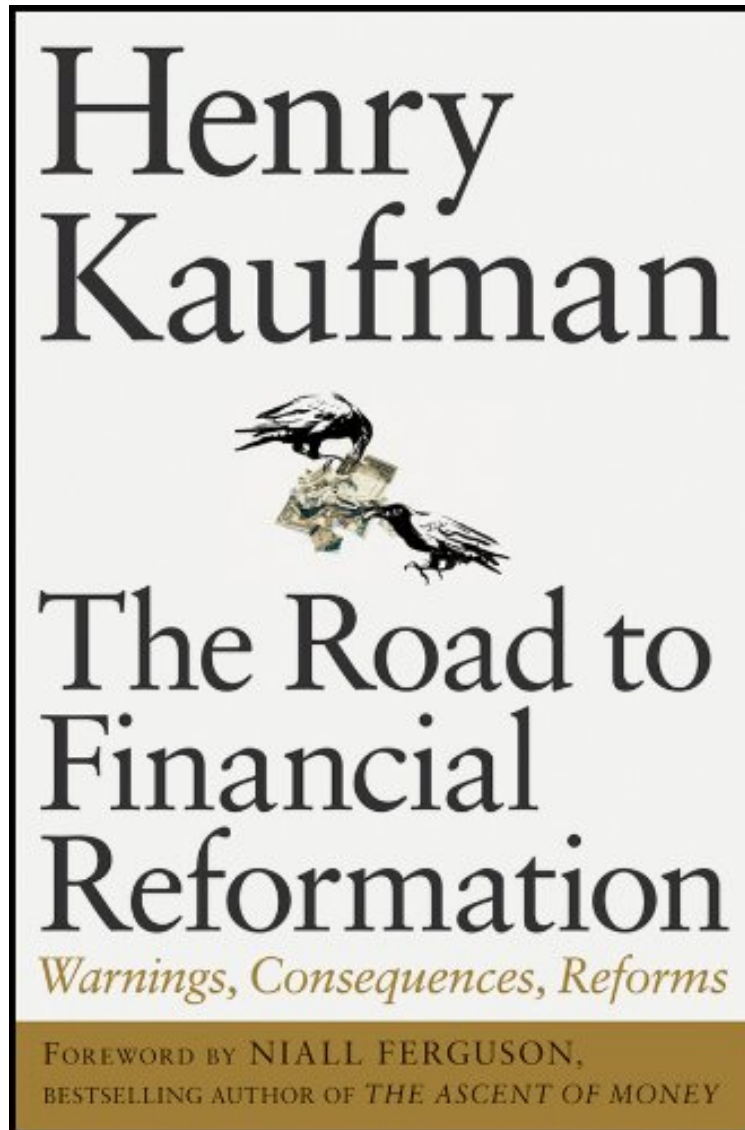


The Road to Financial Reformation: Warnings, Consequences, Reforms

Henry Kaufman

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Henry Kaufman : The Road to Financial Reformation: Warnings, Consequences, Reforms before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Road to Financial Reformation: Warnings, Consequences, Reforms:

11 of 14 people found the following review helpful. The Road to Financial Reformation By MF This book provided an insightful overview of the causes of the current financial "meltdown" and future strategies to avoid a recurrence. The book is well written, but not an easy read for the layman. I highly recommend this book for those involved in the

