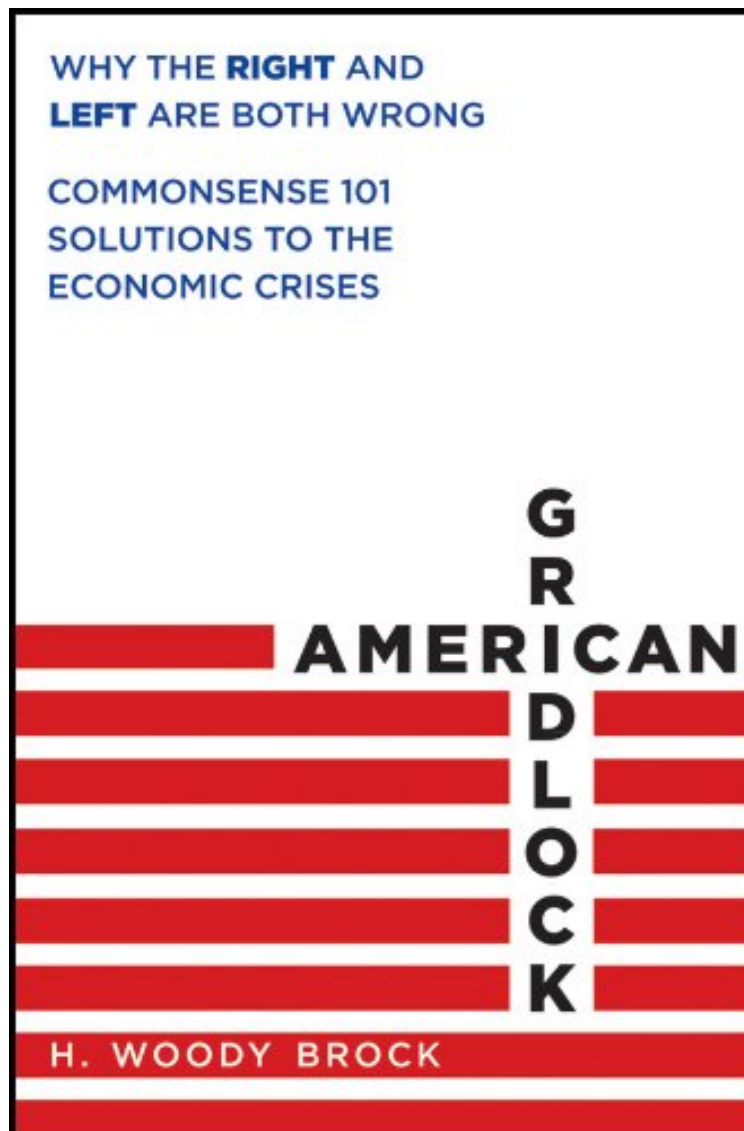


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American Gridlock: Why the Right and Left Are Both Wrong - Commonsense 101 Solutions to the Economic Crises

H. Woody Brock

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CPA, MBA At last, a book on the big problems of the US and the West which is sympathetic to the diminished prospects of my own generation: Today's young. Woody Brock explains our true plight and derives a rescue plan free from Left/Right wing prejudice. Moreover, he invents a great new word, "Phliberal" (phony-liberal) to deride those "egalitarians" who in one breath embrace sexual and racial equality, while in another embrace policies that pile benefits on today's elderly at the expense of tomorrow's elderly. Brock is spot on in all six topics covered in American Gridlock. 4 of 4 people found the following review helpful. wonderful book By Pierre I am an amateur economist with a strong background in mathematics (deductive reasoning). I have read the first four chapters and a couple of proofs in the Appendix. This is one of the finest books I have ever read in terms of the quality of reasoning, the quality of writing and the quality of the ideas he puts forth. For me it ranks right up there with "Birth of Plenty." For example, he convincingly shows that it is possible to merge the seemingly contradictory ideas of greater access to health care, greater supply of health care and lower cost into a workable program that makes economic sense. He also presents solutions to what seem today to be intractable problems facing this country. If you want to get a feeling of hope about the problems this country faces, read this book. 1 of 1 people found the following review helpful. Must read for those who are truly interested involving Macro-Econ problems facing developed world. By Rex Brock is a polymath who can tackle very large complex subjects and distill them into understandable segments with solutions that make sense. Some would argue that he oversimplifies the Medicare issue, but his elegant equations that lead to actual real world solutions should be studied by Congressional staffers on both sides of the aisle. Do his solutions involve some hard choices? Yes, because there is no long term free lunch there must be some courageous (unpopular?!) changes to how we spend our tax dollars and even to how we tax the general population (people and corporations). Brock tackles the issues head on, and even where I disagree with him, the arguments make logical sense. Worth the read!

