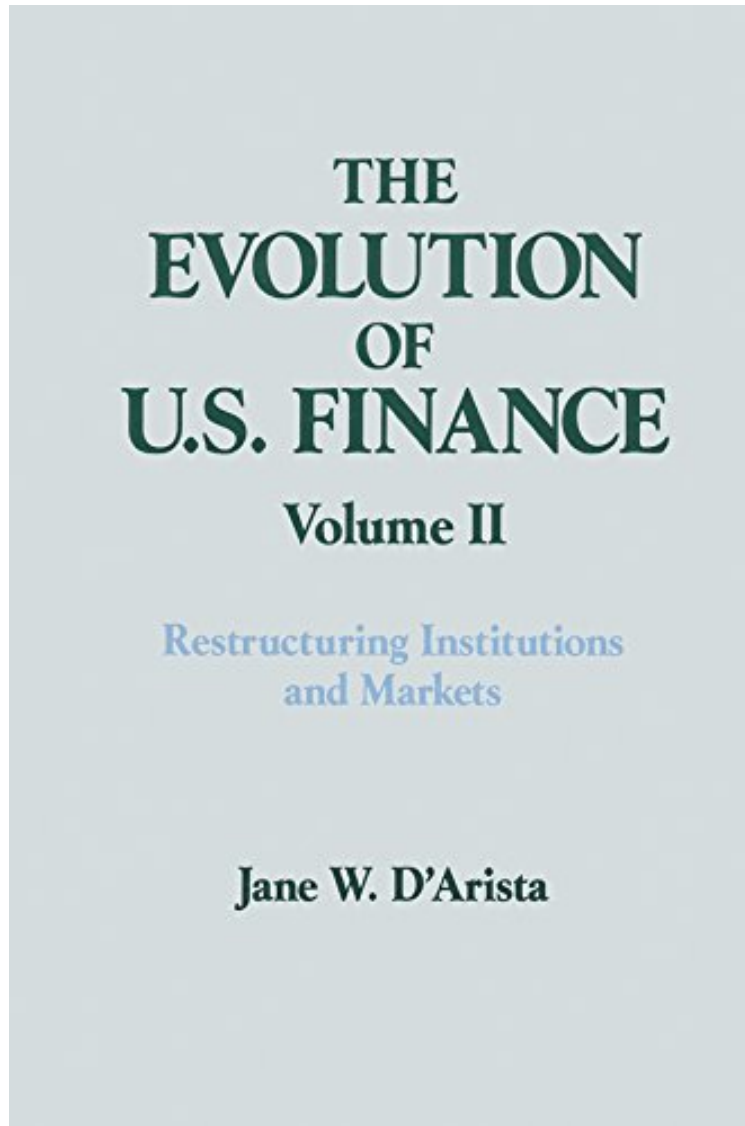


The Evolution of US Finance: v. 2: Restructuring Institutions and Markets: 002

Jane W. D'Arista

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1 of 1 people found the following review helpful. Haven't found anything else as good as thisBy James R. MacleanThis book fills several important needs for students of economics and finance. First, it explains concisely (Vol II, mainly) what the backbone of the US financial system is: the roles of the Treasury, the Federal Reserve, and

