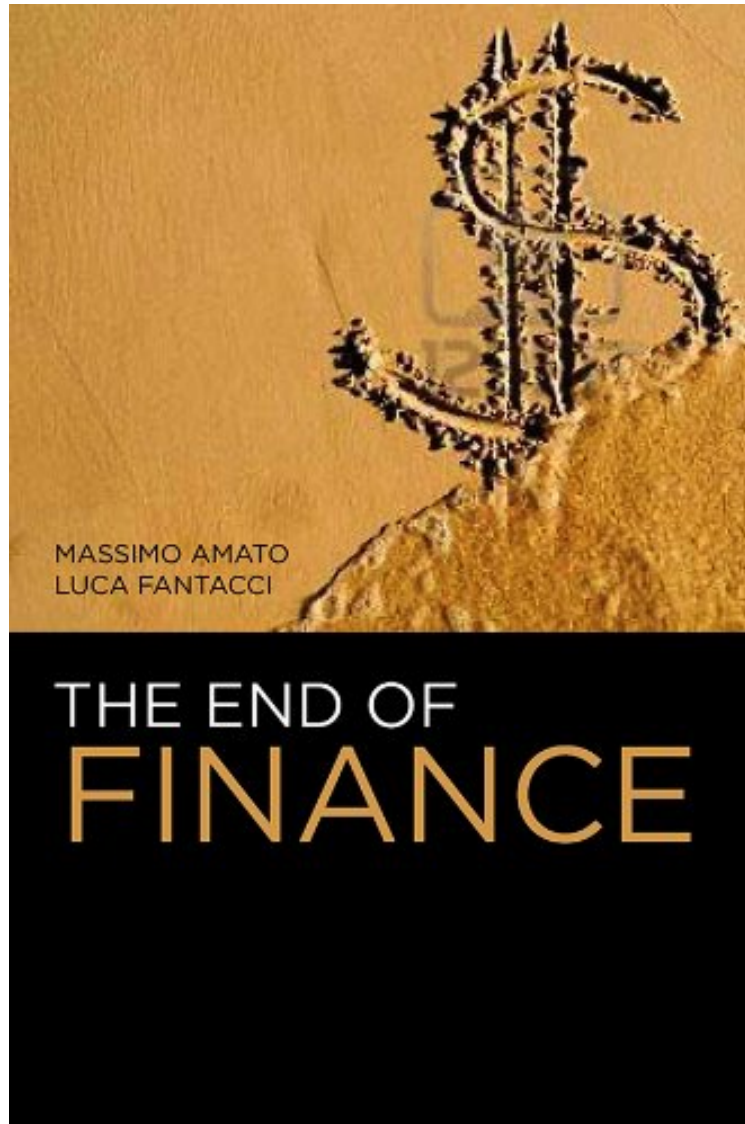


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## The End of Finance

*Massimo Amato, Luca Fantacci*

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**Massimo Amato, Luca Fantacci : The End of Finance** before purchasing it in order to gage whether or not it would be worth my time, and all praised The End of Finance:

5 of 5 people found the following review helpful. Important BookBy Richard PattersonThis is an important book for three reasons. First of all it reveals how most commentary on the financial crisis has been blinded by a dogma about financial markets. Secondly it shows persuasively how current financial institutions are the result not of some kind of inevitable process of evolution but of decisions made for discoverable reasons at watershed moments in history. And most importantly it offers a path towards genuine reform in which the first steps are completely practical given a sufficient political will.The key to that political will is a shared understanding of not just how the current financial

