escape. Keen makes a convincing case for the cause of economic booms and busts – at least since the 1980s – being the growth

then reduction in private debt, a phenomenon that many mainstream economic models ignore on principle. I don't think debt deflation is the only important factor behind the Global Financial Crisis, but considering its role would have led to far more productive attempts to right the economy. It goes without saying that economists need new and different ideas, but so does the public. Here Steve Keen presents a cogent theory of why capitalism's characteristic cycles sometimes become full-blown crises in reasonably plain English that a layperson can understand. Of course, the best course would be to limit private debt in the first place. But Keen does propose some policies that may ameliorate the situation in the case of a meltdown.

Great Book, Great Price, Great Service!

Keen is brilliant

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