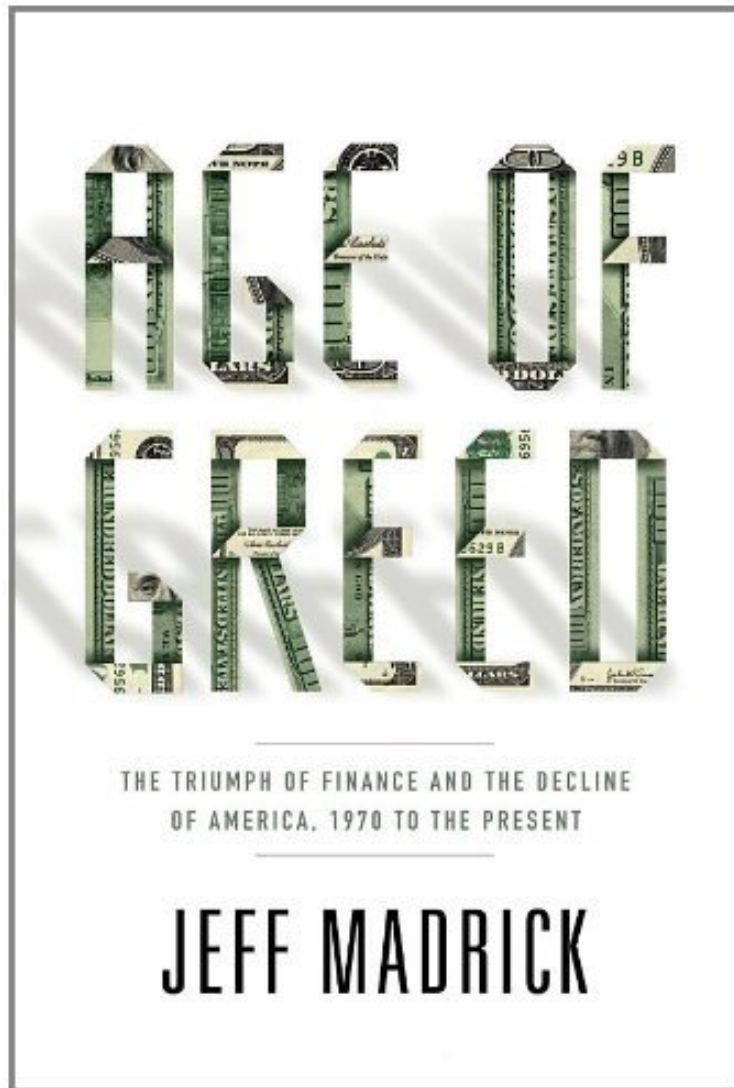


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# Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present

Jeff Madrick

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**Jeff Madrick : Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Age of Greed: The Triumph of Finance and the Decline of America, 1970 to the Present:

141 of 145 people found the following review helpful. Why We're In This Condition By John D. Cofield Americans in 2011 have a lot to be unhappy about: high unemployment, entire neighborhoods of foreclosed houses, decimated retirement accounts and portfolios, and so on for far too many depressing statistics. Since the Crisis of 2007-08 we've grown accustomed to talking heads wisely explaining that this is part of a cycle of boom and bust that is unavoidable.

Really? Jeff Madrick's well researched and engaging history of the last 40 years or so has a very different view. Beginning in the late 1950s and early 1960s financiers began to pressure the US government to ease or eliminate many of the provisions to regulate the financial markets that had been put into place during the New Deal. Their efforts began to bear fruit in the 1970s, when both Republican and Democratic Administrations and Congresses, heavily influenced by advice from wealthy bankers and brokers, agreed to dismantle most of the regulatory structure. This deregulatory process gained strength in the 1980s and 1990s, again at the hands of both parties, and finally bore fruit in the 2000s when the markets collapsed and came close to dragging the entire world into another Great Depression. Like most people, I remember those frightening days all too well, but I didn't fully understand what was going on and I certainly didn't know what to expect in the future. Jeff Madrick has done an excellent job of chronicling the financial decisions and decision makers of the last four decades. He provides many short but thorough biographies of the principal actors, some well known or infamous like Ivan Boesky and Michael Milken, others less public but still important like Lewis Usher and Walter Wriston. Having this background information makes the decisions of Arthur Burns, Paul Volcker, Alan Greenspan, and the eight presidents since 1970 more understandable and also more disheartening. Throughout the book Madrick returns to the main moral: while the men who gambled with the economy often made vast fortunes and gained enormous prestige, the middle class saw their pay stagnate, their pensions shrivel, and their houses lose value. The solution is obvious, but Madrick delineates it carefully: the regulatory structure that shriveled during the "good times" must be reinstated and strengthened, and future political leaders need to spend less time listening to Wall Street and more time on Main Street.

