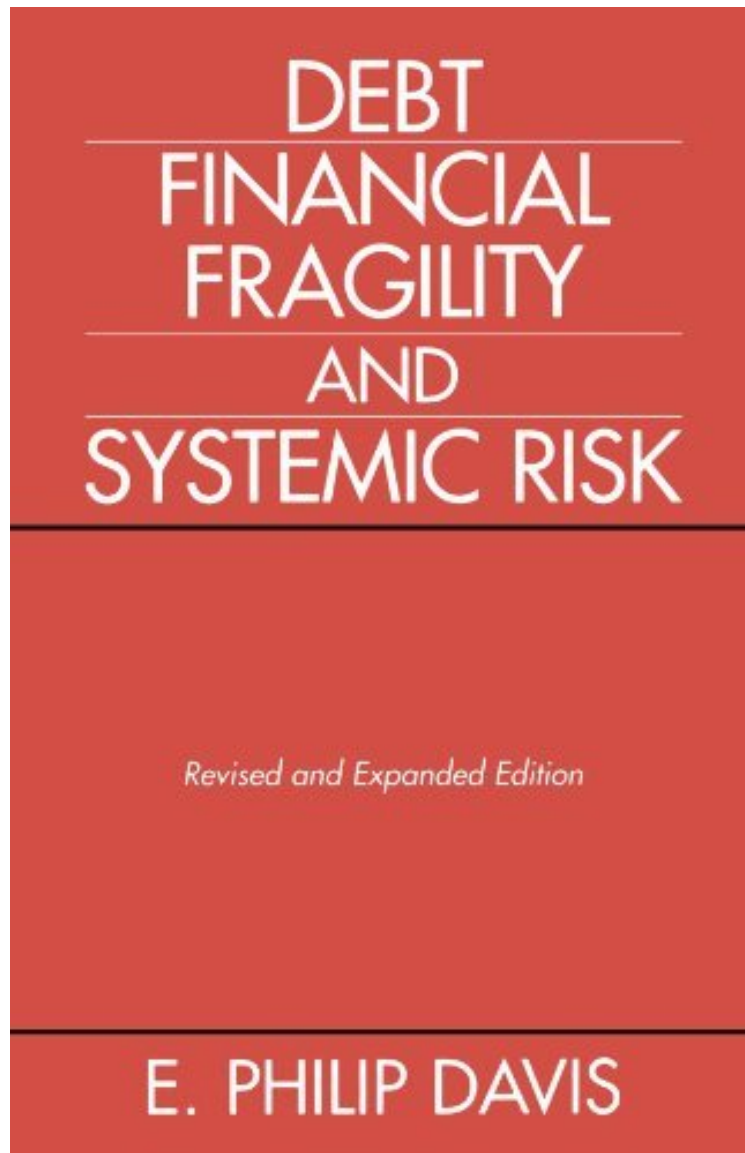


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# Debt, Financial Fragility, and Systemic Risk

*E. Philip Davis*

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**E. Philip Davis : Debt, Financial Fragility, and Systemic Risk** before purchasing it in order to gage whether or not it would be worth my time, and all praised Debt, Financial Fragility, and Systemic Risk:

2 of 2 people found the following review helpful. OverratedBy Hans TietmeyerHaving re-read this book for the second time,I have to confess that I still have severe doubts about the validity of the underlying assessments. The fundamental problem of the book is its pre-occupation with the anglo-saxon shorttermist mentality which leads to ultimately misleading conclusions regarding monetary policy. Ultimately a firm orientation of monetary policy towards the medium-term objective of price stability - in the context of an 'ordnungspolitische' well-based broader

economic and social framework - it the best guarantor of the financial and economic stability which is essential to reap the full fruits of economic progress. The experience of Germany over the last 30 years - which, in contrast to the poor record of the anglo-saxon economies, is characterised by a solid track record of price stability combined with the absence of notable financial fragility - is powerful evidence of the enduring truth of this proposition. While this view may not be en vogue with many financial commentators - especially those in the anglo-saxon presse - I am convinced that this will change radically in the near future, as events unfold in the US and reveal the inherent weakness of monetary policies orientated to cyclical fine-tuning and the support of stock markets. 0 of 0 people found the following review helpful. A tour de force of economic analysis By G. Fagan (gf@gfagan.hg.eunet.de) This book - authored by E.P. Davis the foremost expert in the study of financial crises - provides a comprehensive overview of the theory of financial fragility together with a review of a detailed review of a number of case studies. These range from the Herstatt crisis of the 1970s to the housing booms/busts in the UK and Scandinavia in the 1980s/1990s. It is essential reading for all economists seeking to understand the underlying factors at work in generating financial fragility. It should be required reading for those responsible for the supervision of financial institutions.

A remarkable feature of the period since 1970 has been the patterns of rapid and turbulent change in financing behavior and financial structure in many advanced countries. This book explores, in theoretical and empirical terms, the nature of the relationships between the underlying phenomena-levels and changes in debt, vulnerability to default in the corporate and household sectors, and systematic risk in the financial sector. The book focuses on the generality of this phenomena-whether similar patterns are observable in certain countries, as well as in the international capital markets themselves. Emphasis is placed to the importance of the nature and evolution of financial structure to the genesis of instability. Given the international scope of the analysis, the work is germane to the study of the development of financial systems in all advanced countries, as well as the euromarkets.

"It will constitute the beginning point of most future research efforts in the financial disorder field."--Journal of Economic Literature  
About the Author E. Philip Davis is at European Monetary Institute, Frankfurt.