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The New International Money Game

Robert Z. Aliber

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Robert Z. Aliber : The New International Money Game before purchasing it in order to gage whether or not it would be worth my time, and all praised The New International Money Game:

1 of 1 people found the following review helpful. Great explanatory power - clearly biased toward the author's perspective
By Joshua Leeger
I thought this was a great book. It clearly explains the author's views of the international money game - revealing aspects of international economics I haven't come across elsewhere. What was most interesting to me, in the end, was his explanation of real estate bubbles: "Real estate bubbleshellip;always involve a rapid increase in credit from banks and other lenders that enable the borrowers to buy existing structures and to pay for construction of new homes and office buildings. The supply of credit for real estate is procyclical; as real estate prices

increase, banks become more eager lenders because real estate values are rising, and the net worth of the buyers is increasing more rapidly than their indebtedness. Because the supply of homes and office buildings and apartment buildings increases slowly, the increase in demand leads to a rapid increase in property prices. As real estate prices increase, the rental rate of return on both existing properties and new construction declines below the interest rates on the loans that the recent buyers of real estate have agreed to pay. These investors are comfortable increasing their indebtedness because they anticipate that prices will increase two or three times as rapidly as the interest rate and their interest payments. Some of these borrowers eventually develop a cash flow problem as their interest payments increase to exceed their rental incomes (the technical term is "negative carry") - but the increase in the market value of their real estate means that their wealth is increasing and their properties are pledged as collateral for new loans. The lenders are happy because the borrowers have an impeccable record for making their debt service payments in a timely way and because the loans are well collateralized. The sellers of real estate must decide what to do with the money received when they sell their properties; their basic choices are to buy more real estate or to buy stocks. Their purchases lead to further increases in the prices of real estate and stocks. Asset price bubbles produce economic exuberance. Business investment increases because the rate of economic growth is above trend and the cost of capital is low. Household consumption spending surges as the owners of stocks and of real estate react to the increase in their wealth by increasing their consumption, their savings rate declines. Because of the surge in economic activity, government revenues increase rapidly and often the governments develop fiscal surpluses. Some event - a surge in interest rates, a new regulation - induces one or two lenders to become more cautious in extending new loans. Asset prices now are too high relative to rental incomes; some of the heavily indebted borrowers are then in a cash bind because their rental incomes are less than their scheduled interest payments. A few of these borrowers become distressed sellers of real estate. Real estate prices then decline, and the price falls can be extremely sharp as investors rush to convert their unrealized profits to cash. One feature common to virtually all of the countries involved in these bubbles - with the exception of Japan in the 1980s and China in 2007 - is that they had current account deficits which increased as asset prices in the country increased; these countries developed larger capital account surpluses and larger current account deficits." pp 149-150 of 1 people found the following review helpful. good reference book By RMI It's a requirement for my Economics class. It's a good book. It explained how the international monetary policy evolved and history of the international game.

The International Money Game has been fully rewritten to take account of changes in the world economy. It provides a comprehensive overview of international financial developments, including both the structure of payments arrangements and the series of credit and asset bubbles as well as financial crises.

'Luckily for all of us, Bob Aliber has updated his monumental work - again. Since so much has happened since the last edition, there was much updating to do, and Aliber has done it well. Isn't it impossible for a book to be a basic, if not encyclopedic, reference work and yet still be sprightly written? Apparently not, for Aliber has done it again.' - Alan S. Blinder, Princeton University, USA
About the Author
ROBERT Z. ALIBER is Professor Emeritus of International Trade and Economics at the Booth Graduate School of Business at the University of Chicago. He has been the Houbton-Normann Fellow at the Bank of England, the National Westminster Bank Professor of International Finance at the London Business School, a visiting scholar at the Woodrow Wilson Center for International Studies in Washington, and the JPMorgan Prize fellow at the American Academy in Berlin. Among his previous books are *The Multinational Paradigm*, *National Monetary Policies* and *The International Financial System*, and *Your Money and Your Life*. He brought out the fifth edition of Charles P. Kindleberger's *Manias, Panics and Crashes*.