



Why the World Economy Needs a Financial Crash and Other Critical Essays on Finance and Financial Economics

Jan Toporowski

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Description

These essays explain why financial crisis breaks out, its social, economic and cultural consequences, and the limitations of policy in the face of economic stagnation induced by financial inflation.

'Jan Toporowski is the best-kept secret in British economics. His insightful essays combine insight into current market mechanisms and macroeconomic dynamics with a keen appreciation of the historical sources of the ideas being debated in today's financial pages. This book explains Toporowski's ground-breaking theory of financial inflation, which is the key to understanding why financial-market forces ultimately exploded. In sum, this book answers questions readers didn't know they had about the 2007-08 financial crisis and about all the financial crises in the neoliberal era.' —*Gary Dymski, Professor of Economics, University of California, Riverside*

The essays in this volume explain the key structural features of financial inflation that give rise to financial crisis. These features include excessive reliance on finance to maintain economic activity through rising asset prices. Reliance on asset inflation induces a preoccupation with property values and a new social divide between the asset-rich and the asset-poor that determines the culture of the welfare state. When debt can no longer be supported by cash flow from asset markets, excess debt plunges economies into economic depression. This collection features the title article 'Why the World Economy Needs a Financial Crash', which achieved notoriety when first published in the *Financial Times* in 1986, and has since proved prophetic of recent events.

Readership: The educated public wishing to understand banking, finance and financial crisis; those in banking and finance who would like to understand the social consequences of their work.

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Introduction; 1. Why the World Economy Needs a Financial Crash; Part I. The Economics of Financial Inflation; 2. Money in Globalised Times; 3. Neo-liberalism and International Finance; 4. Financial Innovation: Better Machines for Financial Inflation?; 5. The Inflation of Goodwill; 6. Leverage and Balance Sheet Inflation; 7. Inflation in Financial Markets; 8. Asset Inflation and Deflation; Part II. The Culture of Financial Inflation; 9. Twentieth-Century Finance Theory: The Frauds of Economic Innocence (in memoriam J. K. Galbraith); 10. Fischer Black's 'Revolution'; 11. Economic Inequality and Asset Inflation; 12. The Wisdom of Property and the Culture of the Middle Classes; Part III. Financial Crisis; 13. Everything You Need to Know about the Financial Crisis but Couldn't Find Out Because the Experts were Explaining It; 14. The Limitations of Financial Stabilisation by Central Banks; 15. International Business and the Crisis; 16. Developing Countries in the Crisis Transmission Mechanism; Epilogue; Notes; Index

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Jan Toporowski is Reader in Economics and Chair of the Economics Department at the School of Oriental and African Studies, University of London. He studied Economics at Birkbeck College, University of London and at the University of Birmingham. Jan Toporowski has worked in fund management, international banking and central banking.

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