Getting Off Track: How Government Actions and Interventions Caused, Prolonged, and Worsened the Financial Crisis (Hoover Institution Press Publication)

John B. Taylor
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John B. Taylor : Getting Off Track: How Government Actions and Interventions Caused, Prolonged, and Worsened the Financial Crisis (Hoover Institution Press Publication) before purchasing it in order to gage whether or not it would be worth my time, and all praised Getting Off Track: How Government Actions and Interventions Caused, Prolonged, and Worsened the Financial Crisis (Hoover Institution Press Publication):

6 of 6 people found the following review helpful. Surprisingly simplistic and disappointing. More of a pamphlet than a bookBy StephMany of the reviews that did not like this work disagreed with Taylor's conclusions or philosophy. I do not have a problem with many of his conclusions, but I found it to be a very disappointing book. It is really not a book at all. It is very much the sort of thing that one would generally expect a think tank to publish and pass out for free. It is an adaptation of some lectures that Taylor gave. The first three chapters are one lecture, and chapter four is an older lecture about what had been positive about monetary policy that he gave before the financial crisis even occurred. The end result is that the book is repetitive and the argument does not flow. My greatest criticism, however, is that he asserts many conclusions without providing much analysis. He does refer readers to other articles and studies that he undertook to reach these conclusions, but the analysis is not provided in the book. He simply asserts that he has addressed any potential concerns in his models, which he claims are robust. Taylor is a brilliant economist. Most likely he is correct that his models are robust. And most likely many of his conclusions are also correct. But this book does not leave the reader in a position to make judgments one way or the other. We must simply take Taylor's word for it. It was a quick read (I read it in a few hours all in one evening) for those I have not deterred, so in that sense it may have been worth the time invested, but I expected much more from a man whose articles and blogs I have enjoyed. In fact, there is not anything in this book that the reader could not get out of his articles and blogs, so it is probably not worth your time.1 of 1 people found the following review helpful. Governmental Mistakes and Free Market SolutionsBy Kirk Allen JacksonGreat analysis by Taylor on the Great Recession. An accurate understanding of the problem and its causes are needed for better monetary policy in the future. Taylor provides great insight to the issue and challenges the conventional wisdom.19 of 21 people found the following review helpful. Correlation or Causality?By Mark Eversfield"Getting Off Track", by John B. Taylor, examines the hot topic of the role the Fed played in creating the current economic crisis.The book begins with and examination of the popular opinion that the Fed created the latest recession by keeping interest rates low which created a real estate bubble. I have serious comments on the assumptions made in this book and the need for further research before attributing cause of the current recession to one organization.John Taylor begins his book with the idea that the recession was compounded by the Fed's loose monetary policy. Taylor describes the scenario of the Fed keeping interest rates low to encourage home ownership. If you read the experience of the person pulling the economic levers at that time, Alan Greenspan, you get an entirely different view of what was going on. In Greenspan's book the "The Age of Turbulence" there is a chapter called the "Conundrum" where Greenspan describes the problem the Fed had back in 2004 of raising interest rates. The Fed was concerned about the real estate bubble and tried raising the Federal Reserve rate on ten year bonds. When the Feds increased the reserve rate, the 10 year rate initially increased, but then precipitously declined back to its original level. The Feds tried this again in 2005 with the same results. Remember this was written before the recession. Greenspan's explanation for this is that liquidity from China, among other factors, kept long term global interest rates low.Taylor challenges the notion that liquidity from China contributed to the Feds inability to increase long term interest rates. John does this by including a graph on page 7 of the book that comes from an International Monetary Fund report on world liquidity. The graph shows global investment and savings as a percentage of GDP moving in tandem over time with investment slightly higher than savings. The conclusion drawn from the graph is that world investment was actually higher than savings so therefore interest rates could have been higher than what the US experienced. What the reader doesn't know is that the IMF report states that global interest rates are historically low due to low investment demand and not due to central bank monetary policies.Furthermore, the chart from the IMF report is a global perspective while the world's financial markets are made of many, not just one market. The distribution effects of relative economic and geopolitical changes have different effects on different markets. Australia never experienced the low interest rates that North America and Europe experienced. The targets of Chinese investment focused on the USA and Europe and missed other countries. So although the world level of investment and savings may be equal, the distributional effects can be different depending on the country you are in.There are a couple of other interesting questions that come out of this study. The relationship of North American interest rates and European interest rates is raised by the question, "Does North America influence Europe or does Europe influence North America?" A more important question is "What role does China play in influencing the two?" With close to two trillion dollars of Chinese liquidity flowing into the United States, this has some impact on the Fed's ability to control monetary policy. The US Fed would be digging a hole in the ocean facing Chinese foreign investment.John Taylor explains that counterparty risk was one of the explanations for the crisis. A lot of the book describes correlations of risk markets vs non-risk markets to demonstrate that increasing risk factors were the cause of the crisis. My question is, "Why did counterparty risk become one of the reasons for the default in the first place?" The answer comes from former Fed Chair Paul Volker. Wall St. and unregulated Credit Default Swaps (CDS's) were the reason for the increase in counterparty risk, not monetary policy. When the Banks were no longer responsible for the defaults on a mortgage, and were actually given an incentive to sell the mortgage to another party, the liability for the default was defused over many parties and therefore multiplied to cause unknown risk. Monetary policy was the treatment not the cause of increased counterparty risk.The current recession was the result of a confluence of factors, not just the US Fed. China's emergence into the global sphere of economic influence, Wall St.'s efforts to combine commercial and investment banking, the Fed's

