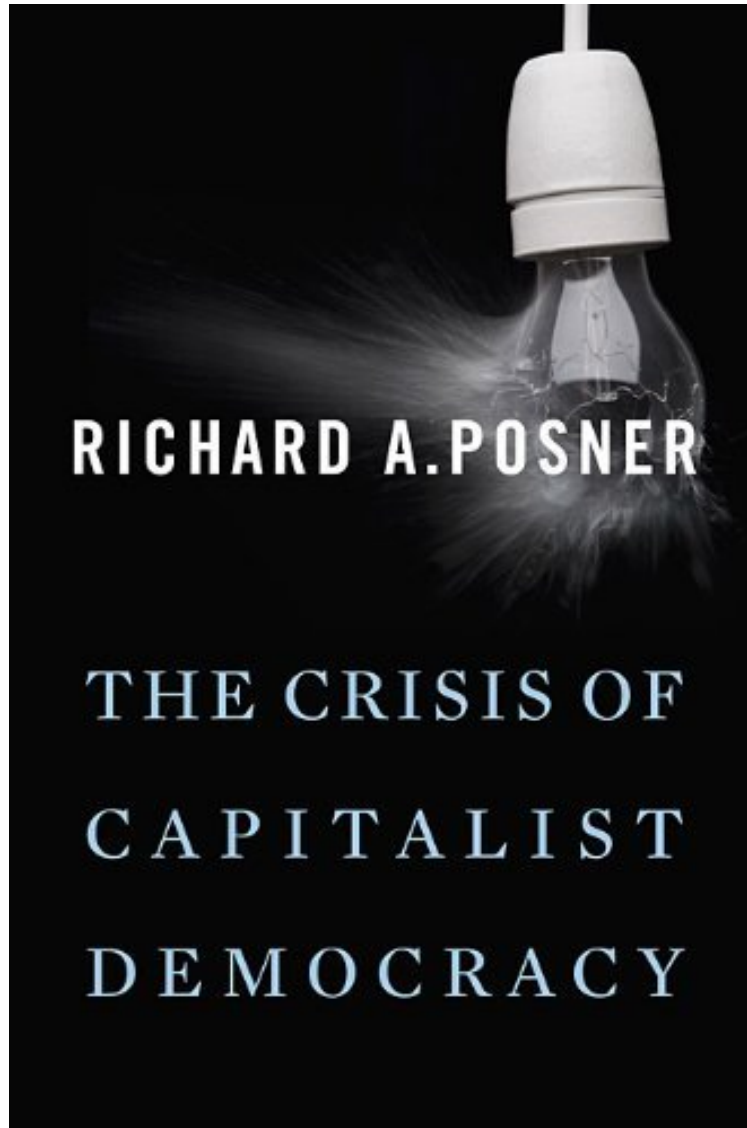


The Crisis of Capitalist Democracy

Richard A. Posner

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Richard A. Posner : The Crisis of Capitalist Democracy before purchasing it in order to gage whether or not it would be worth my time, and all praised The Crisis of Capitalist Democracy:

0 of 0 people found the following review helpful. The World CrisisBy Omer BelskyIn 2009, Richard Posner made something of a splash with his speedy account of the 2008 Financial Crisis, A Failure of Capitalism: The Crisis of '08 and the Descent into Depression. The title, combined with Posner's reputation as a Chicago-influences right winger, led left wingers to accept him as a convert (or deride him as a late comer), and right wingers to disdain him as an apostate. This left Posner where he usually ends up - dead at the center, under attack not so much from extremists-of-