finance industry or those teaching finance at the undergraduate or graduate levels.1 of 7 people found the following review helpful. Want to know about 1970-1980s?By Stephen LarsonIf you want to know about 1970-1980s, this book is for you. If you want to know about today, it is not.4 of 4 people found the following review helpful. InsightfulBy JimHenry Kaufman is a PhD economist who spent 26 years at Salomon Brothers including as head of the investment bank's 4 research departments. In 1988 he became President of his own economic and financial consulting firm. So I was interested to read his take on the financial meltdown.The first part of the book includes 4 chapters of speeches he presented in the mid to late 1980's at Federal Reserve forums. In them he identifies troubling trends in world finance likely to cause future disruptions. He calls these "Neglected Early Warnings." The themes he cites in these early chapters he repeats in later chapters but with greater macro economic evidence and reasoning. These include 1) the trend to financial concentration underscored by the "too big to fail" status of the financial conglomerates; 2) the loss of segmentation resulting in less transparency; 3)conflicts of interests; 4) reliance on the absoluteness of mathematical modeling; 5) weakening credit quality; 6) a tax code and compensation plans that result in bias towards the use of greater credit and less equity; 7) the redefining of liquidity from an asset basis to access to credit; 8) securitization defined as making marketable assets not otherwise marketable; 9)innovation of financial products with no market history; 10)the drive by financial conglomerates to avoid oversight; 11) the failure of regulatory bodies, especially the Federal Reserve, to do more than to react piecemeal to structural changes.In covering these he discusses the impact of voiding Glass-Steagall, the elimination of economic history as part of basic business education, and the failure of the Federal Reserve-the primary regulator-to cope, and the failure of Congress to act. He disagrees with the elimination of Glas-Steagall which has the impact of mingling commercial banking with commerce, and making oversight more opaque. He advocates for a Federal Financial Oversight Authority distinct from the Federal Reserve. This organization would have specific oversight and regulaorty authority over "too big to fail" institutions.This is an important book. Once Kaufman establishes his themes at the beginning, he provides the perspective of economic thought on financial concentration, and compares that concentration in crises beginning in 1966.This is an important book for anyone concerned about the road the US is taking in dealing with recent crises and preparation for the future.

Our financial crisis: what happened, how we got here, and what needs to be done Henry Kaufman-an esteemed economist and statesman-is one of the most preeminent financial figures of the day, with a history of success from the 1980s, when his firm, Salomon Brothers, ruled the bond markets. In *The Road to Financial Reformation*, Dr. Kaufman, who has spent a lifetime entrenched in the world of finance, provides an insightful account of the history and impact of post-World War II financial markets on the economy-what happened, how we got to where we are today, and what needs to be done. Drawing on his vast breadth of knowledge and experience, Kaufman reveals the mistakes that got us into this debacle, the consequences-as they have not been fully realized-and how to put our derailed economy back on track. This book details Dr. Kaufman's warnings and concerns expressed repeatedly throughout the last quarter century, and shows that what he predicted came to pass. Provides an insightful account of the history and impact of post-World War II financial markets on the economy Explores the erosion of credit ratings on corporate debt in the late 1980s and the rapid increase in financial concentration of institutions Discusses the blinding faith in models that rely on historical data but fail to take into account economic and financial market structural changes With his breadth of knowledge and experience, Kaufman details that this crisis was foreseeable (he saw it coming), and how we created this history-making financial crisis. He also explains the consequences still to come, and presents solutions on how we can recover and reform the markets.

"OF THE torrent of books being spewed out on the global financial crisis, most fall into one of two categories: the microscopic exploration of a particular episode or scandal, such as the fall of Bear Stearns, or the sweeping attempt to map the meltdowns's moving parts and put it all in an historical context. Henry Kaufman is well placed to deliver the latter, having earned the nickname "Dr Doom"mdash;for his warnings about the dangers of debt bubblesmdash;back in the days when today's's doomster-in-chief, New York University's's Nouriel Roubini, was still in short trousers. His book is an accessible exposition of the causes and consequences of the market trauma . . . Mr Kaufman ruthlessly dissects the past quarter of a century's's financial deregulation. . . He showers his argument with supporting facts and figures. . . A deep thinker on the workings of markets . . ."mdash;The Economist"A good read -- and a thought-provoking one."mdash;Financial World"Wisdom for a punch-drunk Wall Street. . . gives the lie to the notion that no one saw the financial crisis coming. [Kaufman] was not alone, but was earlier than most. . . In his latest book, Kaufman once again aligns himself with those who believe that a vital task of the central bank is to take away the punchbowl just as the party gets going. Kaufman's's prejudices are well grounded. . . His central insight about banking is old, simple, but profound. . . The occupational hazard of being a financial prophet is that it is impossible to forecast exactly when a bubble will burst. This means that hard-nosed market practitioners tend to discount early warnings. What a shame that Dick Fuld, chief executive of the ill-fated Lehman Brothers, on whose board Kaufman sat, failed to heed the warnings of this remarkable economic sage."mdash;Financial Times"Provides an insightful account of the history and impact of post-World War II financial

