



The Price of Inequality: How Today's Divided Society Endangers Our Future

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A forceful argument against America's vicious circle of growing inequality by the Nobel Prize-winning economist.

America currently has the most inequality, and the least equality of opportunity, among the advanced countries. While market forces play a role in this stark picture, politics has shaped those market forces. In this best-selling book, Nobel Prize-winning economist Joseph E. Stiglitz exposes the efforts of well-heeled interests to compound their wealth in ways that have stifled true, dynamic capitalism. Along the way he examines the effect of inequality on our economy, our democracy, and our system of justice. Stiglitz explains how inequality affects and is affected by every aspect of national policy, and with characteristic insight he offers a vision for a more just and prosperous future, supported by a concrete program to achieve that vision.

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From Reader Review The Price of Inequality: How Today's Divided Society Endangers Our Future for online ebook

Athan Tolis says

I grew up in cold war Greece. The first six years of my life the country was run by the kind of dictatorship the “free market” side of the cold war had supported (and often installed) on many of the local battlefronts, including Chile, Argentina, Iran, Turkey, Portugal, Spain etc. Directly before and after that time, Greece was run by democratically-elected crony-capitalist right-wing governments, of the kind that put up massive trade barriers, limited the movement of capital, fostered hopelessly misguided urbanization cum industrialization, managed the devaluation of the currency as best they could (the constraint coming from soaring inflation) and kept a vigilant eye on finances (this latter point an absolutely necessary condition if we were to carry on ordering more weapons without subsequently failing to pay for them).

It's how it was, and while nobody thought it was too much fun, we kind of knew it was better than the alternative, which you could only try to imagine in our neighbouring communist paradises of Albania, Yugoslavia and Bulgaria, to say nothing of the message implicit in the frequent defections of athletes/pilots/figure skaters from the Soviet Union despite the inevitable consequences for their families. In the context of the cold war, that was the genuine alternative for us, and we had to be thankful we were on the right side of the curtain.

My young aunt Angele-Marie (only a few years older than me, but we are a large family) did not see it like that at all. She was aghast at what she perceived to be the capitalist exploitation of the country, rebelled at her father (a customs worker who was by definition an enforcer of the tariffs which protected our industrial aristocracy from imports) and joined the communist youth.

I'm not sure why, but my poor dad got to be the arbiter between father and daughter. “She won't listen to me, George, why don't you try talking some sense into her.”

So my aunt would regularly come around the house for dinner and to talk politics with my father. They would discuss at length the goings on around the world, the validity of the capitalist system versus the communist system, the distribution of the outcomes and the justice of it all.

My dad had NO CHANCE. No matter what he had to say, she had the answer ready. His heart was in the right place, he'd experienced the civil war first hand, he'd lived both in Greece and abroad. He was well educated and had a strong moral compass. But his general sense of right and wrong had a snowball's chance in hell against the indoctrination she was receiving on a daily basis in between sessions of plastering Athens with posters, selling the Communist newspaper, participating in rallies and completing her studies (which thankfully she did, on time and with distinction, unlike many less gifted of her comrades, whose lives were totally blighted)

Which brings me to Joseph Stiglitz and “The Price of Inequality”

If you know economics, don't touch it. You will be GRAVELY disappointed.

If you have ever considered voting Republican, even for a fleeting moment, don't touch it. You will find it too left-wing to get past the second paragraph and you will have wasted your money. If you are a persistent Republican, you will make it to page xxi of the introduction, where you will encounter the words “West” and

“Cornell,” not necessarily in that order.

If you are a well-educated right-winger and would like to read what the other side has to say about things, don’t touch it. You are not the target audience. This book is meant to offend you rather than educate you.

If, like me, you were fooled by the title of the book (to say nothing of the fawning reviews) and you want to find what a top-notch economist has to say about the Price of Inequality, ask yourself “do I have the patience to plod through 410 pages of reading for the few paragraphs that are dedicated to the alleged topic on the cover of the book?” Perhaps read my summary below and make up your mind. My recommendation, however, is “skip.”

On the other hand, if all four of the following conditions are met:

1. Your heart’s in the right place regarding today’s economy
2. You somehow suspect our democracy itself is going to hell in a handbasket but you can’t express why
3. You know ZERO economics and you don’t know where to start
4. You’ve had enough from your friend / husband / neighbour / son and his “libertarian” website-based read of world affairs

well, then this book is for you.

Back in 1976 my daddy was facing a young communist, but today he’d probably be facing a young libertarian. This book would be his first port of call.

The thesis of the book is stated on page 193 (which is really p.243 because of a lengthy introduction): “The high level of inequality in the United States today increases instability, reduces productivity and undermines democracy, and much of it arises in ways that are unrelated to social contributions, it comes, rather, from the ability to exercise market power – the ability to exploit consumers through monopoly power or to exploit poor and uneducated borrowers through practices that, if not illegal, ought to be.”

The thesis is then augmented on page 194: “We haven’t achieved the minimalist state that libertarians advocate. What we’ve achieved is a state too constrained to provide the public goods –investments in infrastructure, technology and education- that would make for a vibrant economy and too weak to engage in the redistribution that is needed to create a fair society. But we have a state that is still large enough and distorted enough that it can provide a bounty of gifts to the wealthy”

The book won’t teach you how to answer libertarian arguments (like my aunt’s communist arguments those are very much based on a mix of principle, doctrine and general confusion) as much as it will teach you a thousand things to throw a young libertarian’s way. And you can talk at each other until it’s time to go to bed.

Because the book is aimed at the economically uneducated, its main weapon is RELENTLESS, MERCILESS, SICKENING REPETITION of its core ideas. This makes it a ghastly read if you already know economics, but an essential training tool for the economically uneducated who want to enter the debate from the left side of the spectrum.

Rent seeking (btw. Economic Rent, never properly defined in the book, is the difference between what you get away with charging for something in a messed up economy and what you’d have to sell it for in an unfettered economy of perfect competition) is discussed extensively at least three times. Globalization (on which Stiglitz has written a whole book) is covered three times, monopolies are covered three times as well. All totally self-contained and from a slightly different angle. By the time you’re done reading the book, and

provided you are talking to somebody who does not know much, you'll be able to rail against rents, globalization and monopolies as if you were a specialist.

The evil character of banks and finance and those who practice it (whether they reside in the administration that's been deregulating, the Fed that's been supporting the interests of the rich asset-holders, or within lending institutions who have been targeting the poor) is another mantra. Again, the coverage is left-of-center, but the main thing here is repetition. The student loan / private education complex is discussed at least twice, the preference of the saved banking sector for bonuses over loans perhaps four times, while Goldman Sachs get panned so regularly that Stiglitz exercises some self-restraint and redacts their name as the derivatives counterparty when it comes to discussing my home country's financial shenanigans around the time of its accession to the Euro. That's right, he gives the vampire squid a break.

