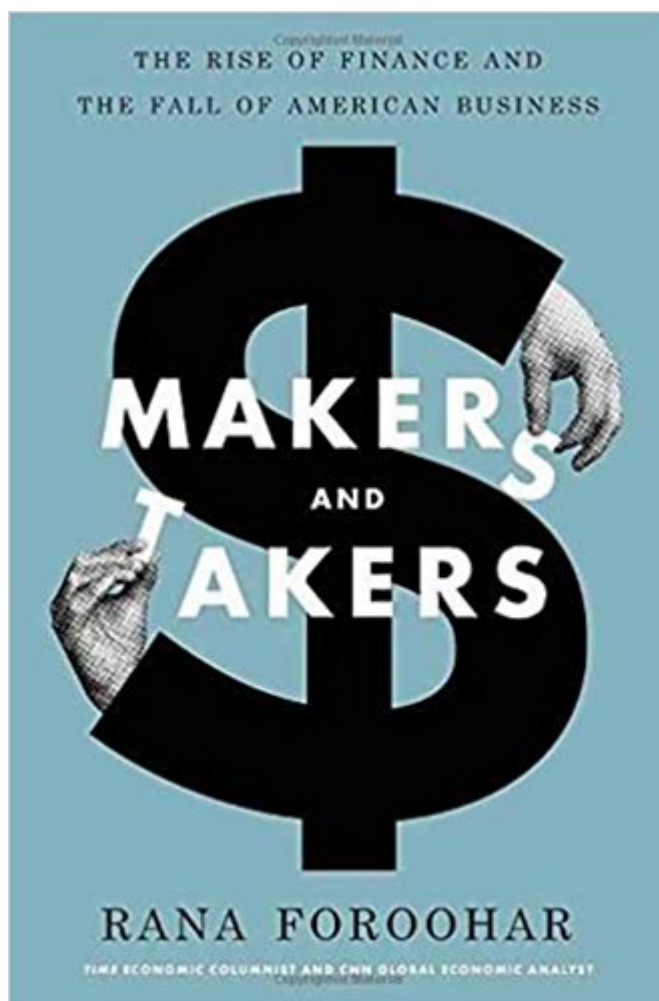


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# Makers And Takers: The Rise Of Finance And The Fall Of American Business



## Synopsis

Is Wall Street bad for Main Street America? In looking at the forces that brought our current administration to power one thing is clear: much of the population believes that our economic system is rigged to enrich the privileged elites at the expense of hard-working Americans. This is a belief held equally on both sides of political spectrum, and it seems only to be gaining momentum. A key reason, says Financial Times columnist Rana Foroohar, is the fact that Wall Street is no longer supporting Main Street businesses that create the jobs for the middle and working class. She draws on in-depth reporting and interviews at the highest rungs of business and government to show how the "financialization of America" "the phenomenon by which finance and its way of thinking have come to dominate every corner of business" is threatening the American Dream. Now updated with new material explaining how our corrupted financial system propelled Donald Trump to power, *Makers and Takers* explores the confluence of forces that has led American businesses to favor balance-sheet engineering over the actual kind, greed over growth, and short-term profits over putting people to work. From the cozy relationship between Wall Street and Washington, to a tax code designed to benefit wealthy individuals and corporations, to forty years of bad policy decisions, she shows why so many Americans have lost trust in the system, and why it matters urgently to us all. Through colorful stories of both "Takers," those stifling job creation while lining their own pockets, and "Makers," businesses serving the real economy, Foroohar shows how we can reverse these trends for a better path forward.

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## Customer Reviews

Voted one of the Best Books of 2016 by the Financial Times and one of the best books of the year by Bloomberg BusinessWeek. "A well-told exploration of why our current economy is leaving too many behind." - The New York Times "A masterly account of the disproportionate power that the financial sector exercises in the economy and the disastrous consequences this has for society as a whole." - Forbes.com "A credible explanation for the rise of economic populism in the 2016 U.S. presidential race." Anyone seeking to truly understand the resonance of the anti-Wall Street vitriol of Bernie Sanders and Donald Trump could do worse than to start here." -

