



The Cash Nexus: Money and Power in the Modern World, 1700-2000

Niall Ferguson

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Conventional wisdom has long claimed that economic change is the prime mover of political change, whether in the age of industry or Internet. But is it? Ferguson thinks it is high time we re-examined the link-the nexus, in Thomas Carlyle's phrase-between economics and politics. His central argument is that the conflicting impulses of sex, violence, and power are together more powerful than money. Among Ferguson's startling claims are: · Nothing has done more to transform the world economy than war, yet wars themselves do not have primarily economic causes. · The present age of economic globalization is coinciding-paradoxically-with political and military fragmentation. · Financial crises are frequently caused by unforeseen political events rather than economic fluctuations. · The relationship between prosperity and government popularity is largely illusory. · Since political and economic liberalization are not self-perpetuating, the so-called triumph of democracy worldwide may be short-lived. · A bold synthesis of political history and modern economic theory, Cash Nexus will transform the landscape of modern history and draw challenging conclusions about the prospects of both capitalism and democracy.

The Cash Nexus: Money and Power in the Modern World, 1700-2000 Details

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Miguel says

Definitely not a book to take to the beach. Pretty dense, though not theoretical. Mostly, Ferguson wades through mountains of empirical data about spending to GDP ratios and democracy indices in search for answers to big questions: economic determinism, the rise of the state, the spread of democracy, etc. I mostly read it for the thesis about how tax rates are related to the ratios between taxpayers and voters, i.e., the lower the ratio, the higher the rate of direct taxes, and the higher the ratio, the higher indirect, or regressive taxes. An interesting book, though not destined to be a classic.

H Wesselius says

not exactly pleasure reading but informs. Ferguson displays a bias toward neo-liberal economics and pro-American foreign policy yet those on the left can also find much to agree with including --- bondholders have opposing interest to the unemployed, democracy changes the warfare state to the welfare state with an American exception, post WWII economics ended in the early seventies with no new form of stability, debt service is more important than debt repayment. Worth the read if you are interested in economic history.

Pieter says

Het is bijna onbegonnen werk om de belangrijkste besluiten van dit boek beknopt samen te vatten gezien de veelvoud aan onderwerpen en inzichten.

Economische macht hoeft zich niet te vertalen in militaire macht in die mate dat de economisch zwakkere een strategisch, tactisch of operationeel voordeel geniet of bijvoorbeeld bereid is om meer mensenlevens op te offeren (Viëtnam vs VS). Bovendien moeten we rekening houden met de mate waarop de staat de organisatie en het gezag heeft belasting te heffen en desnoods in het buitenland leningen aan te gaan. Dit laatste is geen onbelangrijk detail. Groot-Brittannië ten tijde van Napoleon en de VS vandaag winnen zo in belangrijke mate hun respectievelijke oorlogen. Voor het innen van belastingen is het van belang dat er een goed functionerend overheidsapparaat is en dat de belastingbetaler zich via een democratisch systeem gehoord weet.

Economische groei is bijvoorbeeld ook geen garantie om verkiezingen te winnen.

Ook is er een interessante uitwijding over partijfinanciering. Omwille van mogelijkheid tot corruptie zijn privé-giften aan banden gelegd. Maar de duurdere campagnes hebben de overheid ertoe aangezet om zelf voor de financiering te zorgen. Dit zorgt ervoor dat partijen uit de hand van die overheid gaan eten.

Ferguson ziet minder globalisering vandaag dan voor WO I. Er is bijvoorbeeld veel minder arbeidsmobiliteit (Europese emigratie richting VS).

Het feit dat het boek is geschreven in 2000 laat toe om een aantal voorspellingen te toetsen aan de werkelijkheid. Ferguson voorspelde correct dat de euro uiteindelijk zou lijden aan haar structurele fouten. Hij

easy solution to the world's problems.

This books throws out lots of statistics. One set of interesting statistics is that of defense spending in 1998. The United States spent 5 times more on defense than the second biggest defense spender, and Japan was number two. France, Germany, and the United Kingdom finished out the top five. It seems that our defeated World War Two enemies seem to be investing quite a bit of money into their defense.

gargamelscat says

At one point halfway through I thought I'd never come close to finishing, but after a hiatus of probably 6 months it's done with.

I'd wanted a history of the bond markets and got an incomplete one but with a lot more, not necessarily desirable political baggage. Though I realise now I probably meant to get his 'Ascent of Money' instead.

The narrative parts were very good but a deluge of statistics and graphs really broke up the flow. He's good on the economics but could reference a lot more political theory to bolster that side of his exposition.

Challenging and heavy probably sums it up and it has certainly dulled my appetite for economic history for the foreseeable future.

