

TW Notes on

Niall Ferguson *The Great Degeneration
How Institutions Decay and Economies Die*
Penguin Press, 2013

The book gives a lively, highly
readable analysis of why the west
is degenerating based on "North
like" and treatment of the role
of institutions in the rise of
the west. (He gives lots of
credit to people like North and
Timothy Kuran) He gives lots
of wonderful quotes such
as Adam Smith on why China
was stagnant at the time of
his writing.

He agrees with Edmund Burke
that the "real social contract"
isn't Rousseau's one between
the government and the people but
"the ~~po~~ partnership" between
the generations" p 43 and argues
that the recent deficit spending
and unfinanced future obligations
for health care, social security
etc. are "a shocking and
perhaps ~~unprecedented~~ unparalleled
breach of precisely that partnership"

"The biggest challenge facing mature democracies is how to restore the social contract between the generations"
p 4*

He favors balanced budget amendments and honest government accounting including the costs of future obligations

He argues "The financial crisis that began in 2007 had its origin precisely in over-complex regulation" p 54

The best way for bank managers to maximize shareholder wealth and their own incomes was to take on as much risk as possible. The regulators allowed this

Fed "particularly lopsided doctrine of monetary policy" p 55 Greenspan put

You can't blame financial deregulation except for non regulation of CDS's

He thinks the post crisis regulations won't help & may hurt

"public sector models of risk management were next to non-existent" p 58

"There is... no such thing as an unregulated financial market" p 54

The discourse Brian Arthur and Complexity
Economics: characterized by interactions
of dispersed agents, lack of central
control, multiple levels of organization,
continued adaptation, incessant
creation of new market niches and
no general equilibrium. p 67
- Haldane

Taleb Antifragile - robust or
strong just less fragile. Anti fragile
gets stronger in the face of
perturbations

We need to go back to Bagehot's
Lombard Street. Bagehot was for
discretion over rules

Strengthen central bank as ultimate
authority on regulation as well as
monetary policy. Officers should be
'apprehensive' and experienced

Give considerable latitude in policies
and teach them financial history

Must 'pay dearly' for misdeeds
"among the most deadly enemies
of the rule of law is bad law" p 77

The Landscape of Law

On Law he draws heavily on La Porta et al at first & then critiques it. They conclude civil law is associated with a heavier hand of government than common law which seeks to support private market outcomes. It's 'dispute resolving' rather than policy complementing.

He notes the substantial decline in US competitiveness in terms of the legal system and regulations.

The World Governance Indicators from the World Bank also show a substantial decline. The UK hasn't had a ~~comparable~~ comparable decline.

Paul Collier - The development of the rule of law in poor countries develops in 4 stages: 1) reduction in violence, 2) protect property rights, 3) impose constitutional checks on government, 4) reduce public sector corruption.

The US has gone from the rule of law to the rule of lawyers.

Based on R R & R he argues "the debt burden ~~is~~ ^{lowers} growth only when it > uses above the 90 per cent of GDP threshold".

The habit of running deficits can become well-established.