regulated financial markets. This includes key legislation that shaped the business landscape. Second, it provides a general explanation of the motivations behind policy decisions (vol. 1) of the Federal Reserve during its first period of independence (1914-1935) (1). D'Arista has an historical narrative of key events in the initial chapters of vol. 1, followed by analysis in later chapters (Part II, pp. 115-166); so readers can get more detail if they want. There are some weaknesses in Vol 1, arising from D'Arista's efforts to avoid controversy. For example, the Chapter on the Depression of 1920-21 (pp. 54-77) tends to promote the mystique of Benjamin Strong, de facto leader of the Fed prior to 1928; the impact of the Fed's policies are also not given adequate weight (why is it called a depression?). Some readers will feel that D'Arista is carrying water for Congress and Fed governors (this book is, after all, a staff study prepared for the House Subcommittee on Domestic Finance) (2). The reason is that D'Arista was limited in her ability to express her opinions directly. In some respects, this is an advantage, because a journalist would have taken the easy path of using bombastic rhetoric to denounce key figures. D'Arista, denied this option, instead focuses extra attention on episodes she feels were pivotal. This was to cast a long shadow in academic research on the Fed (most notably, Allan Meltzer's multi-volume History). I think that before one takes a stand on the myriad indictments of the financial system presently in circulation, one ought to at least be aware of the reasons Fed managers have given for their actions, such as policy papers and symposia. D'Arista offers some suggestions for how these self-justifications might be challenged. Volume II is really a separate work, covering a completely different time period; it was prepared in the mid-1980s in a period of rapid revision of financial regulation. Again, it is pretty easy to follow for non-specialists, and addresses the institutional structure and regulatory environment for finance, rather than the then-new financial instruments. D'Arista is somewhat more open in her opinions here, although in retrospect they are difficult opinions to argue with. Overall, the book has aged very well indeed, and continues to be useful in explaining the basic structures of payments, credit, and consumer protection. D'Arista was well aware at the time that financial regulation was fluid and major changes would continue to be made--in fact, she is very good at anticipating what these were--and hence, she presents her information about the "present" (i.e., 1986) in terms of case histories. Since then, D'Arista has continued to be profoundly helpful to people eager to understand this field.

Notes(1) Between 1935 and 1951, the Federal Reserve was essentially an organ of the Treasury Department. According to Meltzer A History of the Federal Reserve, Volume 2, Book 1, 1951-1969, 2010, p.19), the FRS continued to be subordinate to the Treasury's need to underwrite USG debt issues (in other words, insuring the success of bond sales) until 1979, when Pres. Carter tasked Paul Volcker with ending inflation. So we could say the 2nd period of Fed "independence" (actually, dominance) began then and continues to this day. (2) Jane D'Arista was a staff member for the US House of Representatives Committee on Banking and Currency. She was selected by Committee Chair US Rep. Wright Patman (D-TX). (Name corrected 7 July 2014 on advice of commenter) 0 of 0 people found the following review helpful. Outstanding and still valuable (Review for Volume II) By James R. Maclean First, a warning: this is an old book and I would be silly if I insisted it is timely, or especially relevant to the current global financial situation (1). It was published in 1994 and for some reason has little data past 1989. Since that time, lots of financial innovation has occurred, typically accompanied by scandals and busts. So if you are interested in the private equity sector, hedge funds, or structured finance, you will not find that here. You will not find any discussion of Black-Scholes or multifractal analysis, which existed in 1989 but was not (and would not now be) in the purview of D'Arista's book. (Additional Note: Volume II is useful as a stand-alone work; I'm not sure why it is paired with Vol. I, which is devoted to the FRS' monetary policy, 1915-1935). What you will find is a clear, legalese-free reference book on the regulation of banks/insurance companies. This includes the goals and methods of regulation: on the one hand, consumer protection, investor protection, competition, and international banking; on the other, capitalization requirements, disclosure rules, state/federal regulatory regimes, and deposit insurance. In addition to the main services of banks/insurance companies, the book covers the vesting and management of pensions, annuities, and other financial services of long standing. These institutions have mainly changed in the subsequent decades by hollowing out--outsourcing their every discretionary decision to securities markets. But the responsibilities themselves have not changed. I also commend this book for D'Arista's attention to non-US banking systems (she includes a chapter on Germany's universal banking system) and case studies of actual bank failures. Definitely not to be missed for any serious student of finance.

Notes(1) This book was prepared as part of a report to the United States House (of Representatives) Energy Commerce Committee//Subcommittee on Telecommunications, Consumer Protection, and Finance. It was commissioned by Rep. Timothy Wirth (D-CO) as a counterargument to the incipient movement in Congress to abolish Glass-Steagall regulations (inter alia).

Interprets the evolution of Chinese politics during the years 1972-82. This book provides a detailed study of the end of the Maoist era, demonstrating Mao's continuing dominance even as his ability to control events ebbed away.