system is set up to guarantee recurring crises but also how an alternative financial system is really possible. Much of the current commentary on the financial crisis seems to be an expression of stoical resignation in the face of the conviction that there is no way to prevent the bubble and bust cycles in financial markets. Regulations and policy may be able to tame them or nip around the edges, but oscillations are built into the nature of financial markets, and "innovative" financial wizards will always find a way to circumvent the latest regulations if not buy off enough politicians to do away with regulations altogether. Behind all this is the belief that financial markets are an essential requirement if the economy is going to work its wonders, a belief which Amato and Fantacci regard as dogmatic. How and why we have come to accept the necessity of financial markets as an article of faith is part of what the authors describe in the first section of the book. What is more important though is that they are able to find a perspective from which an alternative form of finance appears possible. Their initial analysis of the conceptual framework within which it is possible to think of "financial markets" leads to the dissection of three aspects of the function of money: money as a measure of value, money as a means of exchange and money as a store of value. Historical examples are cited to show that money in a given economy does not always conflate these three functions, and it is clear that only when money functions as a store of value is it possible to regard money as a commodity traded in a "financial" market. Most people would probably regard the suggestion that a modern economy can function without using money as a store of value a kooky utopian idea to be filed away well behind discredited schemes for a planned economy not relying on markets. The ideas of money, credit, and interest on which financial markets are founded seem given and beyond debate. They are part of the reality with which any economist must start if he hopes to make a contribution to our understanding of the crisis. The beauty of this book is that the authors do not merely open them up for debate but present them as the result of choices that were by no means inevitable. Their analysis results in a distinction between capitalism and a market economy, where capitalism is understood as a system in which money is a commodity whose price is determined by markets. One of the first questions an economist must answer is whether money is a tradable commodity, and one of the goals of the book is to explore the practical implications of saying it is not. There are several interesting reviews of this book on the UK website. 0 of 0 people found the following review helpful. Five Stars By Mario E. Arrubla Excellent! 0 of 0 people found the following review helpful. One book against a dozen of books By T. Kallinen This book sticks from the mainstream of writings, which try to indulge or dive into our actual economic situation. We know that something is wrong in today's economic order, but we may have been misled by numerous eacute;crivains and major politicians, who mislead the audiences on their own will. Compared with the most "edged" American, thin-paged pamphlets, this book is more logical, more covering, more systematically proceeding, more open-minded and still - it remains almost rigorous! Authors' concern about scientific goals enables reaching the very valuable developments in this book! Let us hope to get rather soon some continuation for it. If only a minimum should be reached in the appraisals, it would be an excuse that this book overrides the normal "talk-away" business books for the universities in its novelty value. Being less short-worded, when this book is selected instead of, say any other or a lot of other less honestly written books about the economical turmoil, one's valuable time and compassion will be efficiently saved. I encourage educated people all around the world very much to acquire this book. There are no reasons to keep any reservations towards anything in this book, e.g. the Italian background of the authors. Dr. Amato and Dr. Fantacci cannot be taken into speech in the same month as the Berlesconian burlesque, which stamped Italian economics on these times.

This new book by two distinguished Italian economists is a highly original contribution to our understanding of the origins and aftermath of the financial crisis. The authors show that the recent financial crisis cannot be understood simply as a malfunctioning in the subprime mortgage market: rather, it is rooted in a much more fundamental transformation, taking place over an extended time period, in the very nature of finance. The "or purpose of finance is to be found in the social institutions by which the making and acceptance of promises of payment are made possible - that is, the creation and cancellation of debt contracts within a specified time frame. Amato and Fantacci argue that developments in the modern financial system by which debts are securitized has endangered this fundamental credit/debt structure. The illusion has been created that debts are universally liquid in the sense that they need not be redeemed but can be continually sold on in increasingly extensive global markets. What appears to have reduced the riskiness of default for individual agents has in fact increased the fragility of the system as a whole. The authors trace the origins of this profound transformation backwards in time, not just to the neoliberal reforms of the 1980s and 90s but to the birth of capitalist finance in the mercantile networks of the sixteenth and seventeenth centuries. This long historical perspective and deep analysis of the nature of finance enables the authors to tackle the challenges we face today in a fresh way - not simply by tinkering with existing mechanisms, but rather by asking the more profound question of how institutions might be devised in which finance could fulfil its essential functions.

"This is an important book. It is clearly destined to become one of the very best accounts of the financial crisis - it is clear, concise and very readable. Its deep theoretical understanding of the issues is combined with the best short account of the historical evolution of the capitalist financial system that I have encountered. The result is a

sophisticated and accessible analysis of how a better financial system might be constructed. — Geoffrey Ingham, University of Cambridge

**From the Back Cover** This new book by two distinguished Italian economists is a highly original contribution to our understanding of the origins and aftermath of the financial crisis. The authors show that the recent financial crisis cannot be understood simply as a malfunctioning in the subprime mortgage market: rather, it is rooted in a much more fundamental transformation, taking place over an extended time period, in the very nature of finance. The 'end' or purpose of finance is to be found in the social institutions by which the making and acceptance of promises of payment are made possible - that is, the creation and cancellation of debt contracts within a specified time frame. Amato and Fantacci argue that developments in the modern financial system by which debts are securitized has endangered this fundamental credit/debt structure. The illusion has been created that debts are universally liquid in the sense that they need not be redeemed but can be continually sold on in increasingly extensive global markets. What appears to have reduced the riskiness of default for individual agents has in fact increased the fragility of the system as a whole. The authors trace the origins of this profound transformation backwards in time, not just to the neoliberal reforms of the 1980s and 90s but to the birth of capitalist finance in the mercantile networks of the 16th and 17th centuries. This long historical perspective and deep analysis of the nature of finance enables the authors to tackle the challenges we face today in a fresh way - not simply by tinkering with existing mechanisms, but rather by asking the more profound question of how institutions might be devised in which finance could fulfil its essential functions.

**About the Author** MASSIMO AMATO is a Researcher in Economic History at the University of Bocconi in Milan. LUCA FANTACCI is Assistant Professor at the University of Bocconi in Milan.