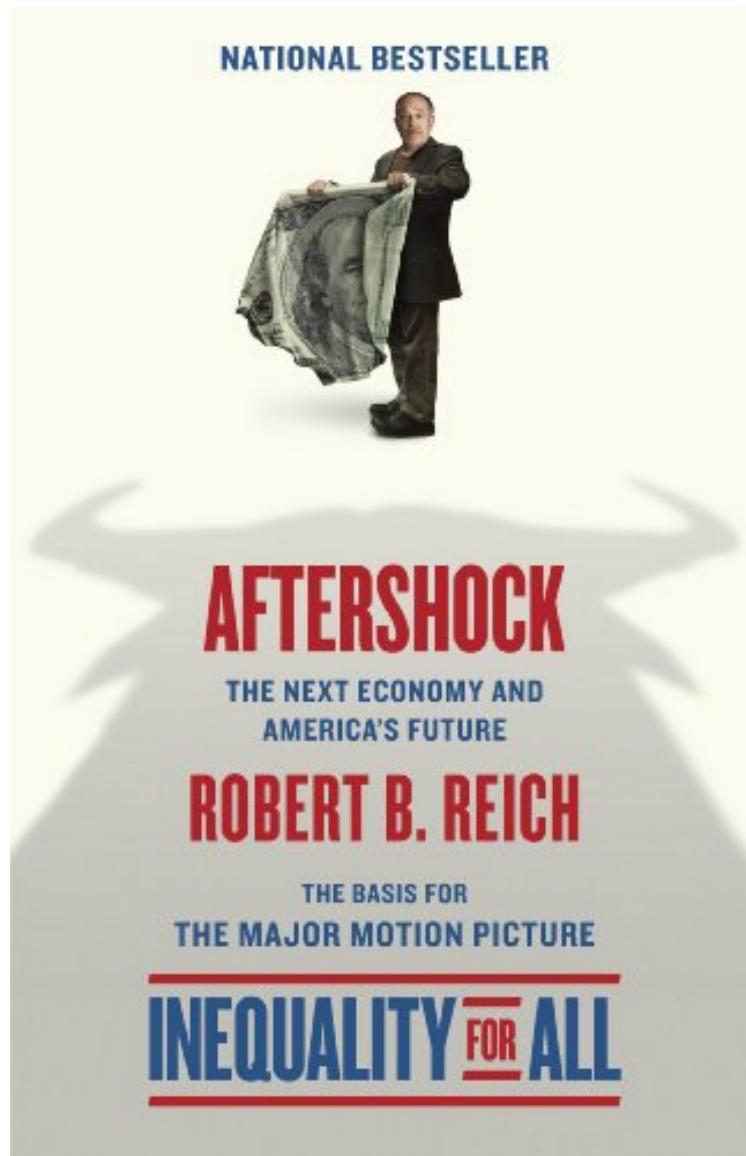


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Aftershock: The Next Economy and America's Future

Robert B. Reich

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Robert B. Reich : Aftershock: The Next Economy and America's Future before purchasing it in order to gauge whether or not it would be worth my time, and all praised Aftershock: The Next Economy and America's Future:

21 of 22 people found the following review helpful. Everyone should read this book. By Pakeha I know I will never be an economist. Understanding the financial system of Wall Street, Government and all is really difficult to comprehend. But Robert B Reich has produced a clear and concise description of what has happened to the money system and the people's financial security in this country today. Everybody should read this book. Why? because you get a perspective on what happened in 2007 - 2008 that ruined your retirement, your financial position, your job and your standard of

living, plus an inkling as to why. It is a pretty sad picture of the politics and mishandling of responsibility in the USA today. How to fix it. Not so simple. When the people in charge are used to eating cake it is difficult for them to stop or eat less. Read it and make up your own mind and THINK for a change, is a message you can take from this very interesting book.

4 of 4 people found the following review helpful. Great diagnosis

By Mike Robbins

As mass production has to be accompanied by mass consumption, mass consumption, in turn, implies a distribution of wealth... Instead of achieving that kind of distribution, a giant suction pump had... drawn into a few hands an increasing portion of currently produced wealth. ...In consequence, as in a poker game where the chips were concentrated in fewer and fewer hands, the other fellows could stay in the game only by borrowing. When their credit ran out, the game stopped.

This is from Robert Reich's book *Aftershock*. It is a very good summary of what happened in 2008. Except that it isn't Reich himself and it isn't about 2008. Reich is quoting long-ago Fed chairman Marriner Eccles. And Eccles was writing not about 2008 but about 1929 and the Great Depression that followed. Reich was Labor Secretary in Clinton's first administration and is now Professor of Public Policy at Berkeley. His diagnosis, as set out in *Aftershock*, is simple; it is that the concentration of wealth in the hands of a few will make everyone poorer, because the rich don't spend anything like enough to generate employment — that needs a mass market, with everyone participating. In fact, the process of wealth concentration had been going on for years before 2008. "The wages of the typical American hardly increased in the three decades leading up to the Crash of 2008, considering inflation. In the 2000s, they actually dropped," says Reich, and goes on to explain that the economy has grown so much over that period that, had the benefits been divided equally, the typical person would be 60% better off. If that's the case, how come no-one seemed to notice this was happening for 30 years? Reich argues that the relative decline in income for most people was masked by longer hours; the participation of women as well as men in the workforce, generating dual incomes; and, most dangerously, by an explosion of credit. A quick look at house prices over the last 30 years suggests where much of that credit went. When the property bubble burst, the game, indeed, stopped.

