

# **Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity**

*Joseph E. Stiglitz*

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It's time to rewrite the rules—to curb the runaway flow of wealth to the top one percent, to restore security and opportunity for the middle class, and to foster stronger growth rooted in broadly shared prosperity.

Inequality is a choice.

The United States bills itself as the land of opportunity, a place where anyone can achieve success and a better life through hard work and determination. But the facts tell a different story—the U.S. today lags behind most other developed nations in measures of inequality and economic mobility. For decades, wages have stagnated for the majority of workers while economic gains have disproportionately gone to the top one percent. Education, housing, and health care—essential ingredients for individual success—are growing ever more expensive. Deeply rooted structural discrimination continues to hold down women and people of color, and more than one-fifth of all American children now live in poverty. These trends are on track to become even worse in the future.

Some economists claim that today's bleak conditions are inevitable consequences of market outcomes, globalization, and technological progress. If we want greater equality, they argue, we have to sacrifice growth. This is simply not true. American inequality is the result of misguided structural rules that actually constrict economic growth. We have stripped away worker protections and family support systems, created a tax system that rewards short-term gains over long-term investment, offered a de facto public safety net to too-big-to-fail financial institutions, and chosen monetary and fiscal policies that promote wealth over full employment.

## **Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity Details**

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# **From Reader Review Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity for online ebook**

## **Kate says**

I really enjoyed this book as a brief and yet deep perspective on how the American economy has been structured to enable inequality. Stiglitz presents both the historical relevant policy modes and associated actions by corporations, governments, and citizens. He balances this with recommendations on how we can move forward to overhaul our economic structure and financial structure towards something that will promote greater equality and inclusion.

This book left me wanting to revisit all of my economics courses.

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## **Paul Marshall says**

### **Economic and social change with a heart and a brain**

Here is the plan I've been looking for. Real ideas not just platitudes. Deep research and targeted plans for a future I can live with.

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## **Morgan says**

This was a thorough and important report on the economic structures that created and continually reinforce inequality, short-termism, and slowed economic growth; and how we can reshape regulations and policies to mitigate these factors. Learned a lot from this book, and highly recommend it.

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## **Mayor says**

If only ... well written and thought thru

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## **David02139 says**

Good description on what has been done to increase the gap in wealth and what can be done about it. Short read on suggestions and why what has been done in the past has not worked.

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## Hannah says

**4 Stars** - Incredible book.

Joseph E. Stiglitz is a well-known American economist and academic. In one of his most recent pieces he discusses his thesis: *inequality is a choice* - economic inequality that is. He does not argue, for example, that I as a woman choose to be paid less than a man. No, that would be a ridiculous argument and I would have tossed the book out the window if he had ever even hinted at that idea (or that African Americans choose to be paid less/have less economic advantage than white people). He argues and explains how the rules of the economy have created this inequality.

The book is essentially divided into two sections: *The Current Rules* and *Rewriting the Rules*. The section titles are quite straightforward. What drives the current economy and how can we adjust regulations and practices to better suit more people. Quickly I'll mention that I appreciate that Stiglitz acknowledged that not all inequalities are equal. Some people face more economic inequalities than others, mainly: African Americans, people of color, and women.

Economic writing can be very dry but this short book is anything but that. Stiglitz draws the reader in and writes well. He kept my attention through all 200 pages. Of course I've read articles by the author as a student but this was my first book by him. I would absolutely recommend this book to a variety of people: if you have interest in economics, if you're not sure because of how dry/confusing a book on the subject would be, to get a picture of problem with the U.S. economy. This is a nice introduction to those topics.

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## kapil says

While the author makes good arguments to prove that inequality is a choice (reduction of corporate taxes, less unions), throughout the book he has cherry picked the data.

And at other places I don't agree with him ideologically - when he argues that giving citizenship to undocumented labor will increase their bargaining power but I don't consider giving citizenship to illegal immigrants ethically sound at first place. Also when he mixes race and class - blacks have higher poverty level but he should have focused only on racial discrimination.

But overall the book is concise about the topics discussed and justifies the title to the fullest.

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## Sandy says

This was published in 2016 and I'm assuming Stiglitz and his team of researchers presumed they'd be addressing these very sensible policy changes to a Democratic administration. Of course, that's not how things worked out, so while I find these recommendations to be very smart and probably quite workable in some alternate universe--where Trump is not president and where our legislators are not a clown-car full of Ayn Randian government-hating zealots and dopey theocrats--to read it now is sort of like reading a book called THE CARE AND FEEDING OF EXTINCT ANIMALS. Depressing in its delusional hopefulness.

