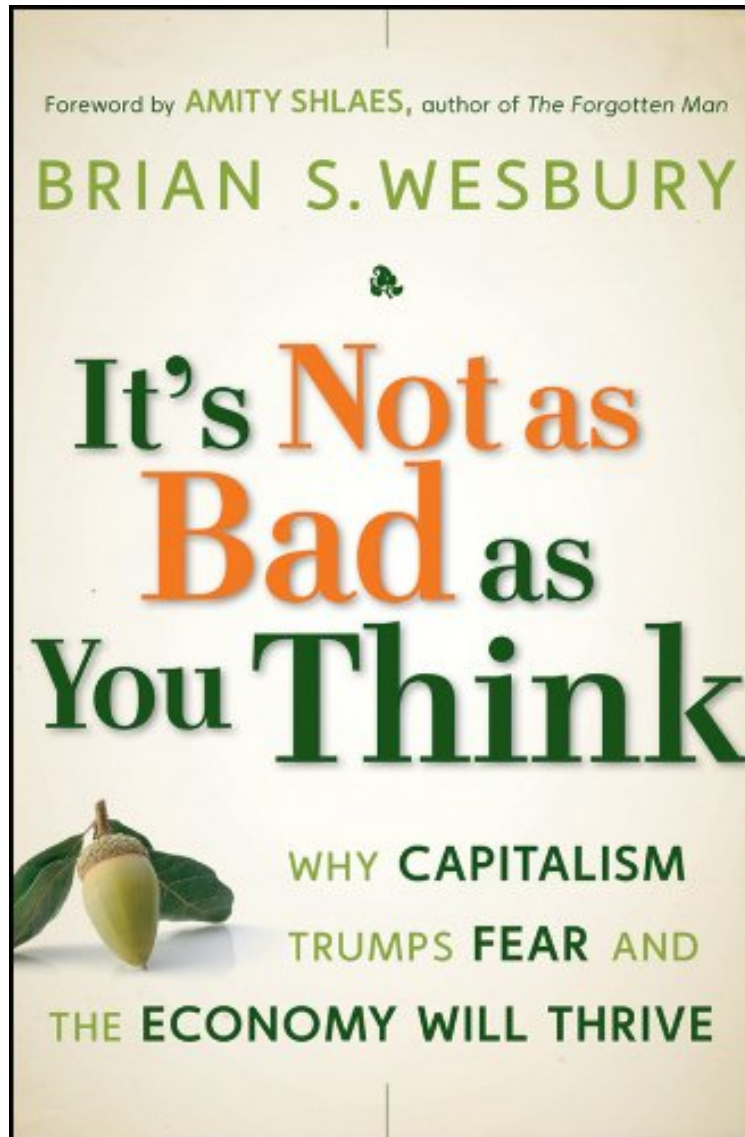


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## It's Not as Bad as You Think: Why Capitalism Trumps Fear and the Economy Will Thrive

Brian S. Wesbury

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**Brian S. Wesbury : It's Not as Bad as You Think: Why Capitalism Trumps Fear and the Economy Will Thrive** before purchasing it in order to gauge whether or not it would be worth my time, and all praised It's Not as Bad as You Think: Why Capitalism Trumps Fear and the Economy Will Thrive:

21 of 21 people found the following review helpful. A Blow to Pathological Pessimism (and Statism)By David BahnsenMy ongoing series reviewing the major books written on the economic crisis of 2008 has hit an important stride. Some pivotal books on the subject have been released, or are nearing release, and I think more of the