And so on. Bottom line, if you know nothing about economics and finance and are looking for a one-stop-shop to counter somebody who equally knows nothing but is on a steady diet of Ron Paul and Ludwig von Mises, your search is over. Order "The Price of Inequality," read it, and 410 pages later you will be able to parrot some rather orthodox left-of-center stuff with the best of them.

The true pity is that there is a solid 75-page book in here on the actual topic of "The Price of Inequality." Between the various rants against the 1 percent, Stiglitz makes a bunch of valid points:

1. The rich don't live in a vacuum: Inequality, as we see it in Latin America, for example, leads to civil conflict, criminality and social instability, to which the rich are far from immune (apologies included about the fact that we would ever consider the position of the rich or the economy as a whole; see p. xii in the introduction).
2. Inequality can lead to nasty surprises for everybody through the ballot box. I think Stiglitz has people like Chavez in mind, and every day that goes by I'm thinking more and more Obama, if I'm being honest, much as I voted for the guy.
3. Upward redistribution of income destroys demand, simply because the poor spend a bigger percentage of their earnings than the rich do. This last recession has removed half a trillion of spending from the equation, precisely because it has cut salaries by that amount.
4. "Our democracy's response to inequality," i.e. the authorities' attempts to address the poor's inability to spend did not have to backfire, but it did. It led to ill-advised macroeconomic policy that induced financial bubbles, including the Internet bubble and the housing bubble. These bubbles initially masked inequality but ultimately they turbocharged it, and of course they were very harmful for the economy.
5. With one out of seven kids in America facing food insecurity, we know that scarcity is a major issue for Americans. Living under scarcity forces people to make choices that are far too conservative for the growth of the economy, because they concentrate on putting food on the table, rather than on building their personal capital or taking a business risk they cannot afford.
6. Inequality erodes civil virtue and the social capital that glues us together. We bother to vote not because we reckon our one vote will make a difference, but because it is our civic duty to do so. Inequality undermines democracy by causing disillusionment (polls are showing the majority finds the system favors the wealthy), distrust (toward the media that is controlled by the wealthy), disenfranchisement (one in four Americans is not registered to vote) and disempowerment, as we move from one-man-one-vote to one-dollar-one-vote.
7. Inequality means different groups interact increasingly less. Less interaction leads to the development of different perceptions of reality and this includes the very debate about the legitimacy and even the magnitude of inequality, which of course can create a powerful feedback loop.

The pity is that these very powerful arguments are totally buried in the book. As is an excellent summary of

how we ended up here. Look out for it on page 68. In short, while skills were keeping up with technology (e.g. as a result of the GI Bill) even the unskilled were profiting, because on the margin their supply was not increasing as fast as the demand an expanding economy was creating for their skills. When educational achievement stopped improving, this coincided with the “second machine age” that was heralded by the advent of the computer. Middle class jobs (for example in manufacturing) have been eliminated en masse, leaving those without a college education at the same place where the 25% of Americans found themselves in the 1920’s who used to work in agriculture: unemployable at their skill level. The jobs that are replacing the middle class jobs are not middle class jobs.

The book ends with a series of very good proposals about what to do with the economy, but I will complain here that Stiglitz really shows his colors when he does not find the courage to admit that a bunch of middle class privileges can no longer be taboo. So he rails against the tax deductibility of mortgage interest payments for being distortionary and inequitable (bravo!) but then he says “don’t do it now, because the middle class currently needs this money.” He defends the indefensible when he supports the continued corporate-tax deductibility of medical coverage (I mean, EVERYBODY knows that the unaccountability which emanates from this misguided “legacy policy” lies at the cornerstone of the country’s biggest problem, healthcare) and he in all seriousness suggests that we lower the tax on firms that create jobs, but increase it on firms that don’t. News flash, professor Stiglitz: the sundry Googles pay no tax. Rather pathetic.

And that’s how it goes, overall. Stiglitz knows everything there is to know, but he simply chose to write a piece of propaganda.

How do I know? Here’s where my Greek background provides some irrefutable evidence. Page 37, Stiglitz claims that “In antiquity, natural philosophy in general saw no wrong in treating other humans as means for the end of others. As the ancient Greek historian Thucydides famously said ‘right, as the world goes, is only in question between equals in power, while the strong do what they can and the weak suffer what they must’”

If there’s ever been a more twisted interpretation of Thucydides famous Melian dialogue, I’d like somebody to tell me. The background here is that democratic Athens, in conflict with communist Sparta, demanded tribute from the neutral Melians, allegedly to protect them from the Persians, but in practice to make the point about who’s boss. It was the ancient times’ equivalent of George W Bush’s “you’re either with us or against us.” When Thucydides recounts the threats made by the Athenians toward the Melians he’s not condoning them. Au contraire, he is very much condemning them.

So either Stiglitz is happy to insert a passage from Thucydides without the slightest idea of what he’s talking about or, much more likely, he’s so used to seeing absolutely everything from one angle that he’s gotten totally comfortable with presenting black as white.

With all that said, “The Price of Inequality” is still the best antidote currently in print to all the libertarian dross that’s out there. And that’s the context in which you must judge it. So as far as I’m concerned it scrapes with three stars.

Michael Austin says

I did not know until I read Joseph Stiglitz’s wonderful new book, The Price of Inequality, that economists

have a word for making a lot of money without actually creating wealth or jobs: this is called “rent seeking,” using a very old sense of the word “rent” that means something like “seeking concessions” rather than “deriving income from property.” Rent seeking refers to any economic activity that attempts to manipulate political or social conditions to capture a larger share of a society’s wealth. Such activities commonly include seeking no-bid government contracts, special tax incentives, sanctioned monopolies, or regulatory relief that shifts resources away from one sector of the economy and into another.

Rent seekers have been with us always. But Stiglitz sees rent-seeking activities as a primary cause of the most recent “great recession.” Those who profited from the real-estate bubble and from complicated financial derivatives were not, by any stretch of the imagination, creating wealth. They were reaping huge profits by transferring economic risk to the public sector while keeping nearly all of the profits in the private sector. As a result, the people who have paid the highest economic costs of the recession (losing their jobs or their houses) are not the same people whose economic activities are the most to blame.

But what really interests Stiglitz (and me too) is what has happened since the crash of 2008. According to a certain narrative, the only way out of the recession is to cut taxes dramatically and put as much money as possible into the hands of job creators—business owners and innovators who have the intelligence and the inclination to use that extra money to create jobs and move the lagging economy forward. And, to a large extent, this is what we tried to do.

But it hasn’t worked very well. Between 2009 and 2011, the top 1% of wage captured 93% of the income growth (compared to 65% between 2000 and 2007). If we look at averages, then, the American economy has completely recovered from the recession. If we look at medians, it has not. The great recovery of 2009-2011 simply shifted the wealth of the nation decisively towards those who were already very well off.