A sensible solution to getting our economy back on track Pessimism is ubiquitous throughout the Western World as the pressing issues of massive debt, high unemployment, and anemic economic growth divide the populace into warring political camps. Right-and Left-wing ideologues talk past each other, with neither side admitting the other has any good ideas. In American Gridlock, leading economist and political theorist H. Woody Brock bridges the Left/Right divide, illuminating a clear path out of our economic quagmire. Arguing from first principles and with rigorous logic, Brock demonstrates that the choice before us is not between free market capitalism and a government-driven economy. Rather, the solution to our problems will require enactment of constructive policies that allow "true" capitalism to flourish even as they incorporate social policies that help those who truly need it. Brock demonstrates how deductive logic (as opposed to ideologically driven data analysis) can transform the way we think about these problems and lead us to new and different solutions that cross the ideological divide. Drawing on new theories such as game theory and the economics of uncertainty that are based upon deductive logic, Brock reveals fresh ideas for tackling issues central to the 2012 U.S. Presidential election and to the nation's long-run future: Demonstrating that the concept of a government "deficit" is highly problematic since it blinds us to the distinction between a good deficit and a bad deficit — where a deficit is good if it results from borrowing dedicated to productive investment rather than to unproductive spending.

.com QA with the Author Why are both the Right and Left wrong in their analysis and proposed solutions to our economic problems? Left or Right wing policy prejudices make meaningful compromises between the two camps all but impossible. Take, for example, the red-hot issue of "fair shares of the pie," or Distributive Justice as philosophers call it. Leftists have become so indoctrinated into interpreting this issue as one of taking from the rich and giving to the poor that they cannot accept a theory of justice which respects both "to each according to his needs" as well as "to each according to his contribution." And vice versa for rightist conservatives who assume the primacy of "to each according to his contribution." A more fundamental analysis of the kind provided in Chapter 6 of the book starts off in a less prejudiced manner, demonstrating the relevance of both dimensions of "fairness" from first principles, it then arrives at a theory that incorporates both needs-justice and contribution-justice in their relevant domains. As a result, the new theory is neither Left wing nor Right wing in nature. It is balanced, and obviates a Dialogue of the Deaf on the subject of fair shares. Can you elaborate on your definition of a "good" and "bad" government spending deficit? Because of decades of deficit accumulation, total debt has grown to a dangerous level causing bond markets to look askance at further debt growth. Suppose that a government with a heavy debt load proposes to borrow additional funds. Deficit hawks will cry "Foul," due to the fear of further displeasing the bond market, and laying even more debt upon the shoulders of the children and grandchildren who will have to service this debt. But such hawks may be wrong in their diagnosis. Suppose that the funds are being borrowed for productive infrastructure investment — projects like the interstate highway system that more than pay for themselves over time. Not just infrastructure investment ("roads to both somewhere and nowhere"), but productive investment ("roads to somewhere" only). In this case, the high return on such projects will end up lowering the debt burden on the children in the long run. On the other hand, increased borrowing to fund transfer programs will not generate healthy as there is, in effect, no investment to earn returns. This form of borrowing will increase the burden on the children, and the fears of deficit hawks are well justified. In short,

there are good and bad deficits —; the distinction depending upon whether the borrowed funds are spent productively or unproductively. What is your solution to the health care spending crisis? The solution to the health care spending crisis is quite simple, at heart. Suppose you know that there is going to be a large increase in demand for apricots. What do you do to make sure that people do not have to spend too much on apricots in the future? You naturally increase the supply of apricots by planting a lot more trees. This will drive the price of apricots down, so total expenditure on apricots will increase less than if you did not increase supply. In the case of health care services, suppose that you wish to increase the supply and demand of services delivered, and also wish to drive total expenditure on healthcare down as a share of GDP —; not simply to slow down its growth rate as was the more modest goal of Obamacare. The nation must strive for this outcome given the huge expenditures the nation confronts as its population ages during the next four decades. Can this idealized outcome be achieved? The answer is yes: What is required is that the so-called "supply curve" of health care services shifts out to the right faster than the