



Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History

By Barry Eichengreen

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The two great financial crises of the past century are the Great Depression of the 1930s and the Great Recession, which began in 2008. Both occurred against the backdrop of sharp credit booms, dubious banking practices, and a fragile and unstable global financial system. When markets went into cardiac arrest in 2008, policymakers invoked the lessons of the Great Depression in attempting to avert the worst. While their response prevented a financial collapse and catastrophic depression like that of the 1930s, unemployment in the U.S. and Europe still rose to excruciating high levels. Pain and suffering were widespread.

The question, given this, is why didn't policymakers do better? *Hall of Mirrors*, Barry Eichengreen's monumental twinned history of the two crises, provides the farthest-reaching answer to this question to date. Alternating back and forth between the two crises and between North America and Europe, Eichengreen shows how fear of another Depression following the collapse of Lehman Brothers shaped policy responses on both continents, with both positive and negative results. Since bank failures were a prominent feature of the Great Depression, policymakers moved quickly to strengthen troubled banks. But because derivatives markets were not important in the 1930s, they missed problems in the so-called shadow banking system. Having done too little to support spending in the 1930s, governments also ramped up public spending this time around. But the response was indiscriminate and quickly came back to haunt overly indebted governments, particularly in Southern Europe. Moreover, because politicians overpromised, and because their measures failed to stave off a major recession, a backlash quickly developed against activist governments and central banks. Policymakers then prematurely succumbed to the temptation to return to normal policies before normal conditions had returned. The result has been a grindingly slow recovery in the United States and endless recession in Europe.

Hall of Mirrors is both a major work of economic history and an essential exploration of how we avoided making only some of the same mistakes twice. It shows not just how the "lessons" of Great Depression history continue to shape

society's response to contemporary economic problems, but also how the experience of the Great Recession will permanently change how we think about the Great Depression.

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Editorial Review

Review

"This important book and the ideas behind it are already entering the public policy sphere at the highest level."--*2016 Alice Jones Prize Award Presentation*

"Barry Eichengreen's *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses - and Misuses - of History* stands in contrast to contemporary mainstream economics by pointing out how much we can learn from history when attempting to understand the contemporary economic world."--*Mediterranean Studies*

"The Great Depression was the signal economic event of the 20th century and, we hope, the Great Recession will be the signal event of the 21st. Few people on earth can draw out the similarities and differences as well as Barry Eichengreen, who paints with equal facility in broad strokes and in fascinating detail. Reading *Hall of Mirrors* is a joy. Keeping it on your bookshelf for future reference is a necessity."--Alan Blinder, author of *After the Music Stopped*

"Historical analogies come cheap, but historical insight relevant to today is both rare and valuable. Barry Eichengreen's *Hall of Mirrors* is packed with the essential insights that give the reader understanding of the macro policy mistakes of the 1930s and the 2000s, both why they occurred and how devastating they were. A must-read." --Adam S. Posen, President, Peterson Institute for International Economics

"Much of modern economics has ignored the study of economic history. Barry Eichengreen's *Hall of Mirrors* shows why that is a huge mistake. Combining fascinating narrative detail with cogent analysis of the relevant theory, it illuminates crucial parallels and differences between the causes of and policy response to the Great Depression and the Great Recession. It illustrates how good historical analysis must inform current policy choices, but also how superficial historic analogy can lead us astray. It carries powerful implications for the policies still needed to drive continued recovery from the Great Recession, and to stop us repeating in future the mistakes which led to disaster in the past." --Adair Turner, Senior Fellow, Institute for New Economic Thinking

"Eichengreen the economist joined forces with Eichengreen the historian to produce a truly unique book that revisits the past in the light of current discussions and examines present issues in the light of past experience. Eichengreen demonstrates forcefully how important-but also how difficult-it is to learn from history. A must-read for all students of the global crisis but also for everyone interested in understanding why experience is no guarantee against policy errors." --Jean Pisani-Ferry, Professor, Hertie School of

Governance (Berlin) and Commissioner-General for Policy Planning (Paris)

"A powerful plus ça change vibe courses through [Eichengreen's] comparison, as he discusses each era's major players and events--e.g., the grifters (Charles Ponzi vs. Bernie Madoff), the reparative legislation (Glass-Steagall Act vs. Dodd-Frank), the economic advisers (FDR's brains trust vs. Obama's team), the institutional collapses (Union Guardian Trust vs. Lehman Brothers) the bubbles (the Florida land boom vs. the subprime mortgage loans), the panicked electorate and the nervous politicians. Eichengreen leavens his wide-angle treatment of complex issues--he devotes almost equal time to economic developments in Europe during each era--with capsule portraits of the major players, with becoming modesty about his own assessments (notwithstanding his obvious intellect) and even with occasional humor." -- *Kirkus Reviews*