And this kind of social inequality has real consequences. Neither Stiglitz nor anybody else suggests that we can or should get rid of inequality. He is not a Marxist or even a particularly committed redistributionist. He believes that markets have tremendous power to create and distribute wealth. But unregulated markets will always flow towards deep inequalities of wealth and income. Like so many other good things (chocolate, oxygen, and close relatives to name a few), capitalism works best when it is diluted.

Inequality in America is worse now than it has been since the late 19th century, when factory workers were paid in company script and the most important industry in the Southern states was sharecropping. The distribution of wealth in the United States (as measured by the Gini coefficient) is about as unequal as it is in Iran and far less equal than it is in nearly every other country in the Industrialized West. In the long term, this will have serious consequences for America. High levels of income inequality are incompatible with political stability, public investment, and long-term expansion.

And yet, we are rapidly disinvesting in our educational infrastructure, contemplating a reversal of our commitment to our elderly citizens, and acting on multiple fronts to repeal most of the regulations that, for the last hundred years or so, have prevented capitalism from becoming nothing more than a tool for economic predation. In the process, we are coming perilously close to creating precisely the kind of self-perpetuating, multi-generational aristocracy that America was founded not to be.

Travis Todd says

So, a confession...I didn't get remotely close to finishing this book but got tired of seeing it on my facebook

so I said that I "finished" it because I didn't know how to say "I abandoned this book and returned it to the library because I just found it too fucking depressing to get through so instead I watched a bunch of episodes of Archer and got drunk." If Goodreads even has that option, ha ha ha. Also I didn't want to say I finished this book because I don't want to compromise the integrity of the list of books I've said I've finished, because I really did read all of those books even Gravity's Rainbow which I found to be an almost criminal waste of time even though I loved Inherent Vice and The Crying of Lot 49 and Vineland so maybe I'm just prefer the "minor" Pynchon. I really read every word of Moby-Dick and found it much funnier than expected. I apologize Joseph E. Stiglitz if on the very outside chance you read your Goodreads reviews because I think you're doing god's work and am proud that you marshal your impressive intellectual resources in the service of economic justice and in defense of the little guy but The Price of Inequality had me hiding razors and other sharp objects after about the first 20 pages. Sorry.

Caren says

I see this as an important book which thinking Americans will want to read. It is one of what seems to be a flurry of other books on this topic. The encouraging thing about that is that we seem to realize we have a problem, and serious scholars , such as the Nobel prize winning Dr. Stiglitz, are examining the issues involved and offering possible paths toward amelioration. Although this is not light reading, it is meant for the lay person, and the ideas therein are certainly accessible by the non-economists among us. Especially interesting to me was the way the wealthy have been able to present ideological ideas as though they are in the best interest of all, when in fact, they are usually only in the best interests of the top 1%. The ideas that fuel our politics feed the engine of our economy. Here are his remarks about that, from page 172:

...but the battles rage most intensely in the field of big ideas. One such battle involves on one side those who believe that markets mostly work well on their own and that most market failures are in fact government failures. On the other side are those who are less sanguine about markets and who argue for an important role for government. These two camps define the major ideological battle of our time.

I also like these lines from page 29:

As the ancient Greek historian Thucydides famously said, "right, as the world goes, is only in question between equals in power, while the strong do what they can and the weak suffer what they must." Those with power used that power to strengthen their economic and political positions, or at the very least to maintain them. They also attempted to shape thinking, to make acceptable differences in income that would otherwise be odious.

I am always happy when an author of a book such as this offers possible prescriptions for our national ailments. Otherwise, leaving us without hope is just depressing, isn't it? He doesn't say remedies will be easy, but that they are not impossible. No matter where your politics swing, this book is well worth reading. For all of us to accept the status quo and remain silent could be the death knell for our nation as we knew it. Here are some of his closing remarks from page 289:

There are two visions for America a half century from now. One is of a society more divided between the haves and the have-nots, a country in which the rich live in gated communities, send their children to expensive schools, and have access to first-rate medical care. Meanwhile, the rest live in a world marked by insecurity, at best mediocre education, an in effect rationed health care--they hope and pray they don't get seriously sick. At the bottom are millions of young people alienated and without hope. I have seen that picture in many developing countries; economists have even given it a name, a dual economy, two societies living side by side, but hardly knowing each other, hardly imagining what life is like for the other. Whether we will fall to the depths of some countries, where the gates grow higher and the societies split farther and

farther apart, I do not know. It is, however, the nightmare toward which we are slowly marching.

I would urge readers to think deeply about the ideas presented in this book and to keep the conversation alive.

Clif Hostetler says

Joseph E. Stiglitz, a 2001 Nobel Prize winning economist, in this book targets numerous examples of economic activity/policy what lead to consequences incompatible with America's self image as the "land of opportunity." All through the book he points out needless inefficiencies that are embedded in our banking, tax and legal codes. And with each problem cited there's an existing interest group lobbying and making political contributions to assure that no changes are made to endanger these structural inefficiencies found throughout our economic system.

The end result of the present situation is the United States has the largest and growing rich-poor gap among industrialized countries. According to Stiglitz this inequality brings stagnation and dormancy to our economy. It's interesting to note that the previous peak in American economic inequality came in the 1920s immediately before the Great Depression. The United States also provides the least equality of opportunity for economic advancement when compared to other wealthy industrialized countries (i.e. the percentage of people born into a low economic status that end up in a higher economic class.) This in the land that is supposedly the "land of opportunity."

Stiglitz repeatedly criticizes the overblown American financial system and the "too big to fail" banks. The following quotation offers a concise description of the 2008 financial bailout of the large financial institutions:

"Never before in the history of the planet had so many given so much to so few who were so rich without asking anything in return."

It's interesting to note that the financial industry accounts for approximately half the wealth in the United States. It follows that the so called "real" economy lags far behind. In other words, half our wealth is found in paper and pixels. Aren't those the ingredients of a bubble?

I was particularly pleased to find that Stiglitz noted something about the state of our economy that I had noticed myself before reading this book. It is the observation that we have a "demand" problem, not a "supply" problem. In other words, we could give all that tax breaks imaginable to the wealthy and no increase in business spending would result because there's no unfilled demand for goods and services that are currently unmet. The demand is not there because middle class wealth gains were eliminated by the 2008 recession while at the same time the wealth of the top economic tier has tripled since 1980. Ironically, American businesses currently have historically high cash balances. The principle incentive for businesses under the current conditions is to invest in automation, computers and robots to enable them to survive with fewer employees--thus insuring a jobless recovery from the recession.

My review probably sounds pessimistic, but Stiglitz is surprisingly upbeat by proposing solutions. Do any of our lawmakers read books such as this? All I can do is to hope so.