demand curve does over time. Can we preserve capitalistic incentives, while avoiding massive income disparities and providing assistance to those who are truly in need? Chapter 6 in the book clarifies the meaning of true capitalism as Adam Smith and others conceived it, and contrasts this with the "crony capitalism" which we observe today. It turns out that there is nothing incompatible between true capitalism on the one hand, and a fairer distribution of wealth and income on the other. Some of the reasons this is true stem from the capitalistic norm of "market efficiency," a point that is seldom acknowledged. Indeed, it is universally supposed that true capitalism and its norm of economic efficiency are silent upon the concept of Distributive Justice, the latter falling under the rubric of moral philosophy. This is not the case at all, for three reasons set forth in the chapter. As a result, self-styled capitalists must confront the need to redress rampant inequalities on purely capitalistic grounds! Moral theory for its part plays an ancillary role, and proposes additional reasons for a more just distribution of wealth and income. Thus, the subject of fair shares is not peripheral to capitalist economics, but rather central to it. "With rigorous logic, American Gridlock identifies five major problems confronting the nation. These range from salvaging today's "lost decade," to the unequal distribution of wealth, to preventing bankruptcy from "entitlements spending," and to preventing future financial market crises. Woody Brock does not simply offer his opinions about these crises. Rather, he deduces win-win solutions to each of these from First Principles. It is high time for such a book, especially during a presidential election year." —;Dr. Nouriel Roubini, Chairman and Co-Founder, Roubini Global Economics "Woody Brock is a brilliant economic thinker and we should heed his call for an Infrastructure Marshall Plan to lift our national economy. This book should be required reading for everyone who cares about America's future, particularly our elected officials." —;Ambassador Felix G. Rohatyn, Lazard Freres & Co. LLC "Woody Brock's new book, American Gridlock is going to force everybody to think through their views on the critical issues of public policy facing America today. It is not just a question of a failure of leadership. It is also a question, as he puts it, of a failure of thought and analysis. He focuses on this in order to overcome what he terms "the Dialogue of the Deaf;" the shouting match between the Left and the Right and its inevitable manifestation as gridlock. Agree or not, this is the kind of book to which everybody should pay attention." —;Mortimer Zuckerman, Editor-in-Chief of U.S. News World Report "Woody Brock is one of America's best kept secrets. My firm has had the good fortune of benefiting from his in depth analysis of future political and economic trends for years. American Gridlock allows the reader to do the same." —;Stan Druckenmiller, Chairman and CEO, Duquesne Family Office "Woody Brock is one of the most unreasonable men I know: because I agree with George Bernard Shaw that the reasonable man adapts himself to the world, whilst the unreasonable man persists in adapting the world to himself, and therefore, all progress depends on the unreasonable man." —;Sir David Tang, Founder Shanghai Tang; Author, An Apple a Week "Woody Brock's writings are often the first place I encounter issues that soon become central debates within public policy. He is prescient, penetrating, broad, surprising and wise. Some writers illuminate yesterday's news, a few may shed light on tomorrows. But very few thinkers can help you to understand the issues that will shape not only next year, but also the next decade. As America faces a pivotal election, his book could not be more timely." —;Edward Smith, The Times (London) "The events of the past several years have clearly exposed the faults in standard economic and financial analysis. And the economics profession currently seems at a loss to provide credible and practical policy prescriptions for the current malaise facing the U.S. and other major countries. In this fascinating book, Woody Brock stands above the crowd with his original and well thought out plans for a sensible way forward to a brighter future. It is a welcome counter to the widespread gloom that surrounds most of the discussion of the outlook." —;Martin Barnes, Chief Economist, BCA Research "The world is bogged down by incremental thinking and yearns for some "big ideas" to liberate us from the serial crises that confront us. Over the years "Woody" Brock has proven himself as an original thinker whose solutions to problems often turn out to be right. Now, in this book, we have a set of recommendations that may put us on the right course." —;Byron R. Wien, Vice Chairman, Blackstone Advisory Partners LP "Woody Brock tackles America's big problems at a breathtaking scale. No small ideas here. And no flinching from the conclusions which follow from the fierce logic he applies. Read this book to find a way forward out of the broken politics and doctrinaire policies that leave so many disgusted and depressed to the prospect of a genuine prosperity." —;Joseph Dear, Chief Investment Officer, California Public Employees Retirement System (CalPERS) "Woody

