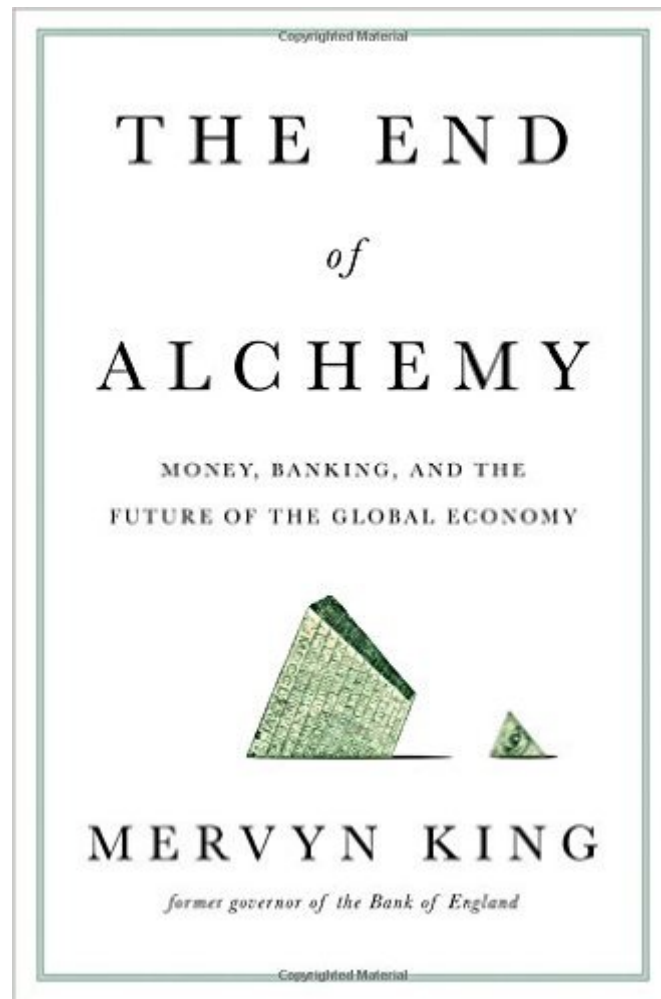


The book was found

# The End Of Alchemy: Money, Banking, And The Future Of The Global Economy



## Synopsis

“Mervyn King may well have written the most important book to come out of the financial crisis. Agree or disagree, King’s visionary ideas deserve the attention of everyone from economics students to heads of state.” — Lawrence H. Summers

Something is wrong with our banking system. We all sense that, but Mervyn King knows it firsthand; his ten years at the helm of the Bank of England, including at the height of the financial crisis, revealed profound truths about the mechanisms of our capitalist society. In *The End of Alchemy* he offers us an essential work about the history and future of money and banking, the keys to modern finance. The Industrial Revolution built the foundation of our modern capitalist age. Yet the flowering of technological innovations during that dynamic period relied on the widespread adoption of two much older ideas: the creation of paper money and the invention of banks that issued credit. We take these systems for granted today, yet at their core both ideas were revolutionary and almost magical. Common paper became as precious as gold, and risky long-term loans were transformed into safe short-term bank deposits. As King argues, this is financial alchemy—the creation of extraordinary financial powers that defy reality and common sense. Faith in these powers has led to huge benefits; the liquidity they create has fueled economic growth for two centuries now. However, they have also produced an unending string of economic disasters, from hyperinflations to banking collapses to the recent global recession and current stagnation. How do we reconcile the potent strengths of these ideas with their inherent weaknesses? King draws on his unique experience to present fresh interpretations of these economic forces and to point the way forward for the global economy. His bold solutions cut through current overstuffed and needlessly complex legislation to provide a clear path to durable prosperity and the end of overreliance on the alchemy of our financial ancestors.

## Book Information

Hardcover: 448 pages

Publisher: W. W. Norton & Company; 1 edition (March 21, 2016)

Language: English

ISBN-10: 0393247023

ISBN-13: 978-0393247022

Product Dimensions: 6.5 x 1.5 x 9.6 inches

Shipping Weight: 1.7 pounds (View shipping rates and policies)

Average Customer Review: 4.2 out of 5 stars — See all reviews (53 customer reviews)

Best Sellers Rank: #10,144 in Books (See Top 100 in Books) #6 in Books > Business & Money >

## Customer Reviews

Stop what you're doing, drop everything, buy and read this book. Twice. I'll start my second reading as soon as I'm done writing down my thoughts. I'd gladly swap all ten books I've read about the crisis (at ten) for this modest and mischievous masterpiece. Mervyn King does not go looking for villains or victims here. You will not find the words 'greed' or 'fear' in this text, nor do you get any history recounted, unless it is to illustrate a point. What you get is an informal, comprehensive, passionate and witty treatise on the origins, purpose and future of money, banking and monetary policy. And yes, you do also find out what he thinks about the crisis. As a former central banker and protagonist in the crisis, he not only accepts blame for wrongheaded policy at the BOE, he also proposes changes to the banking system that address the problems he identifies with the status quo and will hopefully enhance the system's stability in the future. That is, indeed, the bit of the book that gives it its name: the 'End of Alchemy' is a proposal to move from a 'lender of last resort' model to a 'pawnbroker' model of central banking; endorsements of the book by Summers, Volcker and Greenspan testify to its validity. The main idea is all bank assets at all times should be pre-assessed for central bank haircut while nerves are calm and heads are cool; second, banks should only ever have current liabilities equal to the 'pawned,' post-haircut amounts that could be pre-positioned to raise cash in a crisis. Neat, if insufficient at current levels of liabilities. Single events (dunno, the failure to bail out Lehman for example) do not merit mention in this narrative.

