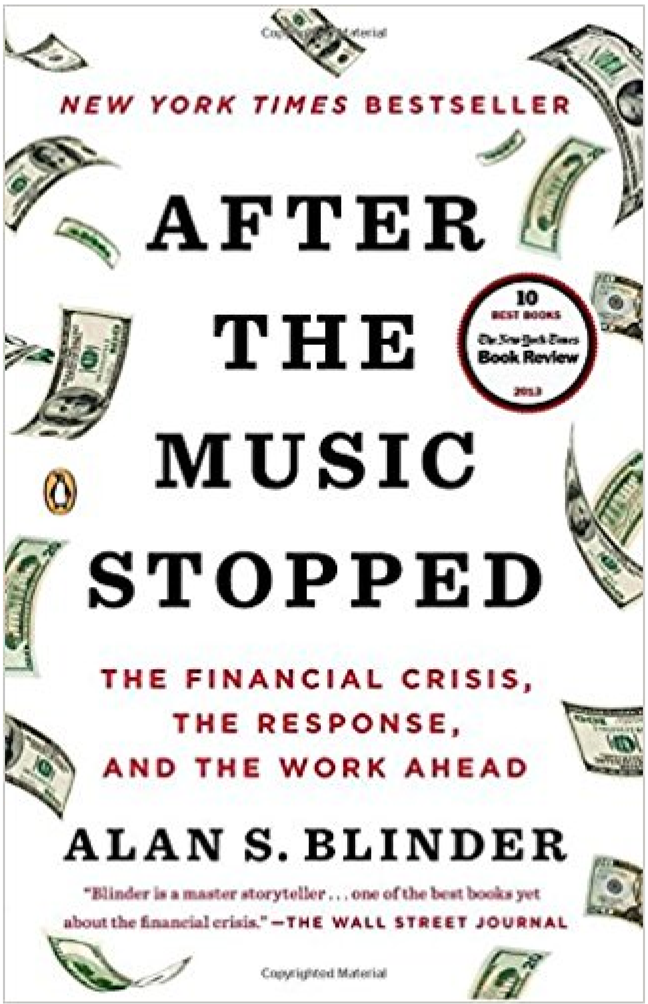
After The Music Stopped: The Financial Crisis, The Response, And The Work Ahead



Synopsis

Named one of the Ten Best Books of 2013 by Michiko Kakutani and the New York Times Book ReviewÂ â œBlinder is a master storyteller . . . one of the best books yet about the financial crisis.â • â ”The Wall Street JournalAlan S. Blinderâ ”esteemed Princeton professor, Wall Street Journal columnist, and former vice chairman of the Federal Reserve Board under Alan Greenspanâ ”is one of our wisest and most clear-eyed economic thinkers. In After the Music Stopped, he delivers a masterful narrative of how the worst economic crisis in postwar American history happened, what the government did to fight it, and what we must do to recover from it. With bracing clarity, Blinder chronicles the perfect storm of events beginning in 2007, from the bursting of the housing bubble to the implosion of the bond bubble, and how events in the U.S. spread throughout the interconnected global economy. Truly comprehensive and eminently readable, After the Music Stopped is the essential book about the financial crisis.

Book Information

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Customer Reviews

An economist who speaks English! This is a rare person, one who can connect with the rest of us and give us an insider’s but big picture perspective. Michael Lewis and Alan Blinder are two sides of the same coin. They enlighten and entertain on finance. Blinder is the scholar but don’t hold that against him; it’s what makes this a must read.This book explains what really happened to us and why in the financial crisis. All of us know the crisis. Many can discuss it at the "cocktail party, shaking of the head" level of discourse, but few us can discuss the "why-did-they-do-it" or know what lies ahead for us next time. We think it too complicated or too much inside baseball to take the time to figure it out.Blinder has done this work for us in an entertaining yet scholarly way that we can believe. It’s not 24-hour news cycle hype nor a dumbed down HBO movie script.The narrative is an easy read through a difficult subject. It is better and more entertaining than for example Michael Lewis’s "Big Short" (though Lewis is a Princetonian as well and probably took a course from Blinder) in part because Blinder takes us on a journey through the origins and responses to the ENTIRE financial crisis. Along the way, he asks the questions we would ask and then answers them in a down to earth prose.Before writing this review, I looked at the expert reviews. The Financial Times, The Wall Street Journal, Washington Post and even the Cleveland Plain Dealer described this book as the "best" account of what happened and why. While everyone has opinion on some aspect of the account, there is a consensus that Blinder presents the information in the best possible way for the rest of us and offers the most comprehensive discussion.

We still haven’t recovered from the recent financial crisis and subsequent Great Recession. Numerous books have been written about these events. Why another one? Blinder brings both great credibility (Princeton Professor of Economics, former Vice-Chairman of the Federal Reserve Board) and a new focus on the ’why’ rather than the ’what’ of the crisis and response. His intent is to provide the ’big picture,’ instead of detailing who said what to whom when.Blinder’s ’supershort version’ is that the U.S. financial system had grown far too complex and fragile for its own good, and had far too little regulation for the public good. It then experienced a perfect storm during 2007-09 that started with the bursting of the housing bubble, then followed by a ’bond bubble’ implosion that was probably more devastating. The stock market also collapsed, turning many 401(k)s into ’201(k)s.’Blinder tells us that all modern economies rely on credit-granting mechanism to nourish the rest of the system, the U.S. more than most. What had been far too much credit turned into vastly too little. Congress then expanded the social safety net and enacted large-scale fiscal stimulus programs, the Federal Reserve dropped interest rates to the floor, created incredible amounts of liquidity, and took over AIG insurance. The result, per Blinder, was a modestly happy ending; however, he gives our macroeconomic performance post-Fall 2008 an F.Why? Total jobs losses were just under 8.8 million, over a period during which we should have added about 3.1 million more, created a cumulative job deficit of about 12 million by 2/2010. Then the job deficit rose even higher in 2010-11 as job creation fell short of the 125,000/month required to keep up with population growth.

The current financial and economic crisis that began in 2008 and that, in my opinion, hasn’t seen its last down leg will be written about for decades to come, and so no single book should be regarded as the final word. Such a complex, devastating, and multifaceted event is probably too complicated for one person to understand, and so a variety of viewpoints should be sought out. While I'm no expert on the whole matter, either as regards theoretical issues impacting the event or empirical evidence supporting one or another theory, I have read a few books about the crisis and can at least say that I've reached a point where I can identify what makes sense and what doesn't (at least to me). Alan Blinder's book is probably one of the better books I've read by what I consider establishment economists (those who work at a major university, have had extensive high-level experience in government, or basically support a Keynesian approach to economics). I confess that, despite my best attempts to approach all books without prior judgment, I expected to like the book a lot less than I did.To his credit, Blinder is critical of virtually all the major culprits, though he is rather soft in his criticisms of the Federal Reserve (the Fed)and the federal government. He tends to minimize the role that the Fed had in creating the crisis in the first place. This is not surprising for a former high-ranking Fed official. In addition, he seems to relegate moral hazard to a secondary or even tertiary cause or factor in the crisis, whereas I think it plays a primary role, not just because of the recent bailouts but because of the message that has been conveyed for several decades by the Fed that the big banks and their profits will always be safe.

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