efforts to let hedge funds stay unregulated in registering transactions, and Greenspan's fanatical efforts to let "The Market take care of fraud" are just some of the combining factors that lead to our current economic crisis.This book is an important first step in the examination of the causes behind the current recession but more work needs to be done on causality.Mark Eversfield.

In this concise volume, leading economist John B. Taylor offers empirical research to explain what caused the current financial crisis, what prolonged it, and what dramatically worsened it more than a year after it began. The evidence he presents strongly suggests that specific government actions and interventions are largely to blame and that any future government interventions must be based on a clearly stated diagnosis of the problem and a rationale for the interventions.

Big problems confront us, and responses of immense size are on the table. We desperately need a solid and fact-based analysis so that we get the prescription right. John Taylor provides just that. A must-read for everyone involved. --George Shultz, former secretary of Treasury, State, and Labor and Budget DirectorJohn Taylor is one of the very few who points out the errors that the Federal Reserve made during this difficult period and also shows how they could avoid them. Members of Congress should read this book instead of looking for scapegoats in the wrong places.--Allan Meltzer, author of The History of the Federal ReserveIf you want to read a very short book on how we got into the financial crisis, I don't think you could do better than John B. Taylor s Getting Off Track. --Michael Barone, U.S. News World ReportA sobering book by a Stanford University economist demonstrates not only how the feds caused, misdiagnosed and mishandled the financial crisis, but also how their responses continue to make matters worse. --Robin Goldwyn Blumenthal, Barron's MagazineA nifty little book --Susan Lee, Forbes.comThis is a very readable book. Taylor takes the complex and sophisticated research he and colleagues have done over the last several years and translates it into language, accompanied by charts, that is easily absorbed. --John M. Mason, SeekingAlpha.comCogent, thorough and compelling, Taylor sums up his argument in his subtitle: How Government Actions and Interventions Caused, Prolonged and Worsened the Financial Crisis. Take a moment to absorb that. Although we're told every day that the crisis arose from failures in the free markets--that it represents a crisis of capitalism itself--an eminent economist has now stepped forward to say, in effect, Nonsense. The markets didn't fail, Taylor argues, the government did. --Peter Robinson, What Caused the Crisis? Forbes.comIf Milton Friedman and I had written as persuasive an analysis as this, one yearmdash;rather than 30 yearsmdash;after the Great Depression began, the United States might have had a typical recession rather than the greatest downturn in history. --Anna Schwartz, author, with Milton Friedman, of The Great Contraction, 1929ndash;1933This short volume does a masterful job of tracking the stunning financial market and macroeconomic events of 2007 and 2008, and it provides an organizing framework that will enable the specialist and novice alike to examine these events in a coherent setting. --James Poterba, Mitsui Professor of Economics at MIT and President and CEO of the National Bureau of Economic ResearchIf Milton Friedman and I had written as persuasive an analysis as this, one yearmdash;rather than 30 yearsmdash;after the Great Depression began, the United States might have had a typical recession rather than the greatest downturn in history. --Anna Schwartz, author, with Milton Friedman, of The Great Contraction, 1929ndash;1933This short volume does a masterful job of tracking the stunning financial market and macroeconomic events of 2007 and 2008, and it provides an organizing framework that will enable the specialist and novice alike to examine these events in a coherent setting. --James Poterba, Mitsui Professor of Economics at MIT and President and CEO of the National Bureau of Economic ResearchAbout the AuthorJohn B. Taylor is the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution and the Mary and Robert Raymond Professor of Economics at Stanford University.