Peter McLoughlin says

The most practical leader who prides himself a man of action and not theory is usually in thrall of the ideas some dead economist -John Maynard Keynes (paraphrased from memory)

Stiglitz in this book wants to rouse us from the thrall of last generation of Neoclassical economists whose ideas have turned Wall street into a dangerous casino that is too big to fail and has managed through its influence to push the costs and risks of capitalism on ordinary people while it reaps all the rewards. This shift and reliance on an fallacious common sense about free markets and the role of government that developed in the seventies has resulted in a massive shift of wealth from the most Americans to the 1%. It has resulted in a capture of our economy, political system and media to a rent seeking elite that writes laws and sets up the rules of the game to benefit a few at the expense of everyone else.

These days I here a term of derision coming back "trickle down economics" we no longer refer to it as supply side or pretend that benefits to the wealthy come down to ordinary people. We no longer believe a rising tide lifts all boats. The term trickle down economics came was a term used to characterize the New Deals opponents and is back in vogue because we have realized that the truths about the economy that our Grandparents knew but our parents forgot are clear again. Laissez Faire Capitalism is a detriment to the middle class and ultimately erodes democracy. New Dealers knew this and we are relearning this slowly. We may or may not be able to stem the tide and return to the days in the mid 20th century when government intervention, regulation and redistribution curbed the antidemocratic and unfair aspects of capitalism and served as a cushion from class warfare but books like this are an effective diagnosis and treatment if the patient would comply to the authors advice. Definitely worth reading to understand where we are right now.

Book says

The Price of Inequality: How Today's Divided Society Endangers Our Future by Joseph E. Stiglitz

"The Price of Inequality" is one of the most compelling economic books about the excessive inequality in the United States. It does a fabulous job of explaining three interlinking themes: that inequality is cause and consequence of the failure of the political system, and contributes to the instability of our economic system, which in turns contributes to inequality. Winner of the 2001 Nobel Memorial Prize for Economics and acclaimed professor and author, Joseph Stiglitz, provides the reader with a quote-fest of a book that addresses not only the reasons for such a financial divide but provides pragmatic economical ways to tackle them. This enlightening and pragmatic 449-page book is composed of the following ten chapters: 1. America's 1 Percent Problem, 2. Rent Seeking and the Making of an Unequal Society, 3. Markets and Inequality, 4. Why It Matters, 5. A Democracy in Peril, 6. 1984 Is Upon Us, 7. Justice for All? How Inequality is Eroding the Rule of Law, 8. The Battle of the Budget, 9. A Macroeconomic Policy and a Critical Bank By and for the 1 Percent and 10. The Way Forward: Another World Is Possible.

Positives:

1. A well-written page-turner of a book that is accessible to the masses. A quote fest.
2. It's always a treat to read a book from an expert who knows what he is talking about and how to relay it to the public.
3. Great format. The author starts each of the ten chapters with a quick synopsis and closes out with concluding comments.
4. This book succeeds in getting to the heart of the thesis: why inequality is growing to the extent it is and what the consequences are. Stiglitz is relentless in his pursuit and we are the beneficiaries.
5. Why are economic system is unfair? Answered to satisfaction. Eye-opening information.
6. "While there may be underlying forces at play, politics have shaped the market, and shaped it in ways that advantage the top at the expense of the rest". It's a quote fest alright.
7. The 1 percent in perspective. " For an even more striking illustration of the state of inequality in America, consider the Walton family: the six heirs to the Wal-Mart empire command wealth of \$69.7 billion, which is equivalent to the wealth of the entire bottom 30 percent of U.S. society. The numbers may not be as surprising as they seem, simply because those at the bottom have so little wealth".
8. How government policies shape inequality. "A major theme of this book is that inequality is the result of political forces as much as of economic ones".
9. There is so many mind-blowing facts in this book, " A little-noticed change in legislation, for example, can reap billions of dollars. This was the case when the government extended a much-needed Medicare drug benefit in 2003. A provision in the law that prohibited government from bargaining for prices on drugs was, in effect, a gift of some \$50 billion or more per year to the pharmaceutical companies". Oh yeah, it's like that.
10. How societal norms shape inequality. How globalization as it has been managed contributes to inequality. Interesting stuff.
11. The true role of government and how our government failed the 99%. "The United States spent far more on its big bank bailout, which helped the banks to maintain their generous bonuses, than it spent to help those who were unemployed as a result of the recession that the big banks brought about. We created for the banks (and other corporations, like AIG) a much stronger safety net than we created for poor Americans".
12. The effects of inequality on national output and economic stability, and its impact on economic efficiency and on growth.
13. Some very key points that will stick with me, "The 2010 decision in the case of Citizens United v. Federal Election Commission, in which the Supreme Court essentially approved unbridled corporate campaign spending, represented a milestone in the disempowerment of ordinary Americans". A need to reform our political process.
14. How the 1 percent convinces the 99 percent that they have shared interests. It's about shaping perceptions.
15. The battle over laws and regulations that govern our economy and how they are enforced. How the powerful have turned America's legal system into a travesty of justice.
16. A great section on predatory lending. How the banks won at the expense of America. And an infuriating section on student loans.
17. How surpluses under Clinton were turned to deficits under the influence of four major forces. The budget in perspective.
18. Practical recommendations to reduce the deficit. "lowering the taxes on firms that created jobs and invested in America and raising taxes on those that didn't".
19. A section on debunking myths: the supply-side myth, the raising taxes on millionaires will hurt small businesses and therefore cost jobs myth, the government-run programs must be inefficient myth, blame the poor myth, the austerity myth, and the failed stimulus myth.
20. Understanding the real role of policy makers. "A central theme of the book is that some of the policy choices have simultaneously increased inequality, benefitting those at the top-- and hurt the economy".
21. "The Fed gambled, in trusting that banks on their own could manage risk—a gamble that paid off

handsomely for the banks, and especially for the bankers, but in which the rest paid the price. The Fed could have curbed the reckless and predatory lending, the abusive credit card practices, but chose not to do so. Again, the banks were the winners; the rest the losers". I just can't word that any better.

22. The obsession with inflation. A good section.

23. Ending on a positive note. " This book is not about the politics of envy: the bottom 99 percent by and large are not jealous of the social contributions that some of those among the 1 percent have made, of their well-deserved incomes. This book is instead about the politics of efficiency and fairness. The central argument is that the model that best describes income determination at the top is not one based on individuals' contributions to society (the "marginal productivity theory" introduced earlier), even though, of course, some at the top have made enormous contributions. Much of the income at the top is instead what we have called rents".

24. A list of recommendations in narrative format that shows what needs to be done to create reforms we need in our economics and our politics.

25. A comprehensive notes section.

Negatives:

1. The strength of this book is clearly explaining how we got to this level of inequality, the biggest weakness is the level of the cure not necessarily matching the disease. I feel that the recommendations covered in this book are good, it just doesn't live up to the diagnosis. I also disagree with a few of the recommendations. Getting the marginal tax back to 70% seems unfair even to this progressive-minded reviewer.

