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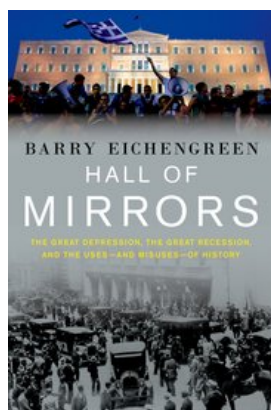
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Hall of Mirrors

The Great Depression, the Great Recession, and the Uses-and Misuses-of History

Barry Eichengreen

First and only systematic comparative analysis of the two great economic and financial crises of the last 100 years

Provides an integrated account of experience in the US and Europe, which together constituted the epicenter of the recent crisis and were similarly at the center of the Great Depression

Economic analysis is leavened by anecdote and personalities, with key figures in both crises introduced and humanized

Shows how the history of the Great Depression shaped how policy makers perceived and responded to the Global Credit Crisis, but equally how the recent crisis will in turn re-shape how we see the Depression

A long list selection for the 2015 Financial Times and McKinsey Business Book of the Year, and Finalist for the 2016 PROSE Award for Excellence in Economics

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Description

The two great financial crises of the past century are the Great Depression of the 1930s and the Great Recession, which began in 2008. Both occurred against the backdrop of sharp credit booms, dubious banking practices, and a fragile and unstable global financial system. When markets went into cardiac arrest in 2008, policymakers invoked the lessons of the Great Depression in attempting to avert the worst. While their response prevented a financial collapse and catastrophic depression like that of the 1930s, unemployment in the U.S. and Europe still rose to excruciating high levels. Pain and suffering were widespread.

The question, given this, is why didn't policymakers do better? *Hall of Mirrors*, Barry Eichengreen's monumental twinned history of the two crises, provides the farthest-reaching answer to this question to date. Alternating back and forth between the two crises and between North America and Europe, Eichengreen shows how fear of another Depression following the collapse of Lehman Brothers shaped policy responses on both continents, with both positive and negative results. Since bank failures were a prominent feature of the Great Depression, policymakers moved quickly to strengthen troubled banks. But because derivatives markets were not important in the 1930s, they missed problems in the so-called shadow banking system. Having done too little to support spending in the 1930s, governments also ramped up public spending this time around. But the response was indiscriminate and quickly came back to haunt overly indebted governments, particularly in Southern Europe. Moreover, because politicians overpromised, and because their measures failed to stave off a major recession, a backlash quickly developed against activist governments and central banks. Policymakers then prematurely succumbed to the temptation to return to normal policies before normal conditions had returned. The result has been a grindingly slow recovery in the United States and endless recession in Europe.

Hall of Mirrors is both a major work of economic history and an essential exploration of