all-sides, than simply from every imaginable angle. Posner's newest book seemed to have slipped by unnoticed, which is a pity, since it's a better book than its predecessor. Unlike the earlier volume, this was written with a sense of perspective, and it allows Posner to cast his net a little wider - the descriptions of the various investment vehicles in the "virtual economy" are illuminating, the reflections on the applicability of John Maynard Keynes's economics to the current crisis astute, the international perspective a little broader (although still lacking), and the meditation on the incapacity of the American body politic to match the challenges of the complicated world economy troubling. Yet in broad strokes, "The Crisis of Capitalist Democracy" covers ground that would be familiar to readers of Posner's earlier book, and of his numerous writings in between: the world crisis (which Posner quixotically continues to call a Depression) is the ill begotten child of twin evils: low interest rate set by the Federal Reserve, and lack of efficient government regulation of excessively risk universe financial institutions. So Bankers took excessive risks, yet government is to blame? Yes, says Posner, once we "recognize that competition will force banks to take risks (in order to increase return) that the economic and regulatory environment permits them to take, provided the risks are legal and profit-maximizing, whatever their consequences for the economy as a whole" (p. 264). The greatest weakness of Posner's thesis is that he offers this assertion about the over-determination of market activity without proof, as if it is self-evident. In my view, it is nothing of sorts. No doubt market competition constricts the freedom of action of market players; But I don't think that it deprives them completely of free will; Posner treats the market as if it is a force of nature, beyond any control. But the market is an aggregation of human beings, who are not necessarily any more constrained than the government officials Posner continually targets. Posner's otherwise detailed book is almost completely free of any attempt to actually prove this point by any study of non-government market players. Posner also continues his bizarre crusade against Academic economists. He is of course correct that the current crisis has revealed for all the primitive state of the dismal science. But calling Academic economists (along with government officials) "the major culprits in our present economic distress" is surely a gross exaggeration. Having by now read several books directly or indirectly about the crisis (Posner's previous piece, Robert Shiller's *The Subprime Solution: How Today's Global Financial Crisis Happened, and What to Do about It*, Martin Wolf's *Fixing Global Finance* (Forum on Constructive Capitalism), DeLong and Cohen's *The End of Influence: What Happens When Other Countries Have the Money*), as well as countless articles and Blog posts, I doubt any single book, or indeed, any single individual, can fully explain what is coming to be known as "the Great Recession". Posner's book is, as usual, wide ranging, penetrating and insightful, not to mention well written. After narrating the crisis and delineating what he considers its causes, Posner ventures to offer reforms. But he offers them with a great deal of uncertainty - the main argument of the book, one with which I concur, is that we need to understand the crisis better before trying to "reform" it. For this purpose, "The Crisis of Capitalist Democracy" is highly valuable. 0 of 0 people found the following review helpful. Excellent exposition of the 2008-09 recession and its political consequences By Nick My fear going into this book was that it would be a partisan attack against the President but was surprised and delighted to find it was much more thoughtful and erudite than I expected. This was the first book I read by Posner and was impressed by his ability to bring the reader through complex economic theory and financial/business practices without being disorienting. For someone who is a layperson, I appreciated Posner's explanations and clarifications of unfamiliar concepts or jargon. He lays out his book in two parts, the first being a chronological explanation of the recession. In this explanation he slowly begins to unfold the economic reasons behind the recession and by part II brings it all together by introducing Keynesian economics and outlining his objections to the Bush and Obama Administrations approach to managing the recession. He also offers a set of recommendations for how the effects of the recession could be mitigated and how future recessions could be more properly managed. Posner's conclusions are convincing and he supports them with a impressive documentation and economic reasoning. Not surprisingly this book wraps up rather abruptly. I don't blame the author overmuch for this because he is tackling an enormous subject. However, I do think that Posner's audacious title "The Crisis of Capitalist Democracy" demands more content than just an overview of the 2008-09 recession and its aftermath. He does portend some troubling consequences but I do not think he included the many different factors stressing the capacity of America's capitalist democracy. His emphasis on economic issues and a selection of public concerns (like public debt, lax government regulation, health financial reform, auto manufacturer bailouts) are important but they do not tell the whole story. If your looking for a good description and explanation of the events and factors that caused the recession then look no further. This is as a good a place to start as any, but it does not explore all the depths and contours of a democracy in crisis or even really attempt to go much further than its immediate subject. 0 of 0 people found the following review helpful. Five Stars By chung hsiehexcellent!

Judge Posner continues to react to the current economic crisis and reflect upon the impact on our views and reliance on capitalism. Posner helps non-technical readers understand business-cycle and financial economics, and financial and governmental institutions, practices, and transactions, while maintaining a neutrality impossible for persons

professionally committed to one theory or another.