

# Contents

Preface.....	7
Previous Publications.....	8
GUNTHER TICHY:	
Could we have foreseen the financial crisis? .....	9
1. Explanations of the recent crisis .....	10
2. Which indications of a crisis were perceived? .....	16
3. Why did no one realize the extent of the crisis? .....	19
4. What can we learn from this experience? .....	19
References .....	21
Appendix .....	25
Why did policy ignore the harbingers of the crisis? .....	29
1. The sources.....	30
2. Risks debated by the monetary authorities.....	30
3. Risk appraisal: monetary authorities versus ‘academia’ .....	36
4. Did authorities detect the risks early enough? .....	38
5. Why did monetary authorities not react to repel the identified risks?.....	40
Summary .....	45
References .....	45
Regulation of the banking sector: Could stricter regulation of the banking business help avoid a major financial crisis? .....	48
1. Predictability of major financial crises: experience and hopes .....	49
2. A combination of many factors caused the crisis .....	50
3. Would regulation of the banking sector solve the problem?.....	53
4. Could the crisis resistance of the system be improved?.....	57
References .....	60
ERICH W. STREISSLER:	
Saving and Investment in the Long Run.....	63
1. The Present dominance of saving intentions.....	63
2. Are investments or are savings the key to long-term development?.....	66
Using Economic Theory for Forecasting .....	71

“i.i.d.”? or: On So-called Precise Statements in Economics.....	75
1. Confusing expectations and non-homogeneity of actors .....	75
2. Contradictions in exchange rate theory.....	77
3. Even Nobel Laureates in economics are fallible.....	79
4. Probabilistic model specifications.....	87
<b>The Financial Market Crisis.....</b>	<b>91</b>
1. Historical and methodological background to the analysis of the present crisis .....	91
2. The specifics of the recent crisis: Dearth of investment opportunities and surfeit of savings .....	95
<b>Rare Events: Varying Asset Price Variances [Co-author CHRISTOPH STREISSLER] .....</b>	<b>100</b>
<b>Waiting for Financial Consolidation.....</b>	<b>107</b>
1. The international monetary disequilibrium.....	107
2. Keynes’ ideas for the present?.....	109
3. The surfeit of savings .....	112
4. Environmental investments.....	114
<b>Forecasting World Trends During the 2010s .....</b>	<b>117</b>
1. Preliminary remarks .....	117
2. The likely future bias in innovation and real economic development .....	118
3. Regional monetary developments.....	122