This is a lucid and persuasive book. Reich writes well; his talent is to explicate and illuminate, rather than lecture. The same can be seen in the film *Inequality for All*, which arose from the book and sets out the same ideas; Reich comes across as a man of some warmth and humour and a natural communicator. This book isn't just a diagnosis, however; it's a prognosis and prescription as well. And on these two latter that the book does come unstuck a little. The prognosis, Reich warns, is that if we're unlucky Americans will at last say "Hell, we were screwed" but then draw quite the wrong conclusion from that, electing a right-wing, isolationist, populist and frightening President. (He is wise enough to make this a fictional character, though she slightly resembles a sort of Palin-Thatcher cross.) Losers of rigged games, as Reich rightly says, tend to get angry. His scenario may come true, but it is just as likely that Americans, and Brits, will vote for governments who see the need for greater equality, but that those governments will be hamstrung by markets, trade treaties and, in the US, legislative stasis. In that case people will, quietly first and then in greater numbers, drift away from the system, and society will lose its cohesion; government will become ineffective; and the Western world will slide into senescence and irrelevance.

Prof Reich also suggests a number of measures to address inequality. One is a "reverse income tax" that will subsidise the middle class (why does the US not appear to have a working class, one wonders?). The money would be added to paychecks. This reminds one of the system of poor relief devised by magistrates at Speenhamland in Berkshire at the end of the 18th century. "Speenhamland" was, when I was young, always taught as an example of the road to hell being paved with good intentions. It simply allowed employers to lower wages, thus accumulating wealth for themselves while making the public pay their wage bill. In fact, recent research has suggested that Speenhamland's outcomes were not so clear-cut. Still, with many lower-paid workers in Western countries now drawing welfare to supplement their wages, one wonders whether we already have Speenhamland writ large. Wouldn't we be better off having a much higher, and strongly enforced, minimum wage? Far from bankrupting employers, it'll make us all richer in the end.

Reich also proposes a carbon tax to fund this wage subsidy. He suggests an indirect tax set at \$35 a ton. In suggesting this, he is rather going where angels fear to tread. The whole argument of carbon tax vs. carbon market is a big messy one, and governments have so far had a hard time applying either. The price of carbon on the open market is nothing like \$35; moreover permission to emit it is effectively a raw material for industry. Taxing what is, in effect, a raw material at way above its market value may not be a good idea; you wouldn't do it with steel. It's far better to offset emissions with credits bought on the market, as this means positive as well as negative credits can be accrued, giving a much bigger incentive to reduce emissions. I'd argue that the carbon question shouldn't get mixed up with wages; it needs its own solution, and is best left in the separate box where it belongs.

The author also does not really address the whole question of governance. True, he clearly perceives poor governance as a driver of inequity; many of the evils of the last 30-odd years would not have arisen if the privileged hadn't been able to buy power and influence through lobbyists, or hold politicians in thrall through campaign contributions. Reich therefore suggests measures to get money out of politics, and he is clearly right. What he does not discuss is the weakness of electoral systems that give voters a limited choice between at most two candidates, both of which will in effect be part of the system he deprecates. You want to throw the bums out? Give us a system that allows alternatives.

Reich's prognosis and prescription are incomplete,

and are the reason why I give this book four stars and not five. But in a way that is not the point of *Aftershock*. There can be no prognosis or prescription without diagnosis, and the diagnosis in this book is spot-on. What is more, it is (as in the film) delivered with clarity, warmth and charm. Anyone who wants to know how we got into such a mess in 2008, and 1929, should read this book, then think for themselves — long and hard — about where we go next. 0 of 0 people found the following review helpful. Equality helps! By Will Jerom Robert Reich provides a compelling argument that more equality is better for the economy. Two of the greatest economic crises in American history came after peaks in income inequality in 1928 and 2008. By contrast, when marginal tax rates on the very rich were higher and they had less of the national income, there was a greater prosperity, between the years of 1945 and 1974. Using some of the advice and perspective of former Fed Chairman and Mormon Marriner Eccles, Reich argues for a more equal economic standard, noting that some inequality is inevitable and in fact desirable. It is difficult to refute his point, from my perspective. Setting moral arguments aside (yet one can tell Reich feels some moral outrage), he argues from a political and economic standpoint that our freedom and our prosperity are simply more robust and thriving in an economy where there is significant taxation of the wealth, and some redistributive welfare measure to take the hard edges off the capitalist economy, which can come under too much control of the very rich.

A brilliant new reading of the economic crisis — and a plan for dealing with the challenge of its aftermath — by one of our most trenchant and informed experts. When the nation's economy foundered in 2008, blame was directed almost universally at Wall Street. But Robert B. Reich suggests a different reason for the meltdown, and for a perilous road ahead. He argues that the real problem is structural: it lies in the increasing concentration of income and wealth at the top, and in a middle class that has had to go deeply into debt to maintain a decent standard of living. Persuasively and straightforwardly, Reich reveals how precarious our situation still is. The last time in American history when wealth was so highly concentrated at the top — indeed, when the top 1 percent of the population was paid 23 percent of the nation's income — was in 1928, just before the Great Depression. Such a disparity leads to ever greater booms followed by ever deeper busts. Reich's thoughtful and detailed account of where we are headed over the next decades reveals the essential truth about our economy that is driving our politics and shaping our future. With keen insight, he shows us how the middle class lacks enough purchasing power to buy what the economy can produce and has adopted coping mechanisms that have a negative impact on their quality of life; how the rich use their increasing wealth to speculate; and how an angrier politics emerges as more Americans conclude that the game is rigged for the benefit of a few. Unless this trend is reversed, the Great Recession will only be repeated. Reich's assessment of what must be done to reverse course and ensure that prosperity is widely shared represents the path to a necessary and long-overdue transformation. *Aftershock* is a practical, humane, and much-needed blueprint for both restoring America's economy and rebuilding our society. From the Hardcover edition.