

Contents

<i>List of figures</i>	xiv
<i>List of tables</i>	xv
<i>Preface</i>	xvi
<i>List of abbreviations and acronyms</i>	xix
1 Introduction	1
2 Irrational foundations of ‘rational’ behaviour in the standard paradigm	6
2.1 <i>Foundation of ‘rational’ individuals’ behaviour</i>	9
2.2 <i>Foundation of ‘rational’ pricing theory</i>	20
2.3 <i>Use and abuse of mathematics in economics and finance</i>	35
3 Contradictions of the Marxian paradigm	37
4 The new paradigm	39
4.1 <i>Common ground with existing literature</i>	40
4.2 <i>Our assumptions on economic behaviour, friction and liquidity</i>	44
4.3 <i>Fundamental assumption of the new paradigm and its implications</i>	50
4.4 <i>Role of money, reason for its existence and its time-value</i>	60
4.5 <i>Multi-pricing in efficient, frictionless and competitive markets</i>	62
5 Resolution of puzzles in microeconomics	66
5.1 <i>Puzzles of theory</i>	66
5.2 <i>Puzzles from experience and experiments</i>	69

6	Resolution of puzzles in finance	76
6.1	<i>Capital structure and debt-capacity</i>	79
6.2	<i>Dividend policy and excess volatility of share prices</i>	87
6.3	<i>Corporate control premium, discount to full net asset value and winner's curse</i>	90
6.4	<i>Alternatives to Markowitz's portfolio theory</i>	93
6.5	<i>Foundations of the accounting 'identity'</i>	95
7	Resolution of puzzles in macroeconomics	98
7.1	<i>The new macroeconomic model of the economy</i>	99
7.2	<i>Reasons for the emergence of endogenous imbalances</i>	100
7.3	<i>Banks in the new model</i>	102
7.4	<i>Reasons for the emergence of endogenous macroeconomic swings</i>	110
7.5	<i>Pricing of risk during imbalances</i>	112
7.6	<i>Consequences of Central Bank decisions</i>	122
7.7	<i>Uneven economic development within the same economy</i>	126
8	Economic role of the State	130
9	The recent global financial crisis	143
9.1	<i>Excessive loan growth scenario and its aftermath</i>	143
9.2	<i>International dimensions of the recent global financial crisis</i>	146
9.3	<i>Authorities' handling of the early signs of the crisis</i>	150
9.4	<i>Authorities' handling of the crisis and its aftermath</i>	152
9.5	<i>Minimizing further damage from the crisis in the Euro-zone</i>	157
10	Conclusion, policy and research recommendations	161
10.1	<i>Conclusion</i>	161
10.2	<i>Policy recommendations</i>	165
10.3	<i>Future research</i>	166
	Appendix 1 A review of some of the academically more popular paradigms	168
	Appendix 2 A review of some of the academically less popular paradigms	173
	Appendix 3 Existing literature on resolution of puzzles in corporate finance	179

<i>List of commentators</i>	183
<i>List of institutions</i>	184
<i>Bibliography</i>	185
<i>Index</i>	194