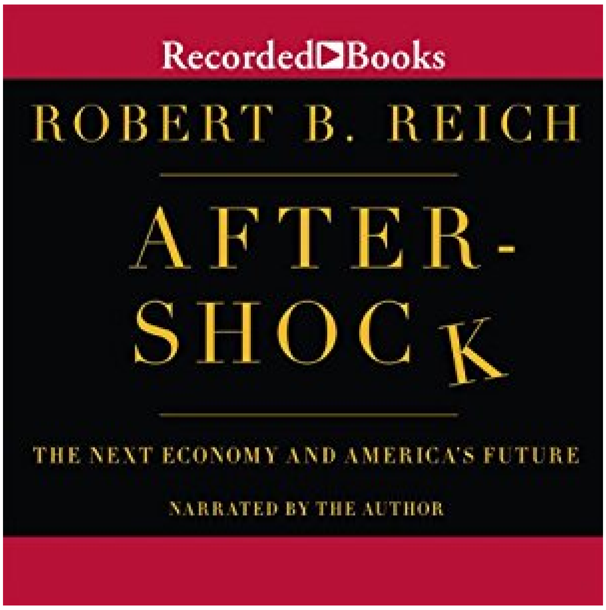
Aftershock: The Next Economy And Americaâ€™s Future



Synopsis

The author of 12 acclaimed books, Robert B. Reich is a Chancellor’s Professor of Public Policy at the University of California, Berkeley, and has served in three national administrations. While many blamed Wall Street for the financial meltdown, Aftershock points a finger at a national economy in which wealth is increasingly concentrated at the top - and where a grasping middle class simply does not have the resources to remain viable.

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Customer Reviews

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 you 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.

Ã¢Â ÂœAs 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.Ã¢Â Â•This is from Robert ReichÃ¢Â Â™s book Aftershock. It is a very good summary of what happened in 2008. Except that it isnÃ¢Â Â™t Reich himself and it isnÃ¢Â Â™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 ClintonÃ¢Â Â™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 donÃ¢Â Â™t spend anything like enough to generate employment Ã¢Â Â“ that needs a mass market, with everyone participating. In fact, the process of wealth concentration had been going on for years before 2008. Ã¢Â ÂœThe 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,Ã¢Â Â• 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 thatÃ¢Â Â™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 isnÃ¢Â Â™t just a diagnosis, however; itÃ¢Â Â™s a prognosis and prescription as well. And itÃ¢Â Â™s on these two latter that the book does come unstuck a little.The prognosis, Reich warns, is that if weÃ¢Â Â™re unlucky Americans will at last say Ã¢Â ÂœHell, we were screwedÃ¢Â Â• 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 Ã¢Â Âœreverse income taxÃ¢Â Â• 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. Ã¢Â ÂœSpeenhamlandÃ¢Â Â• 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 SpeenhamlandÃ¢Â Â™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. WouldnÃ¢Â Â™t we be better off having a much higher, and strongly enforced, minimum wage? Far from bankrupting employers, itÃ¢Â Â™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. IÃ¢Â Â™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 hadnÃ¢Â Â™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.ReichÃ¢Â Â™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 Ã¢Â Â“ long and hard Ã¢Â Â“ about where we go next.

Despite what um ... some reviewers say, Dr. Reich is not delusional. He comes loaded with statistics to back up every assertion he makes. I have not read the book as yet, but just saw the movie over the weekend. Fantastic and highly recommended!*I have since read the book too. Excellent read!

The original book had almost no graphs and table so I assumed the revised book would have many, if not all the graphs and tables used in the movie. It had a few, but only a few. Better than the original book but far short of my expectations. Probably would not buy the Tie-in Edition if I already had the original book but would recommend it over the original book since it does have some tables and graphs. Both editions are good books and worth reading and need to be widely read and discussed.

What sticks with me about Reich's book are the things that are so different from the past compared to today and what was similar. In particular, I was struck by Reich's discussion of Henry Ford who voluntarily paid his workers a better than competitive wage voluntarily. Ford recognized the need, not only for maintaining a loyal work force, for a middle class that if paid well could fuel the economy with buying power. In contrast today, Reich points out what is well known today, the gross differences between the salaries of CEOs today and workers within their own companies. Reich notes the erosion of the middle class buying power since 1970 caused many to play speculator with real estate to generate additional income that crashed when the bubble burst. The second thing from the past of note was the depression era Fed Chairman Marriner Eccles who described the 1920s as a period where people "with great economic power had an undue influence in making the rules of the economic game." This certainly reflects what happened over the past decade with deregulation; the repeal of the Glass Steagall, the cozy relationships with those that govern and those on Wall Street and in contrast to Eccles, a Fed Chairman that believed too strongly in Adam Smith's invisible hand, that derivatives did not need regulation. Reich points out the changes in the economy, more consumption and finance then production and the attempts at coping by all those but the affluent; women in the work force by greater numbers, longer work hours and credit. Reich offers up what may end up as political clashes in the future and he offers up several suggestions to re-balance the gross disparity of wealth. He suggests a re-emplyment program that subsidizes entry into new jobs and skills, subsiding low income wages, school vouchers to give everyone the same opportunity as the upper income to have an excellent education, low interest college loans for future teachers and other necessary public workers among other programs. I would have preferred more detail on these ideas, although Reich provides financial details, to see how they could actually be executed. But as I finished Reich's book, I think mostly of men like Ford and Eccles who had a moral compass as leaders in contrast to politicians, cabinet heads and Wall Street CEOs who blindly sought great personal wealth without seeing the risks and ironically were saved by the bailouts funded by the average Americans.

Political Economy series)