Money in the Great Recession
Did a Crash in Money Growth Cause the Global Slump?

Buckingham Studies in Money, Banking and Central Banking

Edited by Tim Congdon, CBE, Chairman, Institute of International Monetary Research and Professor, University of Buckingham, UK

No issue is more fundamental in contemporary macroeconomics than the causes of the recent Great Recession. The standard view is that the banks were to blame because they took on too much risk, went bust and had to be bailed out by governments. But very few banks actually had losses in excess of their capital. The counter-argument presented in this stimulating new book is that the Great Recession was in fact caused by a collapse in the rate of change of the quantity of money. The book's argument echoes that on the causes of the Great Depression made by Friedman and Schwartz in their classic book A Monetary History of the United States.

'Congdon (a contributor as well as the editor) is well aware that according to the typical account of the GFC, the culprits are the irresponsible marketing of arcane permutations of mortgage instruments and reckless banks operating on razor-thin capital cushions — the follies of free-market capitalism.' Money in the Great Recession presents a convincing alternative view.'
– Nick Ronalds, CFA, Enterprising Investor

'The financial crisis: central bankers were the heroes, and bankers were the villains — right? Wrong, totally. To understand why, read this book, with contributions from many leading economists who study money and central banks. As Tim Congdon, the editor, points out, central bankers permitted much too fast a growth in the money supply in the run-up to the crisis. The banks had every incentive to extend too much credit. The same central bankers then allowed the money supply growth rate to crash when the crisis hit. During and after the crisis, they brought in Draconian regulations that damaged the recovery process by increasing the cost of credit creation, so sandbagging money supply growth. It is an inglorious tale. Central bankers are not godlike technocrats, but simply civil servants, whose behaviour needs to be understood in terms of flawed incentives; incentives that can generate terrible outcomes. They — like governments — need to be governed by rules that keep the economy on track without inflation.'
– Patrick Minford, Cardiff University, UK

'Tim Congdon has brought together a thorough coverage of the analysis, by leading academic and market economists, of the causes of the recent Great Recession. The focus is the key roles that money and financial regulation played in the recession and continue to play in the weak recovery. This is an important book that policy-makers, economists and others should read.'
– Forrest Capie, Cass Business School, City University London, UK