2. A little repetitive.

3. Some of the material in this book will make your blood boil.

4. Charts and illustrations would have added value.

5. The notes section was very comprehensive but a formal bibliography never hurts.

In summary, this is a fantastic book. I really enjoyed it. Stiglitz has a great command of the topic and is able to convey his thoughts in a lucid and accessible manner. His arguments are sound and quite compelling and backed by countless references. If you want to learn how we got to this level of inequality, this is a fantastic book that covers it with expertise. I highly recommend it!

Further suggestions: "Red Ink" by David Wessel, "The Benefit and the Burden" by Bruce Bartlett, "It's the Middle Class Stupid!" by James Carville and Stan Greenberg, "End This Depression Now!" by Paul Krugman, "Beyond Outrage" by Robert B. Reich, "The Republican Brain" by Chris Mooney, "Winner-Take All Politics" by Jacob S. Hacker, "Screwed the Undeclared War Against the Middle Class" by Thom Hartmann, "The Monster: How a Gang of Predatory Lenders and Wall Street Bankers Fleeced America..." by Michael W. Hudson, "Perfectly Legal..." by David Cay Johnston, and "The Looting of America" by Les Leopold.

Dave says

Solid economic analysis clouded by repetition, naivete, political bias, and a lack of enough ideas to really go more than a handful of chapters before you find yourself reading the same hate over and over and over. Excellent point - the bankers in the top .1% are jeopardizing the country's economic future and current access to education/wealth/life betterment by shrinking the size of the collective pie through rent-seeking behaviors that do not add value. Stiglitz proves this, but then does himself a disservice by showing an incredible lack of awareness by speaking of the Arab spring as though it were motivated by economic disenfranchisement and then grouping that oh so evil Right into one homogeneous monolith devoid of reason. Grow up. Coming

off as intolerant, hateful and every bit as simple-minded as Fox News talking heads and New York Times editorial writers just dulls the message.

This was a solid 25-page paper that became subtraction by addition. Freeland's *Plutocrats* and Murray's *Coming Apart* are much more fully realized analyses of today's economic and social climate.

Kate says

My education was in engineering, not economics. So, in a desire to better understand what is happening to our economy and, more importantly, to our society, I have been trying to educate myself more. I can't be part of the solution if I don't fully understand the problem or the solutions or even that many of the solutions proposed are actually wrong and will only make things worse.

In his book, *The Price of Inequality: How Today's Divided Society Endangers Our Future* Stiglitz discusses a variety of factors that have created the extent of the inequality that we have in our society, and he also proposes solutions that will benefit most everyone in our society. Not surprisingly, he encourages investment in our society - in education, technology, infrastructure. Unfortunately, much of the political talk in recent months has been to cut back on what we must need to invest in. How can we expect our future generations to succeed when we refuse to invest in them?

The answer in why we don't invest in what we should be investing, and why we let the financial elite dictate the course our economy is heading is stated nicely by Stiglitz:

"It is clear that many, if not most, Americans possess a limited understanding of the nature of the inequality in our society: They believe that there is less inequality than there is, they underestimate its adverse economic effects, and they overestimate the costs of taking action. They even fail to understand what the government is doing - many who value highly government programs like Medicare don't realize that they are in the public sector."

Now, I know that many will read that last part and think, "Medicare? But it's an *entitlement*! It adds to our deficit. We must reduce government." If you say that, then you must also agree that we must stop "entitlements" and "gifts" that the well-off financial sector receives. If you don't know what those are, you should read this book. They receive significantly much more than what we spend to take care of our most vulnerable, our young, our poor, and our elderly. Don't talk entitlements for the vulnerable until you are willing to talk entitlements for those who glut themselves off of the taxpayers and the middle class, and yes, even the poor.

The book ends with a line of hope, but it's shaky. It's hard to change policy when the top 1% control what policies are implemented by effectively buying elections. Instead of one person, one vote, we have seen our election process become one dollar, one vote. But, the author believes that we can make those changes. I think we can, too.

Jay Roberts, CFP®, CRPC® says

Like many other books, this author frames the story of our economic woes in terms of the 1% against the

99%. After reading so many tales such as this one, I have to say that the author is wrong. No, nothing he really says in the book is wrong. And it is a very good read, by the way. He's just wrong about the 99%.

There is no 99%. The reality is that there are two 49.5%. The first 49.5% are the kind of people that can actually read a book like this. In fact, they are the kind of people that can read any sort of book, no matter what perspective the author comes from. These folks are the minority of informed decision makers in our democracy. I would say that this camp suffers more than any other group due to the fact they understand exactly how inequality hurts them.

The other 49.5% out there are the willingly stupid. Even if they possessed the ability to tackle any sort of thoughtful work on the economy (or just about any other subject), they long ago gave up on that sort of effort. This is the sort of folk that reality TV was designed for. Low information, low understanding, and low care. These people choose comfortable conformity over disturbing enlightenment.

So when I read a book like this that outlines the problems caused by the 1%, I can only look to the 49.5% of people who gullibly follow them. They've bought into fairy tale and indulgent tales of times past. And while the author touches on the education problem, the real problem is that many of this 49.5% would simply ignore the education provided. And that is the real issue. The fact is that the 1%, as the author points out, receives its funding from rents. And it uses a portion of these profits from the rents to pander to this 49.5% of people's indulgences and ignorance.

Not much will change as long as people focus on the 1%. The focus needs to shift to the people that have bought into the lies of the 1%. Until then, it will be 50.5% of people against the remaining 49.5%. It's not hard to see who will lose here.

Trevor says

I guess the most disturbing part of this book is the fact that we are very unlikely to follow the advice that is contained in it. And this is a real pity, as it seems inevitable that the policies our governments and potential governments are likely to pursue will only make matters worse. That the alternative government in the US is proposing a Vice President who is obsessed with Ayn Rand and Fred Hayek ought to be enough to terrify anyone, such as myself, still foolish enough to believe that capitalism doesn't necessarily have to be anti-democratic. Such a view is becoming increasingly hard to sustain - for Rand and Hayek to be 'heroes' confirms that democracy is a concept suffering its death throes in the United States. Something else that should terrify us.

This book documents the world we now live in. A world where a tiny minority of the extreme rich are now happy to behave as if it was society's responsibility to do all we can to ensure they continue to receive the vast majority of the wealth produced as a kind of rent. These rent seekers have created a situation where they own corporations that are seen as being 'too big to fail' and in being too big to fail they are also immediately also too big to restructure or even too big to prosecute no matter what their crimes. Crimes which go unpunished, unacknowledged and ignored. This means that while corporations have increasingly privatised the rewards of their criminal schemes, they have effectively socialised all risks. This is moral hazard of such a scale it would almost be funny if the financial pages of newspapers were written as farce, rather than commentary. There are statistics in this book that will make your hair curl. Take the fact that bailing out AIG meant giving this one company 150 billion dollars, or more money than was given to the

poor on welfare in the US for the 16 years to 2006. I struggle to comprehend the obscenity of such a fact.