markets on the economy—what happened, how... From the Inside Flap The crisis of 2007–2008 will reshape the financial world for years to come. Some of the key consequences—such as the revival of household savings, the end of risk modeling, and the persistence of the U.S. dollar as the leading reserve currency—will be welcomed. But others—most notably, the explosion of public debt and the acceleration of financial concentration—portend more trouble for the future. There is no quick fix, says esteemed economist and statesman Henry Kaufman. Expectations for solvency, profits, and growth are suffering severe retrenchment, and the collapse that began in 2007 will affect investor behavior for years to come. Political leaders need to act boldly while ensuring that our market-based economy is not undermined. We need a new set of rules and regulations so that our financial institutions balance entrepreneurial drive with fiduciary responsibilities. In *The Road to Financial Reformation*, Kaufman provides an insightful account of the history and impact of post–World War II financial markets on the economy—what happened, how we got to where we are today, and what needs to be done. Drawing on his vast breadth of knowledge and experience, Kaufman reveals the mistakes that got us into this debacle, the consequences—as they have not been fully realized—and how to put our derailed economy back on track. He recounts his neglected early warnings about ballooning corporate and personal debt, the trend from financial segmentation to concentration, and the inadequacies in financial oversight. And he suggests a new kind of institution for regulatory oversight to supervise only the largest U.S.-based financial institutions. Intensive official supervision, he asserts, will help make financial conglomerates too good to fail. And because of the thoroughly global nature of today's financial markets, other leading economies throughout the world should be strongly encouraged to establish similar supervisory authorities. In the financial crises of the early postwar decades, both the economy and financial markets rebounded quickly. Unfortunately, that is far from likely this time around. But with *The Road to Financial Reformation*, we will at least see a path for moving in the right direction.

From the Back Cover Praise for *The Road to Financial Reformation* "Those who cannot remember the (financial) past are condemned to repeat it. Yet our data-oriented culture suffers from willed amnesia. With this book, one of America's greatest financial memories, Henry Kaufman, shares his treasure. Buy it for Figure 12-1 alone, a roster of the past half-century's financial crises and their Kaufman-diagnosed causes. You'll invest more confidently with Kaufman's list in your breast pocket." —AMITY SHLAES, author, *The Forgotten Man: A New History of the Great Depression*, and Senior Fellow, Council on Foreign Relations "A devastating critique of our troubled financial system with clear explanations of how we got here, and what we must do to get our economy back on track—written by someone who consistently and correctly warned us of the dangers. If Presidents, Congresspersons, and Federal Reserve Chairmen had listened to Henry Kaufman, we wouldn't be in our current fix." —BILL BRADLEY, former U.S. Senator "Henry Kaufman, over more than a half century, has seen it all: the risks, the rewards, the foibles of financial markets, and now the mother of all financial crises. His prolific writings have long commanded attention on Wall Street—but not enough. Too often his warnings, his prognoses, his recommendations have been unheeded. Now—drawing in part on earlier writings—he lays out what has gone wrong and why. Dr. Kaufman, in *The Road to Financial Reformation*, does not shrink from setting guidelines for rebuilding a stronger, safer, and more productive global financial marketplace. They need careful thought by practitioners and officials alike." —Paul Volcker, Chairman of the Economic Recovery Advisory Board and former chairman of the Federal Reserve Board