4 of 4 people found the following review helpful. Good overview of the culture of greed. By George Fulmore. The thesis of the book is, essentially, that the Wall Street boom of roughly 30 years "was a house of cards built on Wall Street greed, unchecked by Washington regulators....(It eventually) created the nation's credit crisis...and caused the most severe recession in the United States since the Great Depression..." And, per the author, "The credit boom between 2003 and mid-2007 was built on sand....It was a handful of individual men making bad, self-serving decisions that placed the entire credit system at risk." Madrick refutes other explanations for the crisis, such as that no one saw the problems coming, or that it was a "systemic" failure that was not caused by one person or one entity. He gives credit where credit is due to those who caused the problems. He says that by keeping interest rates artificially low, Fed Chairman Alan Greenspan "fed ever-rising levels of debt at investment banks that aggressively expanded trading and other speculative activities." He adds that "Much of Wall Street was run like a hedge fund." And he tells us that "Citicorp and Merrill became the largest issuers of the riskiest mortgage securities, surpassing earlier leaders, such as Bear and Lehman...." Per Madrick, "individual bankers made personal fortunes....Accounting fraud reached new heights...." The author also gives credit to what saved us: "The only reason a far worse recession did not occur was the expensive government rescue package." "A bottom was found only when the federal government made hundreds of billions of dollars available to the firms to shore up their collapsing finances." He tells us that it was TARP that "calmed the markets," and that, in total, the federal government had more than \$12 trillion "on the line." He tells us that "the Keynesian response did work." But Americans lost nearly \$12 trillion in real estate and stock-market equity in this crisis, some of which has since been regained in the stock market, but not in home values. But why did all this have to happen? The author tells us that it was caused by a culture of greed that began, in earnest, in the 1970s, which is where the book begins. The age of greed is started by haters of the New Deal and of Franklin D. Roosevelt. They have no need for a powerful central government. Their first political spokesperson of note was Barry Goldwater. In the private sector, it was banker Walter Wriston, who set the precedent for pushing banks into high-risk deals, expecting the federal government to bail them out if they got in trouble. He took enormous risks to push First National City Bank through periods of near illiquidity to the point of a bank "too big to fail." It eventually would become Citibank. There is a chapter on Milton Friedman and the role he plays in opposing Keynesian theory. He argues that with reduced government and lower taxes the poor would be better off, this being right out of the Republican playbook of today. Per the author, "The big prize for Friedman would have been to have conclusively shown that The Great Depression was caused by the fall of the money supply - that is, caused by an error in the Federal Reserve policy." Sounds just like Ron Paul, huh? Another Friedman quote: "The great achievement of capitalism is not the accumulation of property, it has been the opportunities it has offered men and women to extend and develop and improve their capacities." What this line of thinking does not include, of course, is the risk that greed and the accumulation of wealth would become the prime driving factor, as we enter the age of greed. Per the author, Friedman "helped turn the people against government, in general." Then there are chapters about the development of corporate acquisitions and how all that worked. Investment bankers began to make enormous profits. And once it got started, the banks got interested in playing the game, as well. Joe Flom, as the leader of this movement, gets a chapter in the book. Ivan Boesky gets a chapter, too, as does Ronald Reagan. We're also given the history of Sam Walton and Wal-Mart, which was built on a model that expected employees to qualify for food stamps and Medicaid, as Walton became the richest American, with \$20 billion, way back in 1985. And the author tells us that author Tom Peters promoted the idea that the best companies had lean staffs and were cost-effective. Jack Welch at GE was the epitome of this philosophy, as he institutionalized layoffs, by firing about 30% of GE's workers over a five-year stretch. In 1984, he was named Fortune's "toughest boss in America" award. He turned GE from a company that primarily built

things, to one that made most of its money via financial ventures. The author sees Welch as a key player in the age of greed: "Welch made GE into a bank....Seven years later, the banks in America nearly collapsed." Michael Milken gets a chapter, as does Alan Greenspan. George Soros and the hedge funds get one, as well. The collapse of Long Term Capital Management and the use of derivatives are discussed. And Sandy Weill of Citicorp gets a good bit of attention, perhaps as the one who personified greed more than any other player. Madrick is not kind to Weill and his ilk, saying, "It was on tightly run operations, rather than on new products or innovative ideas, that many of the billionaires of the age of greed made their fortunes." But Weill felt that "he and others like him deserved the money they made." To them, the way to make money was through the use of risk. Weill would be worth as much as \$2 billion when he retired in 2002. But make no mistake, the author's thesis is that "The 1990s though 2002 was the most corrupt decade since the 1920s - and one of the most corrupt in American business history." It was built on an "infrastructure of corruption." Welch used pension overfunding to supplement quarterly earnings at GE. Stock options to executives were not counted as expenses. Shenanigans at Enron sent Jeffrey Skilling and Andy Fastow to jail. Enron's bankruptcy would be the largest in U.S. history, only to be overshadowed later by those of WorldCom, then Lehman. Angelo Mozilo of Countrywide Mortgage gets a chapter near the end of the book. He built the company up to market value of about \$25 billion before the subprime disclosures forced the company to be taken over by Bank of America for about \$4 billion. As Countrywide was making a mess of things, per Madrick, "regulators were nowhere to be found." It was the "Age of Greed," built on a sea of sand. It led to the worst financial collapse since The Great Depression. We need books like this one to help up stop this kind of history from ever repeating itself. The book is full of details and not that easy to read, but it is worth a read, if you have the time and energy.