We live in a society where all that matters is that the insultingly rich are protected from their failures at the expense of the poor and huddled masses.

This is made worse by the fact we have a media that is owned and controlled by those who benefit from policies that make our societies less equal, policies that diminish opportunities for the mobility of the poor and policies that undermine democratic processes and structures so they become increasingly ineffectual.

We have a situation now where government is despised by large sections of society and corporations are praised despite these being completely undemocratic organisations. Where the very notion of 'power to the people' is held in contempt and all that is valued is 'one dollar one vote'.

We live in a post-truth world, as another book I've recently finished said - and the media is greatly to blame for this state of affairs. We desperately need access to sources of information that are not completely dominated by the views and preferences of those with power. We need an electoral system not run solely in the interests of the super-rich and the powerful.

It is clear that this book is written by someone who was awarded a Nobel Prize in Economics for work done on the problems of asymmetries in information and the impact these have upon economics. To understand why this is important - important enough to deserve a Nobel Prize - you need to remember that standard economic theory (something that seems to have been developed in a kind of fairytale dream world) assumes that everyone has perfect access to the information they need to make decisions and, as a matter of course, always act on that information in ways that are to their perceived benefit and self-interest. The author shows that not only is this a gross overstatement of our much more limited capabilities, but also that our current system would be unlikely to continue to exist if access to real information was readily available to people generally. In fact, a glance at the voting patterns (the effective avoidance of voting) by large numbers of citizens in the US and UK shows just how disaffected citizens have become with democracy - something encouraged by those in power as it allows them to continue to dominate. Nevertheless, the only thing capable of standing in the way of their excessive power are effective democratic structures.

Our societies are being bleed white by the greed of those at the very top, those who increasingly contribute nothing to the development of our society and, in fact, have a direct negative impact on all aspects of our economic and political life.

The author looks to the uprisings in the Middle East as cause for hope. I am not as confident as he is, but I do know that those in the one percent and the point one of one percent ought to beware. Lies work for only so long. When people realise they have been so grossly, unashamedly and tragically lied to and stolen from they are likely to act with the same level of compassion to those who have lied to them as has been shown to them by the liars.

Both Stiglitz and Krugman make it clear that more equality would make a better economy. They both believe Capitalism can be saved from itself. They believe making it clear what needs to be done ought to be enough to make it happen. I hope I am just grossly cynical and they are both right.

Jud Barry says

Stiglitz delivers a clearly-written and compelling analysis of the current economic and political situation in the United States. Undoubtedly much of my positive response is driven by the fact that I'm the child of

parents who worshipped at the shrine of the New Deal, however no small part of it is simple appreciation for Stiglitz's rare knack for cogent explanations that are as compellingly readable as they are putatively authoritative.

There is also the fact that Stiglitz is very informative about the workings of globalization, financial markets, investment banking, and macroeconomics, so that now, when it comes to the greedy excesses of bankers, free market fantasists, public-revenue-sucking corporations (Halliburton), and other rent-grubbing profiteers, I can do more than seethe inwardly. Now I can also recommend a book for them to read.

"This book is not about the politics of envy: the bottom 99 percent by and large are not jealous of the social contributions that some of those among the 1 percent have made, or their well-deserved incomes. This book is instead about the politics of efficiency and fairness." (p. 266) As such, the book shows that much of the wealth at the top has nothing to do with "social contributions." Instead, it comes from gaming a system that is rigged for those who already have the money and the influence that comes with it.

It saddens me, though, to read Stiglitz when he says "America is no longer the land of opportunity." Much as I agree with what he has to say, I hope he's wrong about that.

Matt says

Great book. The author looks at inequality in America and urges the US to opt for policies that will decrease inequalities. The author debunks myths like incentive pay and decries trickle-down economics.

Here are my reading notes.

Exposing the inequality

The gap between rich and poor has been widening.

While the GDP was growing, the middle class saw its purchasing power decrease.

The bankers were rewarded for no good reason.

The American dream (vertical mobility) is part of the folklore but not backed up by data.

Examples of corporate irresponsibility:

- BP in the Gulf of Mexico

- Exxon

- Cigarette companies

- Subprime lending

- Banks embroiled in the financial crisis

And none of the culprits have been convicted. Worse, some have escaped with bonuses for the road. Our very moral system seems to be eroding.

Our political system is linked with our economic system. We can't change one without changing the other.

"We are, in fact, paying a high price for our growing and outsize inequality: not only slower growth and

lower GDP but even more instability. And this is not to say anything about the other prices we are paying: a weakened democracy, a diminished sense of fairness and justice, and even, as I have suggested, a questioning of our sense of identity." (loc:324)

The rise of inequality

Income is unequally distributed, with the top 1% earning way more than the rest. But wealth is even more unequally distributed. And wealth is a better predictor of access to resources.

In the 50s and 70s, there was a reduction in inequality, due among other causes to policies like the GI Bill and a new progressive tax system.

Lack of health insurance is also a major contributor to inequality. "America's poor have a life expectancy that is almost 10 percent lower than that of those at the top." (loc:752)

Given that some job seekers have become discouraged and dropped out of the workforce; and given that most of the prison population would face unemployment upon release, the unemployment statistics of the US paint a rosier picture than reality.

Any measure of inequality suggests that America is doing worse than Europe, Canada, and Australia. The inequality is growing. There is a hollowing out of the middle class. Vertical mobility is worse than it is in other industrialized countries.

The roots of inequality

Some of the inequality in our society stems from rent-seeking behavior. Some of these overlap but here are a few examples:

- raising barriers to entry
- raising barriers to competition
- decreasing transparency
- building complex products
- taking advantage of implicit government backing
- using asymmetrical information (predatory lending / abusive credit card practices)
- gaming the tax system
- externalizing costs
- non-competitive procurement
- buying state assets below price
- monopolistic pricing
- regulatory capture

Trends

A few trends are making it easier for inequality to increase:

- shifting of jobs to developing markets
- automation and replacement of manual labor with machines
- lower education attainment in the US in general
- high cost of training and quick decrease in revenue is "trapping" workers
- financial liberalization makes it easy for corporations to hire workers outside the country
- globalization could make everyone better off -- were the proper redistribution mechanisms in place. But they are not.

