fleshed-out in the appendix when it is remarked that the massive interbank recycling of funds that passes through central banks daily leads to the generation of 'an almost permanent huge deposit base representing the capital of non-banks tied up in transit within the banking system' (p177).

The second half of the book is macro-oriented and puts forward a model of endogenous imbalances. These arise because in a non-equilibrating economy the value of payments and receipts between households and firms need not match, thus creating excesses and shortages of liquidity. These are intermediated in the banking system from which emerge booms and busts. The remainder of the book discusses the European crisis followed by a lengthy discussion of some policy implications.

While the notion that credit cycles can be traced to the real economy is sound (e.g. income distribution), Falahati fails to convincingly connect it with real world examples. He tenuously juxtaposes the model with European current account imbalances. His argument is also undermined by his adroit rejection of post-Keynesian endogenous money without any justification.

Overall, the book makes some valuable theoretical contributions in undermining the logical coherence of the standard paradigm. It puts forward a number of interesting alternative propositions which could form the basis of a new financial paradigm, if they can be sufficiently linked to real processes in financial markets. However, as an original and substantiated contribution to knowledge, the second half of the book is weak. The book is also marred by a too occasional lack of clarity and the sometimes disjointed arrangement of key arguments.

Filippo di Mauro and M Hashem Pesaran (Eds)
The GVAR Handbook: Structure and applications of a macro model of the global economy for policy analysis
Oxford: Oxford U P, 2013
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In the wake of an increasingly interconnected global economy, The Global Vector Autoregressive (GVAR) approach has become an invaluable tool in the analysis of complex interactions and closed system scenarios. The GVAR handbook summarises this increasingly relevant econometric method of estimating complex multi-dimensional systems while retaining statistically consistent outcomes. In this resource, Filippo di Mauro and M Hashem Pesaran edit the work of 27 contributors to provide a collection of literature that strikes a balance between technically rich in detail, yet accessible to the non-special-

ist. The result is a widely readable book with a clear purpose for practical application. The handbook summarises the evolution of GVAR in early chapters, but predominantly considers the practical application for various adaptations and extensions of the model. Given the tractability of the model and the ability to overcome the prevalent 'curse of dimensionality' problem in a theoretically coherent and statistically consistent method, the GVAR has proven to be an endlessly adaptable tool.

The first two chapters present an overview of the GVAR approach and the updated GVAR DdPS model which lies at the heart of ensuing chapters. The remaining chapters outline numerous applications of the GVAR across three sections. Part I (Chapters 3-9) details international transmissions and forecasting through 7 applications; these include output gap movements, cross border business cycle shocks, inflation interdependencies and empirical forecasting methods. Of particular note, Ron Smith details a structural new-Keynesian model based on the GVAR method in which supply, demand and monetary policy shocks are estimated for 33 countries through an adapted open economy 3-equation forward looking model. Chapter 7 is noteworthy to forecasters as it demonstrates an innovative method of using a linear combination of impulse response functions and conditional probability for counterfactual analysis of complex scenario based forecasting. Financial applications in Part II (Chapters 10 -12) review three applications spanning nowcasting, sovereign bond spreads and spillover effects of fiscal shocks. Lastly, Regional applications in Part III (Chapters 13-18) consider the international prominence of China, the interconnectedness of the West African Economic and Monetary Union, forecasting the economic performance of Switzerland, Euro Area volatility and the international spillover effects with respect to credit channel across 27 countries.

The numerous empirical applications that make up the majority of this book have some overarching themes; for example, several contributions concur GVAR has particular strengths in forecasting applications and in quantifying interactions between real and financial factors. Arguably the most striking theme from a policymaking standpoint conveys how cross-border spillovers are key in financial and economic transmissions of shocks.

A minor limitation of the handbook pertains to the lack of contributions beyond fiscal and financial applications. This is acknowledged by the authors, and perhaps over time there will be a greater selection of further afield applications. More cohesion between GVAR modelling and economic theory (exemplified in the New Keynesian GVAR adaptation in Chapter 4) would also be welcome in future editions. Research since the handbook's publication which contribute to marrying GVAR with economic theory include Bayesian estimates of the GVAR presented by Cuaresma *et al.* (2014). When applied alongside the GVAR toolkit (available online), the book is a smorgasbord of inspiration for further practical use, complemented by the tools to put this into action. As the most cohesive resource on GVAR, this is an essential reference

book, but as with any growing field, the scope and possibilities of GVAR have since grown beyond what is covered in the handbook. A recent paper by Chudik and Pesaran (2014) detail the theory and practice of GVAR with updated developments.

The handbook succeeds in developing a coherent resource through threading together a range of applications into a cohesive text. By remaining accessible to the non-technical practitioner, there is a clarity and a breadth not often associated with econometric methods. This handbook accomplishes highlighting the possibilities of GVAR and inspires further adaptations. Indeed, further additions are welcome to keep astride of such future developments.

References:

Chudik, A and Pesaran, M H (2014), 'Theory and Practice of GVAR Modelling', *Journal of Economic Surveys*.

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Hein E, Detzer D, and Dodig N, (Eds.)
The Demise of Finance-dominated Capitalism: Explaining the Financial and Economic Crises
Cheltenham: Edward Elgar, 2015
ISBN: 9781784715069

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During the last three decades or so, the impact of the financial system on economic activity and the distribution of income has increased enormously. The aim of this book, edited by Eckhard Hein, Daniel Detzer and Nina Dodig, is twofold: (i) to provide theoretical and empirical insights into the causes and the implications of this increasing role of finance; and (ii) to analyse the various explanations that have been put forward about the causes of financial crises.

The book consists of ten chapters. In Chapter 1, Hein, Dodig and Budyldina provide a detailed comparison of four different schools/approaches that have explained the rise of the finance-dominated capitalism: the French Regulation School, the Social Structures of Accumulation approach, the post-Keynesian approach and Minsky's theory. Relying on the recent theoretical and empirical literature, in Chapter 2, Hein and Dodig analyse the effects of