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## Andrew says

Rent-seeking is a real bummer! Read this for free online and find out what to do about it.

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## Stan Murai says

Joseph Stiglitz, a Nobel laureate, with his colleagues Nell Abernathy, Adam Hersh, Susan Holmberg and Mike Konczal, have written a book to explain what is wrong with the American economy with an agenda to change it. The message is simple and clear: Inequality is choice. The runaway flow of wealth to the top one percent is governed by rules which need to be rewritten to restore security and opportunity for the middle class and to ensure strong growth and shared prosperity for all.

The United States has long regarded itself as the land of opportunity, where anyone can achieve success through hard work and determination. But the fact is the U.S. today lags behind most other developed industrial nations in measures of inequality and economic mobility. It has already been decades since wages have stagnated for the most workers while economic gains have disproportionately gone to the top one percent. The basic needs of individuals for life: education, housing, and health care are growing ever more expensive and unaffordable. Deeply rooted institutional discrimination continues to keep women and members of minority groups from achieving security and success. More than one-fifth of all American children now live in poverty. These are trends which are now only expected to become worse in the future.

The claim that present-day economic conditions are the inevitable consequences of market outcomes, globalization, and technological progress is simply not true. Greater equality does not need to be sacrificed for growth. American inequality is the result of misguided rules that actually constrict economic growth. This 'supply-side' view of economics has taken away worker protection and family support, created a tax system that rewards short-term gains over long-term investment, put in place a *de facto* public safety net for too-big-to-fail financial institutions, and implemented monetary and fiscal policies that promote wealth over full employment.

The principal changes proposed here are twofold: restore full employment and curtail rent-seeking activities. Many proposals are eloquently listed: government contracts going only to living wage employers; raising the minimum wage; overtime pay; the introduction of sick pay and family leave; and the elimination of racist and sexist legislation. The suggestion is made that if the one per cent saw their marginal taxes raised by just 5 per cent, then all US public college education could be made available for free, along with preschool childcare.

Raising taxes curtails rent-seeking. Laws have been introduced during the past four decades that encourage the richest Americans to exploit their fellow citizens, and these need to be repealed or rewritten. They affect intellectual property rights and international trade agreements that favor only a few elite Americans. But much more is required, including the ability to declare yourself bankrupt and thus unable to repay student and home loans; a surcharge on banking; the regulation of shadow banks; and reductions in credit card fees. As Stiglitz says, “The easiest way to begin addressing executive pay is to adjust the tax code, which privileges compensation of executives.” In other words, the trickle-down theory of economic development has never worked.

Since 1960, high marginal taxes have been reduced further in the US than in any other affluent nation, hence not simply reducing the overall tax rate from those less off who become worse paid (as the rich gain more), but also creating “a new incentive to rent-seek that is a more worrying effect of the changing tax rules”. Compared with the average citizen, the wealthiest 0.003 per cent of Americans have each benefited 4,000 times more from changes to capital tax rates. Even more astonishing, the richest Americans plan to avoid paying any taxes by passing on their wealth by \$644 billion during the next 20 years, circumventing estate and other taxes.

This is a beautifully written book, short and to the point, clear, concise and up-to-date (2016). *Rewriting the Rules of the American Economy* ends by stating that what is most needed is a reform of the political system that has been hijacked by those in America with the most wealth. Some changes to the electoral system are suggested to make the US a democracy again.

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## **Vlad says**

Excellent analysis. It spells out in great detail why the poverty and inequality has risen in America. Bottom-line: it's greed, it's the failures capitalism, it's exploitation. Solution: rewriting the rules, including a full-on "attack" on the 1%.

However, one disappointment I have with the solutions proposed is that they do not mention at all an UNIVERSAL BASIC INCOME proposal and a cap to maximum personal income.

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## **Colin Lippy says**

Excellent explanation of our current situation, how we got here, and what we have to do to fix it.

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## **Kyle Minton says**

ReWriting the Rules of the American Economy by Joseph Stiglitz

When the 2008 financial crisis struck, Noam Chomsky, influential leftist intellectual extraordinaire (and arguably a dying breed), recommend the United States government enlist Joseph Stiglitz to help drive the recovery as, at the very least, an ideological consultant. Even though the government uncharacteristically ignored the recommendation, the American public should most certainly not. Especially the American left. We should be paying very close attention to what Stiglitz is saying, what he's doing, and probably what he'll eventually be screaming.

ReWriting the Rules of the American Economy is by no means the best thing I've read by Stiglitz. It lacks the depth found in *The Price of Inequality* and doesn't have the bite of any of his Great Divide essays, but it does something far more important than deep exploration or evisceration, something crucial; it better frames the debate.