- decline in labor unions
- discrimination
- access to education is correlated with income
- the poor and the rich are more and more segregated as to where they reside

Instability

"Moving money from the bottom to the top lowers consumption because higher-income individuals consumer a smaller proportion of their income than do lower-income individuals (those at the top save 15 to 25 percent of their income, those at the bottom spend all of their income)." (loc:2137)

The politics of inequality bring about instability in the form of bubbles and crises. The deregulation associated with the lack of redistribution is the source of conflicts of interests, excess credit, and excess leverage. The repeal of the Glass-Steagall act in 1999 was a terrible event for the 99%.

The crises and bubbles that come about in a deregulated market have terrible consequences, but mostly for the poor. The rich seem to come out okay -- sometimes with huge government help.

Inequality and productivity

Interestingly, inequality might be making everyone worse off.

Inequality makes us all less productive through:

- a reduction in broadly beneficial public investment and support for public education
- massive distortions in the economy (see rent-seeking above), in law, and in regulations
- effects on workers' morale and keeping up with the Joneses

Education

Education has typically been the turf of the government:

- education benefits the whole of society and leaving it to the private sector would result in underinvestment
- the lack of good education leads to a lack of vertical mobility: this has repercussions on the efficiency of the society

Lobbying

Lobbying is taking its toll on democracy. There are 3100 lobbyists working for the health industry. 2100 for the energy industry. A total of 3.2 billion dollars were spent on lobbying in 2011.

Wage as incentive

The current mood in the US is worrying. There seems to be widespread acceptance of that level of inequality. The population accepts inequality as is. This mood lowers productivity and goes against the idea that inequality brings productivity through incentives. When the market is rigged against the worker, the incentives are not there.

Keynes once asked a question: given that human beings are more and more productive. Given that we no longer have to toil all day in order to survive. What will we do with the productivity dividend?

To sum up

Reducing inequality would make us more productive, not less. Because:

- rent-seeking behavior sets rewards and effort out of balance. Redistribution would correct some of that imbalance.
- poorer citizens cannot afford the education that they desire, resulting in underinvestment in human capital.
- poorer citizens cannot afford a home, which would help in the feeling of belonging and the improvement of neighborhoods. A house is also a good collateral for future borrowing.
- a better safety net allows more high-risk ventures.
- with inequality of wealth comes inequality of opportunity.
- Reagan and Bush junior campaigned for tax cuts for the wealthy, stating it would increase overall productivity. It has not.
- with equality comes fairness, which is an incentive in itself.

Democracy and the media

In theory, a democracy should reflect the opinions of the median voter. It is not the case in the US however, as the electorate is biased through disenfranchisement and disillusionment. Further, the wealthy have convinced the rest that policies beneficial to the top are also beneficial to the rest of society.

Fundraising ideas

If we were really serious about solving the deficit, we would:

- raise taxes on people in the top
- eliminate loopholes
- tax rents at higher rate
- tax pollution
- tax the financial sector to reflect incurred costs
- sell public resources at a fair price

Getting out of the slump

The causes of the most recent recession are a good start if we want to come out of it. To stimulate growth, we should:

- reverse the Bush era tax cuts
- end the wars
- scale back defense spending
- allow government to negotiate drug prices
- help create more jobs

Monetary policy

The so-called independence of the Federal Reserve is a bit of a joke. We should be troubled by the suggestion that the Fed's work is too important to be left to our democratic institutions.

The fascination with controlling the inflation rate mostly plays in the hands of bondholders. It is based on three questionable hypotheses:

- inflation is the supreme evil
- a low rate of inflation is necessary -- perhaps sufficient -- to maintain growth
- all would benefit from low inflation

These premises are questionable and should not be followed dogmatically. A policy that targets the unemployment rate could be preferred:

"Imagine how different monetary policy might have been if the focus had been on keeping unemployment

below 5 percent, rather than on keeping the inflation rate below 2 percent." (loc:5119)

For the future

Here is a list of all the recommendations given at the end of the book:

Reduce rent seeking

Curbing the financial sector

- make banks more transparent
- make banks and credit cards companies play fair
- penalize predatory lending
- curb bonuses
- close down offshore banking centers

And then:

- stronger and more effectively enforced competition laws
- improving corporate governance -- especially to limit the power of the CEOs to divert so much of corporate resources for their own benefit
- comprehensive reform of bankruptcy laws -- from the treatment of derivatives to underwater homes and to student loans
- end government giveaways -- whether in the disposition of public assets or in procurement
- end corporate welfare and hidden subsidies
- legal reform -- democratizing access to justice, and diminishing the arms race

Tax reform

- create a more progressive income and corporate tax system -- with fewer loopholes
- create a more effective, and effectively enforced estate tax system, to prevent the creation of a new oligarchy

Helping the rest

- improving access to education
- help ordinary Americans save
- health care for all
- strengthening other social protection programs

Restoring and maintaining full employment

- a fiscal policy to maintain employment -- with equality
- a monetary policy -- and monetary institutions -- to maintain full employment
- correcting trade imbalances
- active labor market policies and improved social protection
- supporting workers' and citizens' collective action
- affirmative action, to eliminate the legacy of discrimination

Restoring sustainable and equitable growth

- a growth agenda, based on public investment
- redirecting investment and innovation -- to preserve jobs and the environment

Miscellaneous

- Let us not be slaves to GDP numbers. GDP is not a good metric to try to maximize

- We should temper globalization to make sure that its benefits are distributed and stop the race to the bottom

Meredith says

Despite winning a Nobel Prize in economics, Joseph Stiglitz has written a book for the lay reader in which he clearly and simply explains what is causing the gross inequality in current American society, why is growing at an alarming rate, and why a large degree of inequality is bad. He doesn't argue for total equality, just less inequality, which will result in more opportunity for ordinary Americans and less economic volatility.

Warning: the transparency this book gives to how the people with money and power (the super rich and those in the financial sector for the most part) have successfully shaped U.S. law, the tax code, and policy to exclusively favor their interests rather than the best interests of the average Americans who earn the majority of their income through wages will make your blood boil.

The author recaps each chapter with a concluding summary and also constantly refers back to previous chapters when issues already covered reappear. This can be a bit repetitive, but it is also extremely useful for readers like myself who are not well versed in economics and may need to refer back to things.

The best part of this book is the myth busting complete with citations. It is so refreshing to have a public figure broadcasting that the idea of a Utopian self-regulating free market is a lie capable of destroying the global economy and that the American Dream only exists as a myth perpetuated by anecdotes of statistically rare success stories. Without equality of opportunity, the rags to riches stories popularized by Horatio Alger Jr. that have become part of the American identity are simply fiction. The author also blasts the justifications for making the "job creators" virtually tax exempt. Tax breaks to the super rich and multinational corporations don't help the average American because trickle down economics doesn't work. For the icing on the cake, the author spells out why the U.S. Supreme Court was wrong to rule in favor of corporations and allow them to essentially buy candidates through campaign contributions is bad for society. He also refutes the "socialist threat" myth, briefly undermines the sainthood of Ronald Reagan, and touches on the "welfare queen" myth.