mechanical causes of the crisis are finally being discussed. Former Treasury Secretary, Hank Paulson, has written *On the Brink*, and I will have the book completed and reviewed in the next day or two. Michael Lewis, the most highly acclaimed writer to address this topic so far, releases his work this week (and expectations are high, at least for this reviewer). But the subject of my review today, Brian Wesbury's *It's Not as Bad as You Think: Why Capitalism Trumps Fear and the Economy Will Thrive* also belongs in the list of the truly important books to come out on the subject. This book is deeply ideological, has already proven to be prescient beyond belief, and most significantly, contains a larger perspective on the future of our economy that many other books have not concerned themselves with at all. Wesbury is an important voice in the national conversation about the economic crisis of 2008. Unlike media talking heads, op-ed pundits, politicians, and most self-identified "authors", Wesbury actually runs money, which means he has skin in this game as it pertains to identifying what took place in 2008 and where things will go from here. That is not to say that the cadre of authors who have written about the crisis thus far are less credible; it is just to say that there are more impactful consequences for Wesbury if he gets something wrong than there is for most authors. The book's underlying theses are: (1) The government, not the free market, deserves the lion's share of the blame for the crisis of 2008; (2) The free market, not the government, will play the major role in the economic rebound we are going to experience; and (3) It is a shame people on the right and the left do not better understand and apply both points #1 and #2. My study of the 2008 crisis led me to agree with thesis #1 some time ago. At this point it is an incontestable conclusion for anyone doing more than a superficial glance at the events that led up to the crisis. Wesbury, though, takes a different approach than other conservative authors. Thomas Sowell rightly blames Uncle Sam for the insidious use of national housing policy to carve a social agenda. John Taylor, William Fleckenstein, Thomas Woods, and others have gone after different aspects of easy monetary policy for its role in the debacle (and all with complete legitimacy to their case). But what Wesbury focuses on more particularly (though he also joins Sowell in his harsh critique of the national housing policy which foolishly intoxicated Republican and Democratic leadership in our country the past couple of decades) is the utter disaster that was "mark-to-market" accounting. The role that mark-to-market (MTM) accounting requirements played in exasperating the crisis of 2008 is a somewhat technical subject, but it is not as complicated as it sometimes sound. Neither Wesbury nor this reviewer are claiming that accounting requirements were at the root of the initial problem. What Wesbury does persuasively is demonstrate that what was a classic recessionary bubble burst turned into an utter financial crisis because of an accounting requirement that served no good purpose whatsoever. Defenders of the system make valid points in warning against some of the alternatives to MTM accounting, but Wesbury dissects them one by one and the end result is a compelling case for what Steve Forbes began preaching before this crisis began: Forcing a company to value an asset based on what it is worth to a low-ball buyer instead of what it is legitimately worth to the holder of it is ludicrous. Fully-performing mortgage-backed securities without a single default in the portfolio were being marked down to 70 cents on the dollar (or worse), creating a snowball effect in financial institutions' needs for regulatory capital, and ultimately leading to the massive injections of capital that we now know as TARP. Wesbury does not, to my knowledge, actually suggest that no insolvencies were going to come out of this bubble burst without MTM accounting (and if he does, he would simply be wrong). His major contention, though, is that much of the systemic financial panic, and particularly the "trickle-out" effect of companies that actually had ample capital reserves and positive cash flow, was caused by requirements that forced them to move assets onto their balance sheet at distressed prices that never came close to matching reality. His example of a house two miles away from a fire being forced to be marked down to what someone would pay for it right then and there is extremely helpful. What could have been (and should have been) a painful (but not unprecedented) exercise in creative destruction (firms who made irreparable financial decisions being shed at the chopping block) morphed into a global credit crisis of write-downs and panic equity raises. Inadequate capital existed, but the death of the system was hardly a foregone conclusion until MTM accounting reared its ugly head. Wesbury blames much of the problem on the post-Enron culture we created wherein accountants, afraid of being executed ala Arthur Anderson, were held criminally liable for outcomes, but with no responsibility in the results (in other words, they did not impact the business activities at all, but did have criminal liability for the accounting of the activities). Financial institutions playing cute with their financial messes was and is a big problem, but MTM was an over-reach of massive proportions. Wesbury's chapters on this subject are worth the price of the book. The overall point of the book goes far beyond what I have chosen to highlight above. He laments the pessimism of those who believe that economic growth is determined merely by consumption. He demonstrates empirically that in a full century of government policies that could best be defined as "all over the map", 80 out of 100 years (and 45 of the last 50) contained real economic growth. As he puts it, capitalism trumps policy. Some of the most ardent proponents of capitalism have forgotten this, or do not know what it means. Wesbury is highly critical of the present administration's attempts to reignite unionization efforts, to spend the national treasury into oblivion, and to nationalize the auto industry, banking system, health care industry, and even emissions of carbon into the environment. Wesbury does not argue that the agenda of the present administration is benign; he argues, rather, that the vast majority of it is going to fail, and that even where it is successful in doing harm, the harm will not be fatal. He argues from the clear weight of history that free markets and technological innovations have overcome burdensome government policy since the