thoughtfully addresses the critical issues facing our country and shows how they can be resolved using a different analytical approach. A must read for any serious market participant." —Susan E. Manske, Vice President and Chief Investment Officer, The John D. and Catherine T. MacArthur Foundation "Woody Brock is an American masterpiece. There is no one like Woody. No one is able to think as broadly as Woody, while simultaneously thinking so deeply. No one is as amusingly insightful, witty and provocative as Woody. Woody's economics are a blend of deep, revolutionary, insight and common sense. I will never know how he does it, but I deeply appreciate that he does it. No one is a better catalyst for my own thinking than Woody. Read American Gridlock. Savor American Gridlock. Allow yourself to be provoked and prodded by American Gridlock. Then put it down, go fishing, then reread a month later. You will be deeply and lastingly rewarded for your efforts." —Richard N. Foster, Investment Advisory Services, LLC; former Managing Director, McKinsey Company; author of Creative Destruction "For decades Woody Brock has enlightened a select audience with his logically rigorous, factually impeccable analyses of past developments and future trends. Time and again I have seen his insights prove true, especially in cases where he has challenged the prevailing wisdom of the era. Now for the first time he addresses a general readership, with a comprehensive assessment of how to cope with the most intractable public problems of our time. I don't agree with every one of his prescriptions, which is why I am all the more sincere in recommending the thoroughness and rigor of his logic." —James Fallows, The Atlantic "American Gridlock is a major endeavour containing deeply profound insights. It requires the courage to see that economics has largely failed and must be replaced as the master discipline by political theory and science, and with a new emphasis on fairness and justice in the distribution of benefits and rewards. Woody Brock is one of the few thinkers of our times who can tackle this mountainous task and unlock the paralysis in which the increasingly muddled debate about Capitalism has plunged us." —Lord Howell of Guildford, Minister of State, Foreign and Commonwealth Office, UK "If Woody Brock did not exist, God would have had to invent him. He is a unique, challenging thinker who makes most conventional economic forecasters look like trend followers. Serious investors and students of public policy should be delighted that he has finally written a book in which his renowned analytical approach focuses on public policy. This is badly-needed fresh air in a seriously polluted environment." —Don Coxe, Chairman, Coxe Advisors LLP "American Gridlock provides a compelling framework for citizens, policymakers and market participants to overhaul their views on many important issues of the day. The power of Woody Brock's approach—emphasizing deductive reasoning and eschewing information overload—makes this elegantly written book a must read for those who value understanding over data. I would suggest burying oneself in American Gridlock before occupying Wall Street, the executive suite or public office." —Scott Bessent, Chief Investment Officer, Soros Fund Management "H. Woody Brock is one of the few leading economists who can combine high-powered theory and deductive logic to yield practical solutions to real-world issues. He constantly surprises and inspires with new creative inputs and insights. In his latest book, he provides thought-provoking ideas on how to get a polarized and gridlocked America on the path to progress." —Christian Casal, Office Manager McKinsey Company, Switzerland "If you can handle the truth about America's Lost Decade, Phiberalism, Leverage, Thugocracies, and Distributive Justice then American Gridlock is a must read. You will leave behind today's heads I win, tails you lose mentality. No more repetitive talking heads, know it all politicians and tired academics. Woody offers up common sense solutions based on sound reasoning to today's pressing problems. Finally, the TRUTH! —John H. Carlson, Fidelity Investments, Boston "American Gridlock delivers desperately needed fresh air and sunlight, dispelling the funk and gloom that are dampening the American spirit. Woody Brock defines five critical problems confronting the US today and leads the reader to compelling win-win policies that will break the current gridlock and put America on a path to sustainable prosperity. His work is original and of critical importance. The clear thinking and optimism of one of the world's great thinkers obviates the need to contemplate writing America's obituary. Anyone with a vested interest in our future should place American Gridlock at the top of his reading list." —Jan L. Yeomans, Vice President and Treasurer, 3M "Woody is a paragon for prosperity, and he is a master of truth and its processes—something our postmodern age has let drift out of the public discourse. He must be read by politicians, policymakers, CEOs and advisers, and by everyone concerned with today's problems and building a sustainable and prosperous future. He shows how it can be done without unnecessary pain, making this book the antidote to the current global economic and financial malaise. His new book is a must