There are two points with which I disagree: 1) the author's belief that the United States' double taxation of U.S. citizens living and working abroad as legal resident aliens in other countries is a good thing and 2) the author's failure to include single-issue voting in his analysis of why those in the bottom 80% continually vote against their own best interest and support the interests of the top 20%.

One of the very few ways that the author finds the U.S. tax code progressive is in its double taxation of U.S. citizens legally living and working abroad. Considering the U.S. tax code only taxes corporations on money earned abroad if it is brought back to the United States rather than kept in offshore bank accounts, it is completely ridiculous and hypocritical to treat private citizens in this manner. The author gives the example of someone born and raised in Greece moving to Luxembourg and insists that Greece has the right to recoup its "investment" in this citizen's college education and 18+ years of health care through taxation.

There are three flaws in this argument. First of all, it doesn't take into account that citizens from other countries in whom Greece has "invested" zero dollars live and work and pay taxes in Greece, thus balancing out any loss on Greece's part for its citizens living and working and paying taxes in other countries. Yes, a

country "invests" in its citizens, and some of this investment will be lost on people choosing to live and work and pay taxes in foreign countries, but at the same time citizens from foreign countries in which the country has invested nothing will choose to live and work and pay taxes there. The attracting and retaining educated skilled workers from one's own country as well as from abroad is a separate issue.

Secondly, the majority of health care in the United States is provided by private insurance policies obtained through employers for which employees must pay part of the policy premium in addition to co-pays and deductibles for all medical services. The exception is the abject poor who can apply for federal taxpayer-funded health insurance. There is no universal, taxpayer-funded health insurance program for people living above the poverty line who are below retirement age. This means that the U.S. government has not "invested" in the health care of most of its citizens prior to their reaching the age of Medicare eligibility, and because most people raised in extreme poverty who received Medicaid are not likely to grow up to live and work internationally as private citizens, the U.S. government is not out much -- if any -- money on those citizens residing in other countries.

Moreover, U.S. citizens living in the United States with private health insurance are forced to pay for the health care of those without insurance through the government permitted policy of allowing health care providers to pass the costs incurred by people without insurance on to those with private health insurance in addition to paying for the health care of the poor, elderly, and disabled through their tax dollars. This blatant inequality caused by U.S. policy is not mentioned by the author in this book. U.S. law does at least currently allow for medical debt to be discharged in bankruptcy unlike student loan debt, which brings me to the third point in my disagreement with double taxation as a legitimate recompense for a country's investment in its citizens living overseas.

The third error in the double taxation argument is that it does not take into account the existence of private schools, that public universities receive only a small portion of their funding from tax dollars, or that the most common type of student "aid" is actually nothing more than government-backed loans (amounting to an average \$27,250 per student graduating in 2012 and \$37,172 per student graduating in 2016) through a private financial institution complete with interest and high transaction fees that are not dischargeable in bankruptcy and still must be repaid even if the degree turns out to be useless in helping its holder obtain or maintain employment. Yet again, the U.S. has made either a near zero, zero, or negative "investment" in its citizens this time in the area of higher education.

If the United States truly wants to recoup a legitimate "investment" on its citizens living abroad through double taxation, then it needs to invest in its citizenry, and it can start providing free universal primary health care and free (or highly subsidized) bachelor and associate degrees. Then it would have a real justification for wanting to extract money from its citizens living outside its borders who are already paying taxes in their host countries.

The second flaw is the author's lack of understanding in regards to why such a large number of Americans whose incomes come almost exclusively through wages keep voting against their best interests and for the interests of the top 1%. He does a good job about explaining psychological studies that show people remember facts and instances that support their own personal beliefs and forget or ignore those that contradict them. He also documents who the financial sector sent out lobbyists to "educate" judges, politicians, and members of the media about how certain economic are beneficial to all Americans when in fact they only benefit those at the top and harm the rest of society.

What the author fails to take into account is single-issue voting. In the United States, people in the Midwest and the Bible Belt will vote for a candidate based solely on his commitment to outlawing abortion and his

professed evangelical love of Jesus. Other significant single-voter issues include gay marriage and gun rights.

The narrator reads this book like a news broadcaster, which can be a bit monotonous at times, so I had to deduct 1 star. Considering what a good speaker the author is, it is too bad the publisher didn't ask him to read his own book.

David says

Joseph Stiglitz is a highly distinguished economist, a winner of the Nobel Prize in economics in 2001. His career as an outspoken economist is both illustrious and controversial. He served as Chairman of the Council of Economic Advisers during the Clinton administration, on the Intergovernmental Panel on Climate Change, and was senior vice president for development policy and its chief economist at the World Bank.

Stiglitz has *a lot* to say in this *very important* book. The basic thesis of this book is that income inequality in the United States is higher than it has ever been in history. The standard of living of the top 1% continuously rises, while that of the lower 99% continues to fall. The opportunities for upward mobility are *fewer* in the United States than in many other countries. The reason is that the upper 1% have designed the economic, political, tax, and education systems to benefit themselves, to the detriment of everyone else. They do not realize that in the long term, their well-being is inextricably coupled to the well-being of society as a whole.

Stiglitz quotes Paul Ryan, who said that *"a central difference between the parties is whether we are a nation that still believes in equality of opportunity, or whether we are moving away from that, and towards an insistence on equality of outcome."* Stiglitz goes to great length (including over 100 pages of footnotes) to show how Ryan does not allow the facts to "... get in the way of a pleasant fantasy." Stiglitz shows how *"the 1 percent, in attempting to claim for themselves an unjust proportion of the benefits of this system, may be willing to destroy the system itself to hold on to what they have."*

Stiglitz shows how the high pay of corporate CEO's in the financial sector is total sham. They used to call it *incentive pay*, but when CEO's perform poorly, they changed its name to *retention pay*.

Stiglitz writes about the policies that the IMF imposed in developing countries. He shows that the policies have been proven wrong and often fail. Rather than being designed to aid the developing countries, IMF policies were in fact designed to enrich the international financial sector and corporate interests.

The book shows how inequality has eroded the rule of law in the United States. Illegal activities during the great recession of 2008 escape without prosecution. Banks that commit huge foreclosure frauds can escape with minimal penalties, often just a slap on the wrist. Crime pays.

Stiglitz cogently argues that recessions are not caused by lack of austerity--they are caused by lack of demand. Cutting back on government spending causes unemployment to increase, thereby worsening recessions. The Fed over-emphasizes its role in curtailing inflation, while minimizing the importance of lowering unemployment. They just don't get the fact that if you don't have a job, inflation doesn't matter much.

This book is a no-holds-barred slam at the government's policies. But it is not simply a condemnation. The last chapter is a well thought-out description of how economic policies could be reformed, for the betterment

of *all* citizens.

This book is extremely important. I wish that all politicians, economists and executives would read this book.
