

## The Fear of New Financial Crisis and Caring Finance Capitalism

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### The Fear of New Crisis

Global financial crisis has created a major disaster to global economy. The crisis followed by massive regulatory reactions in national and global levels as also occurred in previous crises. However some overemphasized the role of regulation for the prevention of the crisis, the recent market dynamics suggest that global financial risks may rise again. Some of the indicators and the words of leading commentators suggest that the risks and imbalances of the financial markets may implicitly suggest a newly emerging crisis. It is almost impossible to quantify where/when the markets turn to a crisis stage, specifically in property and financial markets, the all-time high levels of S&P500 index, S&P/Case-Shiller U.S. National Home Price Index, and CBOE Volatility Index, among other criteria, may suggest a rising market tension. Tariff wars, rising level of global debts, bubble fears for China, increasing risks of emerging markets, FED policies, financial problems in some EU countries may also feed this negative perception despite various positive indicators.

### Asset price-driven economies and their imbalances

The global financial system has witnessed several financial crisis and recession periods since 1970, a year which is regarded as the onset of a period of increasing volatility in the financial markets after the collapse of the Bretton Woods system. A series of financial crises and innumerable individual financial failures resulted in a global financial crisis. The existence of global/country/industry/financial market instrument/agent specific imbalances led to increased asymmetries and risk accumulations, and due to the integrated nature of the global economic/financial systems, we may assume that current volatile pattern in the financial markets is likely to persist in the near future [1]. As recently discussed by Coskun et al. [2] the asset price-driven consumption-wealth effect pattern has long been an important economic phenomenon; also, making stock and housing markets major asset classes is key for economic policies specifically for advanced countries. The transmission mechanisms from asset markets to the real economy have various dimensions and are complicated to analyse. Therefore, not only street on the man but also researchers and policy makers ask whether crises and boom-bust cycles are the essential nature of the capitalism and economies will inevitably taste to crises and need to wait her man on the white horse in each episode of crisis? As we all know, the white horse (i.e. central banks, supra

national lenders such as IMF) may work with taxpayers' money at the best.

### Can capitalism survive through central bank and taxpayers' money?

One of the major questions in his famous book titled Capitalism, Socialism, and Democracy, Schumpeter (1942) draw a dark picture on the future of the capitalism by his well-known question (Can capitalism survive?) and answer (No. I do not think it can). History reveals that Schumpeter was wrong and capitalism alive. Even it has expanded its scope and eventually become an almost universal standard. However it is difficult to argue that it goes with a sustainable way taken into account the impressive disequilibria in the financial, oil and real estate markets in recent decades [3] and her very structural problems such as income/wealth inequality, growth of finance money and its imbalances, lack of efficiency in regulation & supervision etc. It has long recognized that capitalism has survived thanks to growing level of debts and generous supports of public money through central banks.

The famous word of Heraclitus says that there is nothing permanent except change. But after experiencing various bubble cases emphasizing the speculative nature of the finance oriented policies, one may strongly argue whether the things may really change, or we merely observe the swings of the pendulum with its steadily rising social and economic costs. So, it seems that researchers and policy makers still need to spend more time and energy to solve the mysterious of the finance capitalism [4].

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