?????????? ?????? says

while the book is rich with statistics, it lacks consistency, depth and analysis. I read the first two chapters and must say I am rather unimpressed. The author has put a lot of effort to come up with an abundance of sources and data but fails to capitalize on the broad statistical foundations of his study. Perhaps I might consider re-reading it later on, but at this point, I see no specific need to finish the book whatsoever. 3 stars for the useful gathering of research data, otherwise, I'd give it a 2.

Mike says

It's not this book's fault that I took over a month to complete it. No, that was purely self-inflicted. In fact *The Cash Nexus* was a book that I looked forward to reading – even while I was reading it. Under other circumstances I'm sure I would have finished it in only a week or two. After all it is both shorter and has fewer citations & quotations than the two volumes of **The Rothschilds** which I read earlier this year. In fact I doubt that it would even crush a kitten, let alone cause permanent injury.

The author, **Niall Ferguson** does know a lot about financial instruments and institutions. However, he is not an economist, he is a historian. One who believes firmly in the rightness and efficacy of capitalism for sure, but definitely an historian. I consider this book to have been as 'strong' and as well researched as the one on the Rothschilds. His writing is good and remains "on topic".

The scope of this book is "larger" because it attempts to deal with the development of money, money systems, and how it influences politics, countries, and civilization. The full title of the book states this unequivocally: **The Cash Nexus: Money and Power in the Modern World, 1700-2000.**

Although the book began as a look at the development of the bond market (and was funded by The Bank of England), it eventually evolved into the larger scope that we see today. By necessity some of the material in this volume overlaps that of the Rothschild family history that he wrote earlier. Indeed, in places I found myself prognosticating the text as familiar events and people were covered. But, the small amount of duplication did not detract from the material. I felt that having read the other works I was better able to appreciate the associated points he was making in this one. (For example, the issue of the 19th century European wars; the costs of the same and the issue of paying reparations. The French were able to pay off an enormous amount very quickly (with the aid of the Rothschilds) but other countries struggled with smaller amounts.)

So what is this book about? Well, one could say that it shows us how “money makes the world go round”. And it does so both with facts gleaned from records of taxation, wars, national budgets & expenditures, and from contemporary business and banking records. “The Markets” have been a force in the world for over 300 years and because they are widely, if not always publicly, traded bonds and stock prices give us a clear image of the perceived strength of economies and nations. With great faith, prices go up and yields go down. With little faith, the reverse is true. How appropriate that I write this on the 11th day of the US Government’s partial shutdown 2013. In only a few days’ time, we might be looking at the default (technical, my posterior) of the US Treasury to boot.

I enjoyed reading this book and learned a few ironic facts along the way (amusement value even in dry technical tomes is highly valued): Karl Marx used to play the markets and wrote about his occasional “wins”. Just imagine what might have happened if he had been just slightly more successful and turned into a prototypical “day trader” instead of continuing as an author. (In fact many full-time writers were both ungrateful for but reliant on the economic expansion of the 1800s which created the demand for their works that kept them fed and clothed.)

Many authors old and new postulate that political events can be explained in economic terms. Ferguson offers three hypotheses that he will use during the book. Investigating this link between politics and economics and why socialism fell against capitalism (at least the relatively corruption free version evidence by England, The US and Western Europe) is the bulk of this book. And it provides the author that wider stage (wider than just the bond market) that allows him to examine the four parameters of “the square of power”: national debt, central bank, parliament (congress), & tax bureaucracy that he feels are necessary. These four elements define how the credit markets work with and against nations and national systems both in peace and war. Without them a country may be able to wage a war, but it can only do so in very constrained circumstances. With them, it can diffuse the costs of such expenditures more evenly and over many years.

The book is organized into four sections: Spending and Taxing, Promises to Pay, Economic Politics, and Global Power. He attempts to chart the development of the basic financial institutions and how they accommodated the needs of the governments. One of his key points is that wars have always been the prime cause of financial innovations for most of recorded history. Likewise the development of taxation and bureaucracy has occurred because of these innovations.

In the course of his discussions about political parties, democracies and the expectations of benefits from governments, there are two additional points that stood out for me.

The first is that global powers fade away not because of overreach, but instead because of underreach. Although the example he uses is of Imperial Britain, he states quite clearly that the US may lose its place as the dominant superpower for the same reasons. Granted this was written before either gulf war or the invasion of Afghanistan, but the intention of the current cuts in military spending (explicit or via sequestration) will bring about exactly the same result. Smaller and fewer forces and weapons systems making it less possible to “project power” and conduct more than one conflict (war) at a time.

