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George R. Tyler

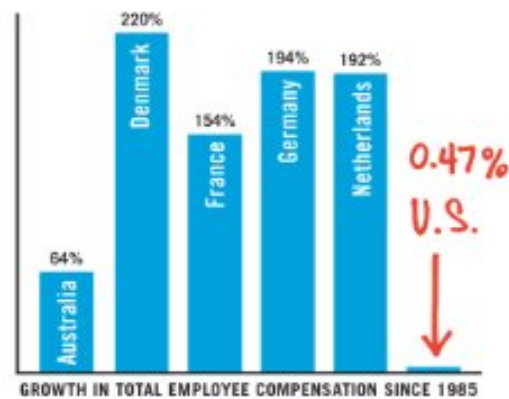
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## What Went Wrong

THE BIG PICTURE

HOW THE 1% HIJACKED THE AMERICAN MIDDLE CLASS

... AND WHAT OTHER COUNTRIES GOT RIGHT



GEORGE R. TYLER

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1 of 1 people found the following review helpful. An important book - read it for your own goodBy Michael

McFarlane This is an important book, especially for US citizens. Tyler is obviously a very knowledgeable economist. He clearly explains how the US was once the envy of the world with the highest living standard and a fair deal for all its citizens. That fair deal died in 1980 with the introduction of Reaganomics, which has lived on through the Bush I and II, Clinton, and Obama administrations. By reducing/eliminating the controls on corporations and the financial sector, Reaganomics has wiped out the middle class and increased the wealth of the rich. In contrast, the Northern European and Australian economies have practiced "family capitalism," which ensures that corporations and government act in a manner that is best for the family, rather than the rich and powerful. CEOs do not make obscene profits, wealth is more evenly distributed, and these countries are still able to compete in a global economy. This approach may sound like socialism, and perhaps there are elements of socialism in that, but it ensures the prosperity of the nation as a whole and creates a fair and just society. The US is sinking quickly and US voters need to take back their power from the rich, powerful and greedy, including US corporations. By allowing corporations to contribute to election campaigns, corporations can effectively control the government to maximize their goals. In Canada, corporations are unable to contribute to federal elections campaigns and there is limit on campaign spending. A single US congressional campaign typically spends more than an entire federal party in Canada. Even though I loathed economics in university, I found this book easy to understand and the author explains what is happening very clearly. I did find the book to drag a bit in parts where it was repetitive, however. Proofreading and readability is good. As a Canadian resident, I would have liked to see the inclusion of Canadian data. A must read for US voters. 1 of 1 people found the following review helpful. A must read for every citizen. By Customer Like many others, I fell for the conservative propaganda of the day during the seventies and eighties. Trusting in economists and corporate leaders. This book clearly states how that trust was perverted and the cult of greed rose to prominence. We will not free ourselves from this situation until we become informed. This book can be an important contribution to our future, but only if people are encouraged to read it. 4 of 5 people found the following review helpful. Excellent Deal, Excellent Content. By Loyd Eskildson Chapter 1 opens with a quote by Sir James Goldsmith - 'We have forgotten that the economy is a tool to serve the needs of society and not the reverse. The ultimate purpose of the economy is to create prosperity with stability.' A second, by Thomas Schulz - 'While America's super-rich congratulate themselves on donating billions to charity, the rest of the country is worse off than ever . . . Millions of Americans are struggling to survive . . . and the middle class is disappearing.' Those two statements well sum up our situation. America's economy experienced its longest and most robust period of wealth creation from 1946-72. Then, stagflation ended those halcyon days in the mid-1970s - thanks to escalating energy prices and overly loose monetary policy. Carter appointed Volker to lead the Federal Reserve, and he brought inflation back to 3.2% by 1983. Reagan then took us in a new direction ('Reaganomics'), Bush I, Clinton, and Bush II continued along that path, and Obama has done nothing to redirect us away from it (minimum regulation - especially in the financial sector, lower taxes - especially on the wealthiest, rapid growth in government spending - especially on defense, and an indulgent attitude towards business in general. Mysteriously, millions of average Americans believe this has been positive for America - despite income erosion, a fall in REAL productivity growth (from 2.8% during our 'golden age' to 1.9% since 1979). Economists Saez and Piketty have concluded that only 5% of earners enjoyed income gains exceeding inflation during the Reagan era, and most was concentrated in the top 1%, widening income disparities. (A 2013 update by Saez found the 1% received all the gains from growth 2009-11.) The agenda of today's conservatives appears to be directed at returning us to the 1920s with little regulation of business, no social insurance and no legal protections for workers. Meanwhile, labor compensation in other democracies rose (1985-08) rose about 65% in Australia, 220% in Denmark, 155% in France, and 190% in Germany and the Netherlands. Tyler attributes their success to political systems dominated by voters instead of donors. Many blame globalization for U.S. problems. However, Tyler uses Dr. Pepper Snapple Group, a firm that cannot import because of product weight, to illustrate American worker problems are broader-based. In 2010 it demanded \$3,000 wage concessions, froze pensions, and reduced fringe and health benefits at its plant in Williamson, N.Y. - despite earning \$555 million in 2009 on sales of \$5.5 billion. It warned of hiring replacement workers for one-third less. Dr. Pepper Snapple then increased dividends by 67% in May 2010. Other firms routinely misclassify employees as contractors or franchisees to dodge minimum wage, overtime pay, and workers' compensation while shifting equipment purchases, fringe benefits and Social Security fees to employees. Another common ploy - subcontracting out work to lower-paying firms. Some 79% of the six million jobs lost in the 2008-90 recession paid over \$13.84/hour, but only 42% of the four million jobs created in 2010-12 paid as well. Meanwhile, profit margins have risen from 27% in 1980 to 35% in 2009, and corporate profits from 6% in 1982 to 14% of GDP in 2006-07. The real winners have been the 13,400 families in the top 1/100th of 1% - in 2000 they received as much income as the poorest 96 million Americans. Reaganomics not only benefits from the support of CEOs, but many articulate economists (eg. Milton Friedman, George Schultz, Martin Feldstein, Alan Greenspan, Glenn Hubbard, Greg Nankiw, Phil Gramm) and ideological think tanks (eg. Heritage and Cato). Ayn Rand popularized and legitimized the demonization of government, as well as the rejection of altruism and self-sacrifice for the greater good. Lobbying is another important force - Steven Brill calculated that hedge fund and other money managers invested about \$15 million to dilute Dodd-Frank, saving an estimated \$10 billion/year in taxes. Thus, Reaganomics has come to