This latest memoir/collection of economic oriented thoughts from a central banker differs primarily from those written by Dr. Ben Bernanke and Alan Greenspan in that, unlike those books, it is not an autobiography. The author and former head of the Central Bank of Britain, Dr. Mervyn King, instead concentrates on discussing what he believes are the problems with current money and banking systems in the developed world along with what he considers to be solutions. The book is not geared towards specialists in the field or graduate students but for those he defines as the 'interested' public. On pp.6-7 the author writes: 'It [this book] is written in plain English | Although I would like my fellow economists to read the book in the hope that they will take forward some of the ideas presented here, it is aimed at the reader with no formal training in economics but an interest in the issues'. Despite this, this reviewer still recommends that the reader should have

the equivalent of an undergraduate degree in economics to really appreciate what is put forth. One of the wonderful things about the book is that it is filled with novel and/or very reasonable economic ideas, primarily in the policy realm. For example, the author like many professional economists, believes that central banks should set rules to follow but that these rules need to be flexible due to radical uncertainty and the changing policies required as a result over time. It is not so much rules, fixed or not, that are important as transparency in central banking. The book also points out the main weakness of modern banking systems and proposes a solution. That is inadequate capitalization combined with radical uncertainty which, in turn, leads to runs on banking systems during crises of confidence.

The End of Alchemy gives an insider's view on the role and evolution of central banking in the last 20 years. The author outlines in plain language how central banks operate, the economic theories that frame those operations and how those theories and the practice of monetary policy have changed as the conditions have changed. The author outlines how the role of lender of last resort is of a totally different nature today compared to Bagehot's time and how often the nature of economic uncertainty is not appropriately considered when thinking about the calculation of risks. In this book one gets a clear description of today's economic challenges and some policy prescriptions that will be partial solutions to some of the moral hazard and prisoner dilemma challenges we face. Much of the End of Alchemy gives the reader a background in some of the economic theory that goes into the central bank's role in the economy. The author discusses the money supply, fractional reserve banking and the only recent progression to independent central banking that has taken place. The author also discusses the nature of uncertainty that we actually face in our daily lives. This boils down to considering the concept of Knightian uncertainty where the distribution of outcomes is not known and so there is no objective way to optimize decisions. The author builds out this idea and discusses how modern market clearing mechanisms can't coordinate investment activity under this kind of uncertainty and uses long dated oil demand as an example. The author also spends time discussing the role of banks in maturity transformation of lending to long run risky projects by borrowing short term deposits. This process the author describes as the alchemy of finance.

[Download to continue reading...](#)

The End of Alchemy: Money, Banking, and the Future of the Global Economy  
Money: Saving Money: The Top 100 Best Ways To Make Money & Save Money: 2 books in 1: Making Money & Saving Money (Personal Finance, Making Money, Save Money, Wealth Building, Money) The Global Minotaur: America, Europe and the Future of the Global Economy (Economic Controversies)

Personal Finance: Budgeting and Saving Money (FREE Bonuses Included) (Finance, Personal Finance, Budget, Budgeting, Budgeting Money, Save Money, Saving Money, Money) Money: Saving Money: Success: Get More Money & Success In Your Life Now!: 3 in 1 Box Set: Money Making Strategies, Saving Money Strategies & World's Best ... Tips for Personal Finance & Life Success) The End of Banking: Money, Credit, and the Digital Revolution The Art of Islamic Banking and Finance: Tools and Techniques for Community-Based Banking Global Supply Chains: Evaluating Regions on an EPIC Framework - Economy, Politics, Infrastructure, and Competence: "EPIC" Structure - Economy, Politics, Infrastructure, and Competence Money: How to earn money with : Earn \$5000 per Week Part Time using the power of Arbitrage with Liquidation Products on (How to make money ... on , How to make money with ) Money Management Tips: Control Money Don't Let It Control You (Budgeting your money, How to save money tips, Get out of debt fast, Live cheap, Debt free, Spend less) How to Hide Money During a Divorce: How to Hide Assets, How to Hide Money From Husband, How to Hide Money From Creditors, How to Hide Money During Bankruptcy) The Mystery of the Shemitah: The 3,000-Year-Old Mystery That Holds the Secret of America's Future, the World's Future, and Your Future! The Mystery of Shemitah: The 3,000-Year-Old Mystery That Holds the Secret of America's Future, the World's Future, and Your Future The Mystery of the Shemitah With DVD: The 3,000-Year-Old Mystery That Holds the Secret of America's Future, the World's Future, and Your Future! Money: How the Destruction of the Dollar Threatens the Global Economy - and What We Can Do About It Commercial and Investment Banking and the International Credit and Capital Markets: A Guide to the Global Finance Industry and its Governance Step-By-Step To Find \$15,000 On Internet To Start Any Full/Part-Time Business: Website Links To Grants, Non-Profit Money, Crowdfunding, Shared Economy, & Peer-To-Peer Money Not In Google Open Secret: The Global Banking Conspiracy That Swindled Investors Out of Billions Money, Banking and Financial Markets Money, Banking, and the Financial System

[Dmca](#)