read for every politician, policymaker, adviser, CEO, and everyone concerned with today's problems and building a sustainable future." —Michael Roux, Chairman, Australian Davos (ADC) Forum "If ever there was a time when a fresh, original approach to understanding the challenges facing democratic capitalism was needed, it is surely now. This book offers such an approach, and provides novel answers to wickedly difficult questions about the sustainability of our way of life in the 21st Century. I have admired Woody Brock's creative strategies to address complex issues for decades, and rank this book as his greatest, and most important effort yet." —Keith Ambachtsheer, Director, Rotman International Centre for Pension Management, Rotman School of Management, University of Toronto "American Gridlock surpasses the lofty expectations of a long-standing client. To provide "win-win" solutions to our most vexing economic problems, Woody employs commonsense coupled with profound and not often cited academic principles. His analysis addresses the

challenges—deficits, entitlements, financial meltdowns, dealing with China, and Distributive Justice—that must be confronted to arrest the decline of the West. Most impressively, his is a refreshingly independent and optimistic voice in an era of partisanship and pessimism." —Ed Sullivan, Ph.D., CFA, Managing Director, General Motors Asset Management "American Gridlock, the new book by Woody Brock, should be required reading in Washington. First, because it offers real solutions to many of today's biggest problems that are based on solid grounding in economic and political theory. Secondly, because it offers real hope that there is a way out if only folks will start to think differently and creatively." —Will McLean, Vice President and Chief Investment Officer, Northwestern University "I have known Woody for many years and have always admired his brilliance on economic issues. He has advised many of us on looming economic disasters including his prediction of the crash in 2008. Not surprisingly, American Gridlock: Why the Left and Right are Both Wrong, Woody, like only he can do, diagnoses the persistent problems in today's economy then sets his sights on prescriptions for fixing them—prescriptions that others are unable or unwilling to see. This stunning work is wholly different than anything that has come before it, with invaluable insights for policymakers, businessmen, and everyday citizens alike. This book is a must read for anyone who longs for Washington D.C. to stop the shouting and start addressing our nation's problems in a real and meaningful way." —J. Pepe Fanjul, Vice Chairman, President, and Chief Operating Officer of Fanjul Corp., and Florida Crystals Corp. "American Gridlock provides the first optimistic analysis suggesting how the United States can recover its leadership position and solve its strategic financial dilemmas. The U.S. has lost its moral and political compass. Woody Brock suggests it can be regained by using an approach to the issues based on reasoning from first principles, clear definition and consistent logic. Everyone interested in the future of American leadership must read and study this book. It is hard work but worth it." —Sir Roderick Carnegie AC, Chairman, Pacific Edge Group "Across the years, the noted decision theorist Dr. H. Woody Brock has advised a global clientele of public and private sector leaders faced with crucial challenges. Thanks to this deeply intelligent, clearly written, and heartfelt book, the commonsensical wisdom of a legendary advisor to investors, corporations, republics, kingdoms, foundations, and NGOs, now comes home to the USA, where it is sorely needed." —Kevin Starr, University Professor and Professor of History, University of Southern California. author of Americans and the California Dream, 1850–1915 "Woody's writings including his new book, American Gridlock, should be required reading for all current and aspiring members of Congress and the White House. He always provides well founded and insightful commentary that identifies and explains complex developments in economics and finance and provides practical solutions to the enormous challenges facing the United States and the world economy." —Dennis Schwartz, Vice President, Pension Fund Investments, Deere and Company "Woody Brock presents a powerful and provocative explanation of a public choice system that has lost its way. Through compelling logic and lucid narrative, he offers a bold solution to the current crisis and paints a picture of an economic future that can be salvaged. This book is compulsory reading for anyone with a serious interest in public policy." —Peter Crone, Chief Economist, Business Council of Australia and former Senior Economic Adviser to the Prime Minister of Australia, the Honourable John Howard "Woody Brock is a master at explaining complex, highly mathematical and often overlooked economic theories in terms any investor can understand. In American Gridlock, he uses new and sophisticated economic theory to derive win-win solutions to five of America's most pressing problems. His focus on deductive logic provides clarity of thought that should serve as a standard for economic and financial writers everywhere." —Chris Doheny, Associate Director of Asset Allocation and Risk, The Ford Foundation