"[A] rollicking, villain-rich story contrasting then and now." -- *The Atlantic*

"*Hall of Mirrors* is destined to change the way we think about both the Great Depression and the Great Recession. Commentators and scholars will debate its thesis for many years to come." -- *Financial Times*

"[S]urvey-like in breadth . . . a worthy, and distinctive, addition to the literature on the crash." -- *Wall Street Journal*

"A very good book" --Paul Krugman, *New York Times*

"Excellent" --John Authers, *Financial Times*

"Mr Eichengreen recreates the last century's two great episodes of financial instability with compelling portraits of bankers and policymakers and accessible theoretical explanations . . . his version of the 1930s is rich with detail and myth-busting insights." -- *The Economist*

"*Hall of Mirrors's* review of economic policy in stressful times is a well-organized and entertaining narrative of data, personalities and anecdotes." -- *Commentary*

"Of the scores of books that have examined aspects of this never-ending crisis, none may be better than Barry Eichengreen's *Hall of Mirrors*. Eichengreen is one of the most prolific economic historians writing today. He is also among the most astute. The author of books on the gold standard, European unification, and the international monetary system, Eichengreen approaches his subject from a thoroughly international

perspective, detailing how the crisis spread and showing how containment efforts stumbled on the mismatch between a highly integrated global financial system and a regulatory system dominated by national political concerns." -- *Strategy + Business*

"*Hall of Mirrors* is written in the past tense, for much of what it discusses is before today. But it is really a present tense book, for the resolution of the 2008 crisis is not done, just postponed. Credit pyramids are ever more imaginative, ever taller. The remaining dilemma is just this: Can commercial banks and investment banks, bank regulators and central bankers be trusted when the rewards for skirting the rules - the massive bonuses, the revolving doors between central and commercial banks, and the guarantee of bailouts by government - are so handsome? Eichengreen's answer is no. That is the implicit point in *Hall of Mirrors*, which shows with analytical force and elegant prose that the financial systems of the U.S. and other countries remain skewed to protect those who take from the many to reward the few." -- *Financial Post*

"Barry Eichengreen is an ideal scholar to reflect upon both crises, together and separately . . . On equally firm footing discussing events in Europe and the United States and ranging effortlessly, expertly, and impressively across decades and continents, *Hall of Mirrors* earns a prominent place among the first rank of the many books that have been written in the wake of the global financial crisis of 2007-2008 . . . *Hall of Mirrors* works through the current crisis with dexterity and acumen. If anything, the book is more riveting, and even more convincing, when engaging the current crisis." -- *Los Angeles Review of Books*

"This fine book -- a fascinating read for the historically-minded -- reviews in detail the story of the Great Depression and its remarkable parallels with the crises of the last decade . . . Eichengreen ingeniously interweaves the two episodes, rather than treating them separately, making manifest the similarities and differences, both in market developments and in official reactions." -- *Foreign Affairs*

"[B]rilliantly conceived, and written, as a dual-track account. It is full of wit, and wisdom of course . . . The book is replete with masterstrokes . . . The Introduction and the Conclusion should be bound together and dropped from airplanes on European capitals." -- *International Affairs*

"Both the breadth and depth of Eichengreen's research are impressive. Whether it is the house bubble in Florida in the 1920s or in Spain in the 2000s, the gold standard in the 1930s or the euro in the 2010s, not a single relevant story is left out." -- *International Affairs*

"Eichengreen moves with assurance and elan through a century of US and European economic history to show the delusions of which humans are capable (and the power of finance capital lobbying) as they convince themselves that this time it really will be different." --Roger Middleton, *Economic History Review*

About the Author

Barry Eichengreen is Professor of Economics and Political Science at the University of California, Berkeley. His previous books include *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* and *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*.

Users Review

From reader reviews:

Arthur Dickison:

This Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History book is not ordinary book, you have after that it the world is in your hands. The benefit you get by reading this book is information inside this guide incredible fresh, you will get info which is getting deeper anyone read a lot of information you will get. This specific Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History without we realize teach the one who examining it become critical in contemplating and analyzing. Don't possibly be worry Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History can bring when you are and not make your tote space or bookshelves' turn out to be full because you can have it inside your lovely laptop even cellphone. This Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History having good arrangement in word along with layout, so you will not really feel uninterested in reading.

Linnie Martinez:

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Christopher Hannah:

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