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Warrant Economics, Call-Put Policy Options and the Great Recession

Hatgioannides, J. (https://openaccess.city.ac.uk/view/creators_id/j=2Ehatgioannides.html) & Karanassou, M. (2017). Warrant Economics, Call-Put Policy Options and the Great Recession. *Review of Political Economy*,

Abstract

In this paper we aim to address the structural and systemic flaws of modern capitalism that paved the way to the Great Recession. We elaborate on the anatomy and the apparatuses of the neoliberal, highly globalised monopoly-finance mode of resource allocation and price utility. Our main thesis is that, despite the rhetoric praising the merits of unfettered competition, the global fields of a dysfunctional market system have mushroomed in what we term Warrant Economics for the FreeMarket Aristocracy, a power structure of insiders' capitalism. Warrant Economics unfolds in two symbiotic tenets: (i) the systemic creation and preservation of inequality and business concentration via Call-Put policy options, and (ii) the systemic exploitation of inequality via novel and toxic forms of securitisation. We view the income distribution effect, which favours the top 1%, and the business concentration effect, which gravitates competition towards oligopolistic/monopolistic industries, as the two sides of the Warrant Economics coin. We perceive the Great Recession as the inevitable symptom of Warrant Economics, rather than as a low probability event advocated by the majority of orthodox economists.

Publication Type: Article

Additional Information: This is an Accepted Manuscript of an article to be published by Taylor & Francis in Review of Political Economy to be available online: http://www.tandf.co.uk/journals/titles/09538259.asp

Publisher Keywords: Warrant Economics, Call-Put policy options, fiat money, securitisation, monopoly, income distribution, neoliberalism, Great Recession, sovereign debt

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