encompass a culture of selfishness, the belief that government is invariably dangerous, regulatory capture, shareholder-driven capitalism, weak corporate governance, deficits don't matter, illusory prosperity via debt, rising income disparity (one in four children and one in eight adults survive on food stamps), reducing opportunity, and economic myth-making (eg. education and pluck are the answers to wage stagnation, the economies of northern Europe are sclerotic - actually growing one-third faster than America's for three decades).

What Went Wrong: The Big Picture provides an overview of the in-depth analysis of the full book What Went Wrong. Something has gone seriously wrong: The American economy has experienced considerable growth in the last 30 years, but virtually none of this growth has trickled down to the average American. Incomes have been flat since 1985. Inequality has grown, and social mobility has dropped dramatically. Equally troubling, these policies have been devastating to both American productivity and our long-term competitiveness. Many reasons for these failures have been proposed. Globalization. Union greed. Outsourcing. But none of these explanations can address the harsh truth that many countries around the world are dramatically outperforming the U.S. in delivering broad middle-class prosperity. And this is despite the fact that these countries are more exposed than America to outsourcing and globalization and have much higher levels of union membership. In What Went Wrong: The Big Picture, George R. Tyler, a veteran of the World Bank and the Treasury Department, takes the reader through an objective and data-rich examination of the American experience over the last 30 years. He provides a fascinating comparison between the America and the experience of the “family capitalism” countries: Australia, Austria, Belgium, Denmark, France, Germany, the Netherlands, and Sweden. Over the last 30 years, they have outperformed the U.S. economy by the only metric that really matters—delivering better lives for their citizens. The policies adopted by the family capitalist countries aren't socialist or foreign. They are the same policies that made the U.S. economy of the 1950s and 1960s the strongest in the world. What Went Wrong: The Big Picture describes exactly what went wrong with the American economy, how countries around the world have avoided these problems, and what we need to do to get back on the right track.