The second is that entitlements (of any sort) increase as governments (political parties) act to appease voters in order to remain in/gain power. Again the examples are more about England, but he includes other countries and the US is not exception. Even though it is widely accepted that Democrats expand social programs, the reality is that Republicans have often done so as well. (Example, G. W. Bush's expansion of medical benefits to include prescription drugs for seniors. I'm not saying it was wrong, just that it happened under his watch.) In the extreme case, the number of taxpayers who pay and receive no benefits shrinks, while those who pay but receive substantive benefits and those who pay no taxes at all grow to the majority. For those of you who recall Mitt's 47% comment, this was exactly the point he was making. (Again, I am only noting the fact, not advocating or apologizing.)

If you like this sort of thing, this book is a very good look at the role of money and credit in making the world we have today. It's dry, but well-written and easy to follow. His logic is clear and his points well-laid. Even if you don't like his cheerleading of later books, Mr. Ferguson is a good author and historian. **Three and one half (3.5) uninflated stars.**

Tim says

I love Ferguson but he can be dense. While I find reading about the history of the international bond market fun, not everyone does ;) Ferguson's main point here is that four pillars created the successful structure of Western economies: taxation and representation, respect for private property, government debt and the welfare economy.

As always Ferguson is well-researched and appropriately footnoted. Great book for the political economists amongst us.

Terry Quirke says

Interesting overview of finance and politics and how they have effected each other, particularly in regards to warfare and expansion/contraction of empires mainly across the last 250 years. At times can get a bit dense if you are not an economics major but overall Ferguson again provides thought provoking ideas and provides enough information to give a good background.

Libby says

FINALLY DONE!

P.318 "In theory, it is without doubt preferable to pay pensions through investment earnings from private pension funds rather than through taxation and social security ("Pay As You Go").

P.325 "indeed, an ounce of gold buys approximately the same amount of bread today as it bought in the time of Nebuchadnezzar, king of Babylon, more than 2,500 years ago."

P.367 "according to Barro, the key contributions a government can make towards growth are:

1. providing or encouraging the provision of secondary and higher education;

2. providing or encouraging the provision of effective health care, since there is a correlation between growth and life expectancy;
3. promoting birth control;
4. avoiding "non-productive government expenditures," since "big government is bad for growth;"
5. enforcing the rule of law;
6. keeping inflation below around 10 per cent per annum. "

so far, huge libertarian slant, including railing against taxes and economic development supported by the public sphere. Ferguson is prone to listing facts and expecting that makes his argument for him. Despite this, I'm enjoying it.

Hadrian says

Whew. Another big one from Ferguson. His books are a real treat to grapple with. He covers everything from novelists to bond yields to imperialism. Not your typical economic history.

He likes going after big issues, and he has some big claims to make. Some points he makes:

- Nations running debt is not always a bad thing.
- There is a relationship between taxation and war (not much of a surprise).
- Economics does not necessarily influence election results. Very heavy use of historical comparisons and tables here.
- The author finds a weak correlation between democracy and prosperity. Compare Singapore or China and Greece or Argentina.
- Gold is not necessarily a wise hedge investment in terms of economic crisis. Some recent events might be proving him right - gold's price has been fluctuating wildly in recent weeks almost as much as the stocks have.
- I note some unusual judgments on American power. He criticizes them for not being involved in any real wars, and as a clumsy giant, wrecking all with its mixture of idealism and realpolitik. This was written in the early 2000s. One might say that the United States is too eager to venture into war now.
- Ferguson also has a lot of nostalgia for the British empire, flawed and titanic and rampaging and topheavy as it was.

The Big Theme is the complex relationship between economics and politics. His 'square' diagram is very interesting.

The man seems to thrive off of controversy. I highly suggest you give this a peek, if you like his other books.

Will says

What you get:

*Elementary insights into how the depth and breadth of capital markets can effect (substantially influence) geopolitical outcomes (victory vs. defeat).

*An examination of who pays for what (and who benefits from these payments) in a few societies.

*Other stuff.

I think the last two sentences of this book very nicely sum it up:

"Until we understand the mechanics of power--In this case, the reliance on the Napoleonic regime on extortion from occupied territory, it's undemocratic character, it's shallow bond market and it's crudely mercantilist monetary policy--we cannot begin to make sense of the outcome. In that sense, the cash nexus provides not a sufficient explanation of the modern world, but a necessary one."

It's a good book.

Silvio Curtis says

Rambling exploration of a lot of different facets of the relationship between economics and history, especially between government finance and military power. Does purport to have an overarching thesis but in practice doesn't connect with it much. Information is mixed with ethical judgments. The ethical part was argued too carelessly, if at all, to be stimulating. On the other hand, I learned a fair amount on the factual side about things like methods of government finance. I could understand some parts fine even with my very basic knowledge of economic theory, though a glossary would have helped with others.