Essentially, *ReWriting the Rules* could be seen as a smarter, more concise, but less accessible version of Robert Reich's *Saving Capitalism*. Like Reich, it is easy to picture Stiglitz getting exhausted in the endless debate over the free market vs the size of government and, also like Reich, thinking it doesn't matter. The idea is we need to rewrite the rules so the government works for all Americans, not just some. Once you see the debate this way it is difficult to see it any other way.

Which is good! Stiglitz offers up some great ideas here and it is particularly important for the left now because he's puts to rest some debates you can currently see raging between the left and the far left, mostly in the wake of Sanders V Clinton. Trade deals for instance; Stiglitz doesn't like the TPP because it undercuts labor and the idea of transparency in trade. At the same time, he wants America to engage in trade because you can't have the sort of wealth distribution policies he wants if America's wealth accumulation is stymied by aggressive protectionism. His compromise? Get a regulatory body (the FTC?), or make one, to regulate business participation in trade deals; making sure they are following a series of rules on the environment, human rights, and labor rights - both at home and abroad - in order to take advantage of free and protected capital flow between nations. Who on the left would not agree with this? Exactly.



The only very real and very frustrating part of this book is the layout. Broken into two parts (three if you count the introduction) titled “The Current Rules” and “ReWriting the Rules”, Stiglitz fractures his problems and proposed solutions in a such a way that makes ReWriting the Rules a less coherent and engaging read.

Nevertheless, there is a lot of potential in ReWriting the Rules of the American Economy to be an ideological unifier of the left, as though Stiglitz is offering his consultancy and all we need to do is pick up his book and start taking his advice.

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## **Ryan says**

Just read this. The man has a Nobel Prize for a reason.

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## **Jim says**

I read this book because I think there are problems with the US economy which need to be addressed. Specifically, I think the divide between middle class and CEO pay, the ratio of which has expanded exponentially over the years. I feel that the work of middle class needs to be valued and their pay needs to be raised, though as shown throughout history, taxation of the rich does not make the poor more wealthy. I read this book with the hopes on some fresh ideas on how to rebalance the earnings of all Americans. ??This however was not the case.

My enthusiasm for the book started declining early with some of the authors claims. Specifically, he made the comparison that the switching costs for the digital economy and the manufacturing sector were similar. Having marketed and sold products to industrial customers for over a decade, I found this assertion ludicrous. There was a reference to this claim; however, it was from a paper titled “Information Rules” written in 1999, about the same time Myspace was dominating the social platforms.

This cased me to question the sincerity and accuracy of the book, and to examine more of the authors claims and (even the ones with which I agreed) more closely.

What I found was the book would identify legitimate problems, but the solutions were either incomplete, inaccurate or incomprehensible. I was disappointed, too, as there were several problems he identified in which I completely agree (such as corporate short term thinking and problems with the US tax code).

Overall I found the book disappointing at best.

### **Incomplete claims:**

The book begins with a lot of claims, many of which will cause anger and indignation. I felt that way, too, when I read passages; however, I noticed the indignation would cause me not too look critically at the text, or the substance behind these claims at first. But on further examination, there were mistakes. Some examples I noted are below.

He sites several examples to highlight the struggles of the working class. On page 37, he notes that globalization has caused a “tilt [in] the balance against workers.” The author has looked at this problem totally in terms of top line wages. Missing from this analysis is the reduced costs of goods and increases to disposable income. This may, or may not offset the lack of wage growth, but it is certainly a benefit to be considered which is ignored throughout the book.

I agreed with his assessment of Intellectual Property rules: they do not work or serve their purposes as well as it should. Some of his claims, however, make me not want to agree with his overall assessment. On page 104 he writes: “Rather, the real intent of these provisions [Intellectual Property] is to impede health, environmental, consumer safety and even financial regulations meant to protect the public interest...”. No footnote is given nor are there any cases provided to support such a claim. To make such a damning statement with no evidence to support it makes me question its validity and his intentions.

#### Inaccurate solutions:

The author writes about the importance of growth, but his only answers are to unionize workers and increase taxes.

His section on Capital Gains taxes I found interesting and illuminating, but at the end of the day, his only rule was to increase them. Taxes do not produce growth. This would be his pat answer to every problem. This and unionization.