2 of 2 people found the following review helpful. The Path to Our Decline By Edwin C. Pauser In her book Shock Doctrine, Naomi Klein tells us that revolutionary change is best implemented when the population is still in shock from a cataclysmic event. Author Jeff Madrick gives us the opposite impression in Age of Greed. The U.S. wasn't in a state of shock; it was prosperous when change started. He shows how the greed over the past four decades has crept into American culture, politics, and law, like an undetectable cancer that grows slowly, insidiously through the body until it becomes a corpse. His subtitle "The Triumph of Finance and the Decline of America..." is the cancer and the victim respectively. No one escapes Madrick's scrutiny. Walter Wriston, Joe Flom, Milton Friedman, Jack Welsh, Angelo Mazillo, Ivan Boesky, Ronald Reagan, George Soros, and even Jimmy Carter and Bill Clinton played their respective parts in the slow and insidious erosion of the financial fabric of the country and allow greed to take center stage over the economic landscape. The decline made its imperceptible presence with bad loans of petrodollars to Latin America in the 70's. In the 80's Garn-St. Germain bill allowed thrifts to offer higher interest and invest in junk. They did and the savings and loan bailout followed. Big name banks and brokerage houses disappeared in mergers and acquisitions. Milton Friedman's ideas of free market economy gained a following. In the 90's the magic beans were the technological stocks. Excess capital needed an outlet and found it in derivatives for the housing boon as trillions of paper wealth reached around the world. Stock brokers, CEO'S, bankers, investors, consortiums, and businessmen were using the free market capitalist system to enrich themselves at the expense of the consumer rather than on behalf of the same. Like drunken gamblers at the gaming table they placed their bets on bad investments that would bring this country the closest it has ever been to another Great Depression. Federal chairmen stood by and encouraged them from the sidelines. The author's remedy is regulation that promotes transparency in trading and discourages outright speculation and distortion of markets. Mr. Madrick says that the Obama administration and the recent banking regulation bill are not enough. He ends with a fitting sentence "Former or returned employees who were substantially involved in matters like contracts, or litigation, or audits, etc. such as lead negotiator, may not work on those matters for any private firm for the life of those matters. This restriction affects every city employee differently: "America has not yet turned the page." This book is long on information but well-written and readable. It provides a thorough understanding of what went wrong, how it went wrong, and when it went wrong. It also includes all the players. I have only mentioned a few of them. This is your definitive source on the path to our decline.

A vividly told history of how greed bred America's economic ills over the last forty years, and of the men most responsible for them. As Jeff Madrick makes clear in a narrative at once sweeping, fast-paced, and incisive, the single-minded pursuit of huge personal wealth has been on the rise in the United States since the 1970s, led by a few individuals who have argued that self-interest guides society more effectively than community concerns. These stewards of American capitalism have insisted on the central and essential place of accumulated wealth through the booms, busts, and recessions of the last half century, giving rise to our current woes. In telling the stories of these politicians, economists, and financiers who declared a moral battle for freedom but instead gave rise to an age of greed, Madrick traces the lineage of some of our nation's most pressing economic problems. He begins with Walter Wriston, head of what would become Citicorp, who led the battle against government regulation. He examines the ideas of economist Milton Friedman, who created the plan for an anti-Rooseveltian America; the politically expedient decisions of Richard Nixon that fueled inflation; the philosophy of Alan Greenspan, on whose libertarian ideology a house of cards was built on Wall Street; and the actions of Sandy Weill, who constructed the largest

financial institution in the world, which would have gone bankrupt in 2008 without a federal bailout of \$45 billion. Significant figures including Ivan Boesky, Michael Milken, Jack Welch, and Ronald Reagan play key roles as well. Intense economic inequity and instability is the story of our age, and Jeff Madrick tells it with style, clarity, and an unerring command of his subject. From the Hardcover edition.