beginning of the industrial revolution. Wesbury is a faith-based, supply-side economist, which means he is innately an optimist. And there is no even decent economic mind who is not, first and foremost, an optimist. I will not explain all this in a brief book review, but it is a foundational reality that Wesbury understands. A reading of Wesbury's 200-page book will give you a much fuller understanding of what caused the crisis of 2008. It will decimate the left's claim that the crisis proves the inadequacy of the free market system. It will give you much more color as to what really transpired, and what is likely to transpire in the decades to come. Like Wesbury, I am excited to live in the era I live in. I sure wish Uncle Sam would get out of the way to make this an even more enjoyable experience. But regardless, Wesbury knows that the history of free-market capitalism is a huge testimony to its ability to improve the quality of life for those who live in it. The taking down of this system did not take place when the leverage/credit/housing bubble of 2008 burst. And the taking down of this system will not take place under the brief reign of a Euro-radical President either.

0 of 0 people found the following review helpful. Good summary of benefits of Capitalist System and the causes of the Financial Crash  
By William L. Cunningham  
It's interesting that the evidence for the superiority of the (mixed) capitalist political economy is not more widely understood. Wesbury does a good job of reminding of us of that--including lengthening our time horizons to consider just how recent and spectacular our current wealth is. He also clearly puts forth a reading of the Financial Crisis that is worth considering. I don't think his analysis is complete - but he does a good job of providing a voice reminding us that the government did play a role in the crisis. He doesn't do enough to trace the origins back to the Reagan and Clinton admins, but he does a good job of describing the events leading immediately up to the Crisis. Well worth reading for perspective on both the Financial Crisis and the general theory of a sound Political Economy.

2 of 2 people found the following review helpful. An excellent read!  
By Geoff Puterbaugh  
I stumbled across Brian Wesbury on David Horowitz's website, and the video impressed me so much that I ordered the book right away. I think this is absolutely essential reading for investors --- and for anyone interested in what caused the Panic of 2008. By Wesbury's analysis, the first major villain was Alan Greenspan and his continuously low interest rates. None of the rest of the nonsense --- subprime mortgages, no-down-payment mortgages, the housing bubble --- could have happened without those absurdly low interest rates. The second major villain was mark-to-market accounting rules, which were finally overthrown AFTER the Panic of 2008 was well underway. His third major villain is George W. Bush, for making a speech which terrified people ("You may lose your job...you may lose your house...") and did the very opposite of what needed to be done. That's a VERY short version of the high points of a fascinating book. Highest possible recommendation!

An upbeat antidote to the gloom and doom forecasts of the financial future Just about everyone is worried about the economy and markets. And the fear is that they will stay down for a long time. But a few brave voices say that the gloom and doom forecasts are just too pessimistic. Reality is that entrepreneurs don't give up. History is pretty clear, every time the economy is thought to be done, worn out, finished, it bounces back and heads to new highs. In fact, the economy and the markets--counter to conventional wisdom--have started to improve in the first half of 2009. Even housing is showing some signs of life. With *It's Not as Bad as You Think*, Brian Wesbury, ranked as one of the top economic forecasters by the Wall Street Journal and USA Today, shows you that while the financial future may be hard to predict, it will ultimately be profitable over the long haul. In this easy-to-follow and engaging forecast of the future, Wesbury takes a look at the good, the bad, and the ugly--and debunks the pouting pundits of pessimism to show you how to prosper now and in the future. An optimistic look at the economy and the markets written by one of today's foremost financial forecasters Presents a roadmap to seek opportunities in all the panic Shows you how to analyze economic indicators and government policy to grow your wealth so you don't lose by hiding under the bed A breath of fresh air, Wesbury's objectivity and optimism provide welcome relief to the daily bad news stories, as he sets us all up to capitalize on tomorrow's great possibilities.