He bemoans the lack of unionized employees, and he waxes nostalgically over the glory days in the 1950s and 60s. Only mentioned once, in passing, is the racist and sexist history of these organizations during the same time frame, as they reserved jobs for only white men. Despite their history of discrimination, he believes they will be the cure to all our ills (though no evidence is provided they will). Ironically, he notes the unprecedented growth in US productivity between 1990-2011 (page 91), a period that corresponds to the rapid decline of union membership (page 71). The positive impacts of the decline of unions is ignored through the book. One particularly poignant example was with the teachers union in New Orleans, which were all fired post Katrina. The results and improvements since then have been impressive.?

<http://www.economist.com/news/united-...>

Even when there were parts I agreed with, such as his assessment on banks Too Big to Fail, his solutions were often off and would result in greater problems. Dodd-Frank he felt was the right direction, but as any observer to the finance industry is well aware, there are many conflicting parts of Dodd-Frank, making it impossible for any institution to be in compliance with all parts (see article below). He proposed adding a “risk surcharge” to financial institutions, but based on the challenges just to get bank's operations in order, how and who could reasonably be expected to monitor and assess the proper surcharges?

<http://www.economist.com/node/21547784>

#### Incomprehensible:

“Congress should pass a financial transaction tax designed to encourage productive investment”, page 123. No further explanation is given. I am still trying to figure out how a tax, which prevents or delays a transaction, could be used to encourage investment.

Executive compensation: yes, I agree it is too high, and can promote short term thinking. He writes, “And there needs to be better, more transparent reporting of the full value of the the executive compensation for

each corporation". It is already part of the SEC filings. It is required for publicly listed companies in their 10-K.

He argues for the need of a "Fair Tax" [his quotes]. He writes on page 127, "those at the top pay less than ordinary Americans". No data is provided for this claim and for a very good reason: It is not true. Outside of the top 0.1%, which pay less than the top 1% but more than all other Americans, that is not the case at all. [?http://www.fool.com/investing/general...](http://www.fool.com/investing/general...)

In all the all the talk of tax reform, no discussion given on consumption taxes which are shown to place higher burdens on higher incomes and do not have loophole provisions. As shown in Europe, a higher VAT has the effect of being less burdensome on the poor, and more difficult to avoid for the rich. This however, was not part of the discussion.

Page 165 he finally mentions Social Security, however, only to express his view it needs to be expanded. No mention was given to when it was created the average lifespan was only 62, with benefits coming at age 65. He discussed the financial shortfalls brewing for the program; although it was not mentioned, I am assuming his reasoning for the shortfall would be that workers are no longer unionized, not that people are living longer.

Naiveté:

?There were parts of the book which really made me question his qualifications. Some items of note include:

He proposes a Global Corporate Tax on all US companies overseas operations, of 10-15%. As we have already seen with Medtronic and others, raising the US tax rate will encourage more companies to leave, shrinking the tax base, and the higher taxes will cause new companies to incorporate somewhere else, outside the realm of the US taxman. His proposal will tax innovation out of the country.

Infrastructure investment leads to innovation (page 137). Infrastructure is critical for growth and a functioning economy, and its absence can seriously undermine activity. The US infrastructure is in bad shape and needs improvement, though we have had our economic boom due to infrastructure. Investing in new sewer lines does not spur technical innovations.

On page 65, the author sarcastically refers to the "monetary policy set by the nation's 'independent' [author's quotes] central bank". Such juvenile insults, with no supporting claims, and no point, other than to smear congressmen he believes are beholden to the banks have no place in a book with supposedly noble goals.

On page 70 he claims "the right to freely associate and bargain collectively is universally recognized as a basic human right". As a current case before the Supreme Court might decide, individuals have the right to say who can, and can not, speak or negotiate on their behalf. [?http://www.economist.com/news/united-...](http://www.economist.com/news/united-...)

On page 145 he claims "We must dismantle legal structures that explicitly prevent people of color from equally competing in the workforce". No example or footnote is given. To impugn the US justice system, one would hope they would have evidence.

On page 77, in his defense of labor, he claims that changes to the labor standards have resulted in workers being "excluded from coverage under worker's compensation laws, Social Security, Occupational Safety and Health Administration regulations, and the National Labor Relations Act". Unlike other areas, he does provide a footnote; however, it was for an entire book, David Weil's "The Fissured Workplace" a 424 page

work. While the claims may be true, I feel it is unprofessional and sloppy writing to cite an entire book, and not specific portions that substantiate his claims.

#### Conclusion

?I had higher hopes for this book, and that it would take a fresh look at the very real problems facing the US economy. While at time the author identify problems, the evidence to support I found lacking or incomplete. Instead of dynamic new ideas, the author waxes nostalgically about labor unions and high taxes. In my opinion, those are naive panaceas for the problems facing our economy today.

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