Fortune.com "Foroohar demystifies the decline in America's economic prominence, showing that the competitive threats came not from the outside migration or China but from within our borders. She explains how finance has permeated every aspect of our economic and political life, and how those who caused the financial crisis wound up benefiting from it." - Joseph E. Stiglitz, Nobel laureate in economics and former head of the Council of Economic Advisors "A fast-paced, exciting, and well-researched tale that brings alive the shady dealings that have been part of the recent rise of finance (the takers). Wall Street has prospered beyond measure by consuming far too much of the value created by the real economy (the makers). Readers will be shocked by the shenanigans that are revealed, and then eager to help fix what has been so badly broken. It's up to us all of us." - John C. Bogle, founder and former CEO, Vanguard "In this well-written, refreshing, and provocative book, Rana Foroohar analyzes how Wall Street went from an enabler of prosperity to a headwind to growth and a contributor to inequality. This engaging analysis identifies five key policy areas that will rightly be the subject of debate and, hopefully, some political action. This is a must-read for those looking to better understand how, why, and when financial engineering went too far, and what to do about it." - Mohamed A. El-Erian, chief economic adviser, Allianz; former CEO, PIMCO "From the leading edge of business journalism, Rana Foroohar has produced a powerful book about how financial manipulation has spread beyond the financial sector itself to colonize the American economy, to the enormous detriment of real, productive activities. By mapping the rise of financialization and its effects, Foroohar sheds light on almost everything we now see, from the inequality debate to presidential politics to America's global competitiveness. A phenomenal achievement." - Charles Ferguson, producer, Inside Job "As the next US election looms, one of the most important questions that voters will need to ask is what is wrong with the American economy and what can be done to fix it. Foroohar's book is required reading for this. With deft storytelling and clear analysis, she explains how America's economy has become stealthily financialized and

why this process has been so debilitating for American growth, not to mention the lives of ordinary people. The 2008 financial crisis was one sign of this; however, the issues have not ended there. Foroohar not only argues that it is crucial that America tackle these woes but offers commonsense solutions for doing so. Politiciansâ and votersâ should take note.â • -Â Gillian Tett, US managing editor, Financial Times, author of *The Silo Effect* Â â œThere is no bigger question in public policy than whether the emergence of an ever-larger financial sector has made for a smaller and less equal society. *Makers and Takers* provides an intellectually compelling, and beautifully written, answer to that question, one which policy makers cannot and should not duck.â • -Â Andy Haldane, chief economist and executive director of monetary analysis and statistics at the Bank of England Â Â â œRana Foroohar offers a sometimes maddening, thoroughly fascinating look at the financial sectorâ™s outsized role in the US economy and what it means for Americaâ™s future. This is a critical story that speaks directly to the ways in which banks are stripping businesses of their potentialâ and to the income inequality that increasingly defines our times.â •Â - Ian Bremmer, Founder and Head of the Eurasia Group Â â œForoohar is one of the rare journalists with the insider knowledge and contacts, as well as the deft writing touch, to criticize the â œfinancializationâ • of the US economy in a way that will sound credible to Wall Street, and readable on Main Street. In this fast-paced book she makes a compelling case for how businesses have come to focus more on engineering their finances than engineering good products, and the negative effect this has on US growth and productivity.â •Â - Ruchir Sharma, Chief Macroeconomist and Head of Emerging Markets, Morgan Stanley Investment Management

Rana Foroohar was recently named global business columnist and Associate Editor for the Financial Times. She is also CNNâ™s global economic analyst.Â Prior to joining the FT and CNN, Foroohar was for six years the assistant managing editor in charge of business and economics at TIME, as well as the magazineâ™s economic columnist. She also spent 13 years at Newsweek, as an economic and foreign affairs editor and a foreign correspondent covering Europe and the Middle East. During that time, she was awarded the German Marshall Fundâ™s Peter Weitz Prize for transatlantic reporting. She has also received awards and fellowships from institutions such as the Johns Hopkins School of International Affairs and the East West Center. Â She is a life member of the Council on Foreign Relations. Â Foroohar graduated in 1992 from Barnard College, Columbia University. Â She lives in Brooklyn with her husband, the writer John Sedgwick, and her two children, Darya and Alex.

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 *real* 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. Other authors have diagnosed the same illness of financialization in both the United States and the United Kingdom (over there it's *financialisation*), including: *Other People's Money: Masters of the Universe or Servants of the People?*, by John Kay (The title comes from a 1914 book by Louis Brandeis before he joined the Supreme Court. This is the British subtitle. In the United States, the subtitle is "The Real Business of Finance". Not nearly as pithy.) *The Great Deformation: The Corruption of Capitalism in America*, by David Stockman *Between Debt and the Devil: Money, Credit, and Fixing Global Finance*, by Adair Turner Once the diagnosis is made, the problem becomes the familiar one from the fable of belling the cat. If financialization is the illness, what is the cure? And how can we make the patient drink it down? There opinion differs, often greatly. One can observe the symptoms of the illness, and the effects are there for all to see. Much harder to come up with is a convincing cure. Effects often have elusive causes, particularly in a complex adaptive system like the American economy. When it comes to cure, I'm not sure Rana Foroohar has a good answer. She writes well, and has done her research. But though she has 23 years of experience as a journalist, she is just a journalist. And mostly a columnist and commentator who appears a lot on television and radio "this is her first book. Unlike the writers cited above, Rana Foroohar has no experience as an academic or a practicing politician. Her name

