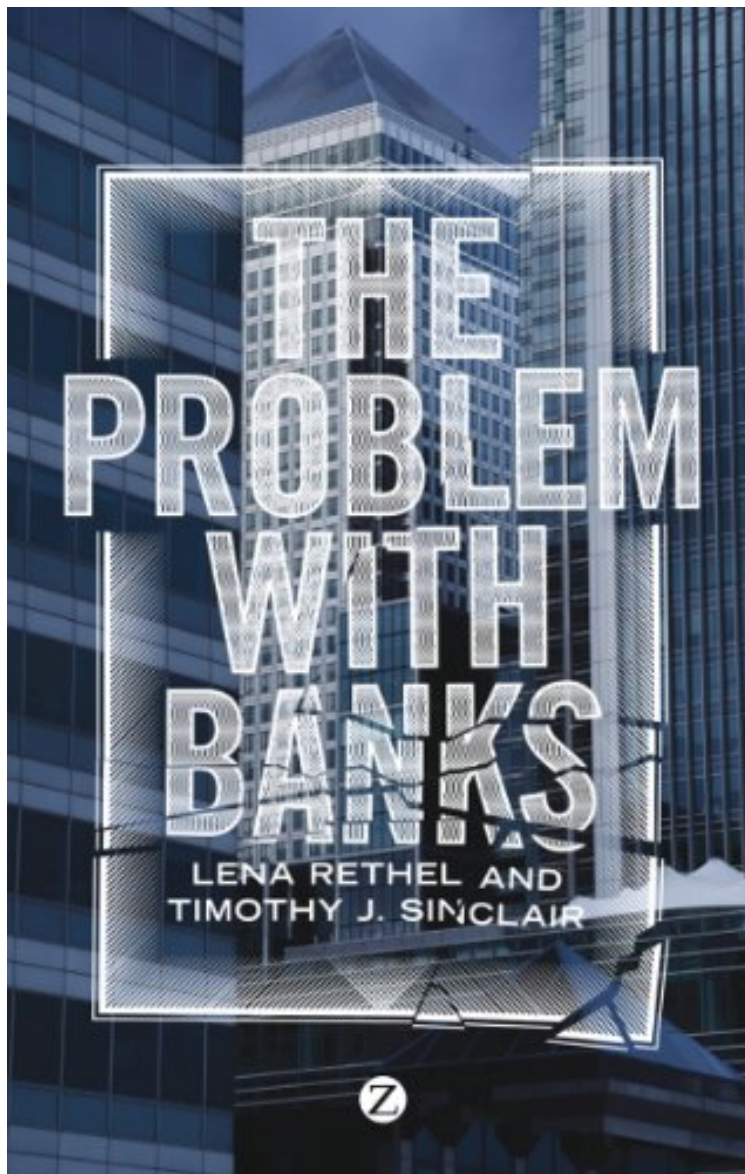


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The Problem with Banks

Lena Rethel, Timothy J. Sinclair

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Lena Rethel, Timothy J. Sinclair : The Problem with Banks before purchasing it in order to gage whether or not it would be worth my time, and all praised The Problem with Banks:

Banks of all sorts are troubled institutions. The cost of public bail-outs associated with the subprime crisis in the United States alone may be as high as US\$5 trillion. What is the problem with banks? Why do they seem to be at the

centre of economic and financial turmoil down through the ages? In this provocative and timely book, Rethel and Sinclair seek answers to these questions, arguing that banks suffer from perennial problems, and that developments in the financial markets and government in recent decades have simply exacerbated these issues. The book examines banking activity in America, Asia and Europe, and how specific historical circumstances have transformed banks' behaviour and attitude to risk. While many see government as a constraint on banks, Sinclair and Rethel argue that what governments do in terms of regulation shapes banks and their motivations, as can be seen in the shortcomings of current reform proposals. Instead, more far-reaching, alternative ways of regulating and shaping banks are needed. A concise, essential overview of a pressing global issue.

'Rethel and Sinclair's book is far more than an excellent primer on banks and the recent financial crisis. It outlines a practical vision of what steps would be needed for an alternative banking system and how the state would play a crucial role in forging such a system.' Robert O'Brien, Professor and Chair, Political Science, McMaster University

'Sinclair and Rethel's thesis is simple but compelling. The banking industry's business model is unstable. Banks do not only intermediate between savers and borrowers as we are told by our textbooks, they also intermediate between the short-term lending horizons of savers and longer-term needs of borrowers. The problem with banks is that they never succeeded in resolving these contradictory demands, hence, the financial system is inherently unstable.' Ronen Palan, Professor in International Political Economy, University of Birmingham

'If the global financial crisis has taught us one thing it is that we need to fundamentally change the position that banks have in the organization of our economies. Rethel and Sinclair provide us with ideas to do just that. Their aims are modest but radical: focusing on the role of banks in the broader context of the global economic crisis, they demonstrate clearly and convincingly that proposals for new regulation in the banking sector now going around will not work because they do not address the fundamental character of banks. Although the problem with banks may never be fully solved, implementation of the authors' proposals will make the banking world radically more stable than it is today.' Henk Overbeek, Professor of International Relations, VU University Amsterdam

'Sinclair and Rethel demystify the banking crisis threatening much of the global economy. With a minimum of technical jargon, they explain how banking systems work, their key vulnerabilities and susceptibility to crisis, how their institutional development has been intertwined with that of modern states and profoundly shaped by public policy, and why our contemporary banking systems are increasingly focused on short-term profit at the expense of long-term productive investment. Its clear and accessible prose will make this a fine teaching text for courses in political economy, as well as an excellent introduction for readers concerned with the future of our economic systems.' Mark Rupert, Professor of Political Science, Syracuse University

'This book does more than its title suggests. It proposes provocative yet realistic, refined but accessible ideas about how to solve "The Problem with Banks". It is a timely contribution to anyone grappling with the financial crisis and its consequences.' Anna Leander, Professor, Department of Business and Politics, Copenhagen Business School

'A timely reminder of why we need to have a responsible political debate about banks and what they do. Rethel and Sinclair explain how the role of banks has changed beyond recognition over the past several decades, and help us to decipher these changes in a clear and accessible style. I highly recommend it as a tonic for anyone who wants to understand and participate in the debate about the future of banks.' Randall Germain, Professor and Chair, Department of Political Science, Carleton University

About the Author
Lena Rethel is Assistant Professor of International Political Economy at the University of Warwick. Her research focuses on financial system change in Asia, the emergence and challenges of Islamic finance and the relationship of finance, debt and development. Lena has co-edited two collections on the political economy of the subprime crisis that have appeared in *New Political Economy* and the *British Journal of Politics and International Relations* and a special issue on global governance in crisis that will appear in *Global Society* in 2012.

Timothy J. Sinclair is Associate Professor of International Political Economy at the University of Warwick. In 2001-2002 he was a visiting scholar at Harvard University. His research is concerned with the politics of global finance and theories of global governance. The paperback edition of his book, *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*, was published by Cornell University Press in 2008.