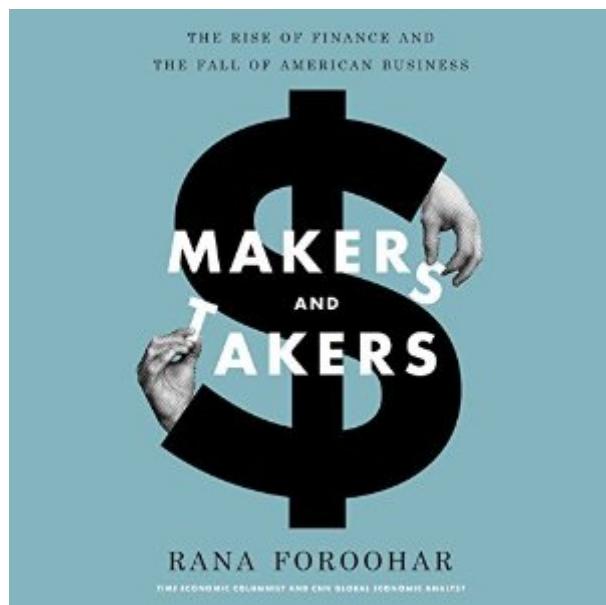


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# Makers And Takers: The Rise Of Finance And The Fall Of American Business



## Synopsis

Eight years on from the biggest market meltdown since the Great Depression, the key lessons of the crisis of 2008 still remain unlearned - and our financial system is just as vulnerable as ever. Many of us know that our government failed to fix the banking system after the subprime mortgage crisis. But what few of us realize is how the misguided financial practices and philosophies that nearly toppled the global financial system have come to infiltrate all American businesses, putting us on a collision course with another cataclysmic meltdown. Drawing on in-depth reporting and exclusive interviews at the highest rungs of Wall Street and Washington, Time assistant managing editor and economic columnist Rana Foroohar shows how the "financialization of America" - the trend by which finance and its way of thinking have come to reign supreme - is perpetuating Wall Street's reign over Main Street, widening the gap between rich and poor, and threatening the future of the American dream. Policy makers get caught up in the details of regulating "too big to fail" banks, but the problems in our market system go much broader and deeper than that. Consider that: Thanks to 40 years of policy changes and bad decisions, only about 15 percent of all the money in our market system actually ends up in the real economy - the rest stays within the closed loop of finance itself. The financial sector takes a quarter of all corporate profits in this country while creating only 4 percent of American jobs. The tax code continues to favor debt over equity, making it easier for companies to hoard cash overseas rather than reinvest it on our shores. Our biggest and most profitable corporations are investing more money in stock buybacks than in research and innovation. And still the majority of the financial regulations promised after the 2008 meltdown have yet come to pass thanks to cozy relationships between our lawmakers and the country's wealthiest financiers. Exploring these forces that have led American businesses to favor balancing-sheet engineering over the actual kind and the pursuit of short-term corporate profits over job creation, Foroohar shows how financialization has so gravely harmed our society and why reversing this trend is of grave importance to us all. Through colorful stories of both "Takers" and "Makers", she'll reveal how we change the system for a better and more sustainable shared economic future.

## Book Information

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## Customer Reviews

This book was hard to read. Not because it was poorly written. Indeed, Rana Foroohar writes well, making complex concepts fairly easy to understand, with quotes and stories that illustrate points without being too contrived. No complicated charts, graphs or equations either. Rather, the book was hard to read because it paints such a bleak picture of our economy and of our future. The American economy is sick, and the name Rana Foroohar gives the illness is "financialization", an apt but wonky name for the rise of "takers" and the fall of "makers". Who are makers and takers? Makers create real economic growth. Takers enrich themselves rather than society at large. The problem is not just good versus evil. Our economy needs finance to grow. But when there are too many takers and not enough makers, the fertilization finance gives the economy turns into more of a blight. The harvest is less bountiful, made worse by the takers taking an ever larger share from the shrinking whole. The numbers defining this illness are staggering, and Rana Foroohar gives plenty of those. For example, only about 15% of financial flows now go into projects in the "cereal" economy that result in growth. The rest goes into trades between financial institutions that are bets, not investments. As Warren Buffett told her: "You've now got a body of people who've decided they'd rather go to the casino than the restaurant [of capitalism]. Though the presentation of them is fresh, the ideas in the book are not new.

It is great to see an effort to put the term "financialization" into the mainstream, and to have an exploration of its link to economic stagnation and wealth inequality, but ultimately this exploration falls short in connecting the dots. The author, a journalist, has "buried the lead" in my estimation. The rise of the runaway train of our modern financial/banking sector is presented here as a root cause of many problems, and as now being in control of the productive side of the corporate world as opposed to merely serving it (as it originally did). But it could be argued that the financialization of the economy is itself just another symptom of a deeper and more insidious

problem: a debt-based global monetary system that's fatal flaw is perpetuated by delusional central bankers. Like addicts, they want to cure too much debt with more debt. The author presents several faces of financialization, of how the financial sector has run amok in recent decades and how it now pervasively (and adversely) effects the lives of average citizens while further enriching the very wealthy. She writes well and in engaging detail about corporate activism, stock buybacks, derivatives, hedging, deregulation, private equity, retirement plans, regulatory capture, etc. In short, by periodically focusing on the details and stories of specific incidents, companies and personalities, she covers virtually all the bases in a way that doesn't bog down the reader. But the book is much more a description and survey of the "what" than a probing analysis into the "why".

Finance represents about 7% of our economy and takes about 25% of all corporate profits, while creating only 4% of all jobs. Policy decisions taken by the administration post-2008 resulted in large gains for the industry, but losses for homeowners, small businesses, workers, and consumers. Academic research found that 93% of the public consultation taken on the Volcker Rule, one of the most contentious parts of Dodd-Frank regulation, had been taken with the financial industry - so don't look for their power to diminish in the near future. Author Foroohar contends that finance has now become an impediment to economic growth - therefore her motivation to write this book and explain why. 'The main function of the financial system vs. corporate America for several decades has not been raising funds for investment, but compelling corporations to disgorge their cash to shareholders.' (J. W. Jason) Between 2000 and 2010, capital investment in R&D, equipment, new factories in manufacturing businesses has dropped 21% - 40% in the auto industry. Pharmaceutical firms cut nearly 150,000 jobs between 2008 - 13, outsourcing some and using other dollars for dividends, acquisitions. S&P 500 companies overall have spent more than \$6 trillion on stock buybacks and dividend payments between 2005 and 2014 - bolstering share prices and markets even while cutting jobs and investments. Apple, for example, has \$145 billion in the bank and has pledged to spend \$200 billion on such through March 2017, while its R&D as a percentage of sales, falling since 2001, continues downwards. Wage growth is flat, workforce participation is as low as it's been since the late 1970s, and six of the top ten fastest-growing job categories pay \$15/hour.

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