is Iranian, but she grew up in the United States. Her academic degree is a B.A. in English literature, and she is not an expert on the economy and finance. Not that that's necessarily a bad thing. Her reporting for this book is in depth over decades, she understands economics (though her view is high level and a little unconventional), and she has read a lot and interviewed a lot of people. But reporting tends to be superficial, to grab attention and then leave the hard work to others. It tends more toward the polemic than the expository. It is better for diagnosis than for cure. Rana Foroohar wrote a cover article for TIME magazine (where she works) that summarizes this book, calling the article "Saving Capitalism". (Reading that article may give you a good idea of whether you want to read this lengthy book. The best quotes and concepts from the book are in that article.) And saving capitalism is exactly what Rana Foroohar proposes to do. In this book, she maps out five key policy areas where we can put finance back in service to business and society, turning the masters of the universe back into servants of the people. But her prescriptions for a cure seem untested and untestable. The flipping of our economy from makers to takers is a serious, complicated problem, with no easy answers. Pundits and politicians push policy prescriptions on us as though they are simple and proven, but none are. So I do not blame Rana Foroohar for not having a certain cure to offer for the financialization illness. But that lack of a cure, unfortunately, is the weakness of her work. Even so, *Makers and Takers* is a book worth reading. The more discussion of these issues, the better. Many seem not even to recognize our economy is sick, let alone seek a cure. Even with the supposed cures following the 2008 crash, the patient seems just as sick. Perhaps readable books like this read more widely will start to remedy that. Though not as dramatic, *Makers and Takers* unsettled me, and made me think, just as much as the movie *The Big Short*. There seems more gloom than hope in books like this. More dirge than anthem. A touch of the jeremiad and not a whiff of the Panglossian. Still, I hope that dark view motivates us to find a cure. I hope our economic future will be brighter than the past. For our children's sake.

Although not finished, this book if all true explains why our economy is sluggish, as people suggest. It would appear that the caper of the 1% will continue to exacerbate the problems almost behind-the-scenes. (well it would be without books like this) It would seem that laws are tweaked to continue to fill the coffers of the 1%(ers). Someone recently in the political campaigns were explaining that illegals send as much of their gains here in this country home. Thereby depriving the economic system to be fueled by natural turn over of those wages. Someone spoke of every dollar earned got turned over 7 times. I will assume that is correct, but at least the illegals in an unselfish way sent that money out of the country in order to feed their families back home. This book makes

the claim, essentially in my mind at least that the 1%(ers) do exactly the same thing, they don't spend any more, they don't invest, they simply add to the pile of money they already have, for the only reason I can conceive is to point to it in the locker room at the golf course or some other exclusive habitat of the rich and say "mine's bigger". The other poignant revelation in the book was that wall street is essentially the tail wagging the dog, its establishment was to raise capital for investment of main street. The concept of financialization no longer performs that function. So it seems, and I wish the authors like this one, would actually not assume we that reader understand the basics which they just shortcut, (specifically for example, stock buyback, terms seems straight forward, I would be thrilled to see a balance sheet example to know exactly what it means and how its done and the impacts, but that aside, the current state of business as usual is that companies are at the same time are making profits not on product sales but on stock manipulations which a short time was illegal but also short changing R&D so innovation is being stymied at the same time. So it would seem we are in a race to the bottom. Oops forgot my purpose, I am compelled to continue reading this book, I would recommend you do the same. Bill - Kansas City, Missouri of course. --- bshawwdc@gmail.com if anyone cares to agree, dispute or answer any questions raised.

This is one of the better books available on what's wrong with our economy and the causes of the slow recovery. The author spends a lot of time writing about Wall Street and "financialization" of businesses. Robert McNamara and the "Whiz Kids" changed the auto industry and not in a good way. That was only one of many examples of what I would call accounting and numbers becoming a focus over engineering and quality. Carly Fiorina is another. She does an excellent job of following history and how along with financial deregulation, there has been a shift in priorities taught in business schools. Greed is good, tax inversions are ok, and the concept of "financial engineering." Corporate buybacks and short term profit over long term stability. On the financialization of business she covers Jack Welch (a pioneer in outsourcing American jobs) and GE's crossing over into financial services. Another very important subject is the slow recovery from the Great Recession. A lot of wealth is being kept in a "closed feedback loop" at the top. I wasn't aware of how much big banks were buying up distressed housing. That highlights the emphasis on the housing recovery in general - cover the banks that gambled rather than the homeowners. There are plenty of rogues in the gallery- Goldman Sachs and their aluminum hoarding scandal. Pfizer and their quest to dodge corporate taxes in the US. Amid all the gloom the author does offer some more than reasonable solutions to the many problems. This is a 5 star book and then some!

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