

[Free] The Great Money Binge: Spending Our Way to Socialism

The Great Money Binge: Spending Our Way to Socialism

George Melloan

**Download PDF / ePub / DOC / audiobook / ebooks*



DOWNLOAD



+

READ ONLINE

#1163145 in eBooks 2009-11-10 2009-11-17File Name: B002W83DE8 | File size: 44.Mb

George Melloan : The Great Money Binge: Spending Our Way to Socialism before purchasing it in order to gage whether or not it would be worth my time, and all praised The Great Money Binge: Spending Our Way to Socialism:

0 of 0 people found the following review helpful. The author describes the full list of those responsible for ...By John SloanThe author describes the full list of those responsible for the financial crisis and their political policies and theories that led to the disaster0 of 0 people found the following review helpful. A well done treatment of this topic. One disadvantage ...By CustomerA well done treatment of this topic. One disadvantage of oral books, however, is the difficulty of repeating a section to obtain a specific reference. My personal preference for this material would be in written form, since I would use timelines and reference lists to increase information retention amd evaluation. I have

listened to this mostly in the car [so far] and one cannot take notes while driving. 0 of 0 people found the following review helpful. Save this book as a reference
By Luchek
This book is a breakout from the sea of carefully managed (and therefore mostly useless) news that surrounds us. Melloan is a careful researcher who was lucky to have access to all the credible news sources of the Wall Street Journal as well as other connections he developed because of his important position. The book is crammed with historical facts that are arranged for logical thought flow. I find I have filled the margins with marks because of useful info -- Melloan helped me understand the forces behind the scenes that have steered our economy into strange places; I could never before understand why we got into some of these situations. It is equally important for me to understand how we'll ever get out of these situations (important because I'm retired and count on my investments to meet a fair part of my living costs) and Melloan discusses what will likely unfold in the future.

According to George Melloan, the erosion of supply-side economic principles began shortly after Ronald Reagan left office, when his successor, George H.W. Bush, caved in to pressures from Congress and reneged on his campaign promise to not raise taxes. Bush, who once called supply-side "voodoo economics," seemed to forget that during his eight years as Reagan's Vice President that Reaganomics was transforming America into a dynamic entrepreneurial society. The prosperous 1990s saw a gradual return of Keynesian ideas and policies that were the catalyst for the credit bubble and the current economic downturn. The genuine prosperity of the preceding two decades slowly morphed into a false sense of wealth, brought about by excessive dependence on credit by both the public and private sector. When the credit bubble burst, the economy collapsed. In short, policy makers dismissed sound classical economics and instead relied on the false promise of Keynesianism, the theory that the government itself can generate prosperity through easy credit and heavy government spending. Offering enlightening answers in an uncertain time, *The Great Money Binge* not only traces the failures of Keynesian policies and past administrations, but outlines a clear, authoritative solution: a return to supply-side economics and a rejection of the trendy but ultimately disastrous stimulus packages, which only lead to a new era of inflation and global depression.

"There are those who say -- their wishes being the fathers of their thoughts -- that Ronald Reagan's doctrine of free markets and limited government has lost its relevance and has won its last election. To them, George Melloan delivers a robust and convincing rebuttal. This intellectual spanking is delightful." -- George F. Will
About the Author
George Melloan retired in after a 54-year writing and editing career at The Wall Street Journal. In his last assignment he was Deputy Editor, International, of the editorial page and author of a weekly op-ed column titled Global View. He moved to New York in 1962 to join the Journal's Page One department as an editor and rewrite specialist. From 1966 to 1970 he was a foreign correspondent based in London, covering such major stories as the Six-Day War in the Middle East, the Biafran War in Nigeria and an attempted economic reform in the Soviet Union. After joining the editorial page in New York in 1970, Mr. Melloan became deputy editor in 1973. In 1990, he took responsibility for the Journal's overseas editorial pages, writing editorials and columns for the Journal's foreign and domestic editions about such momentous events as the collapse of the Soviet Union and the open door policy that brought billions of foreign investment into China, fueling its enormous economic growth over a period of 25 years. Mr Melloan was winner of the Gerald Loeb award for distinguished business and financial journalism in 1982 and twice in the 1980s won the Daily Gleaner award of the Inter-American Press Association for his writings about the rising Soviet influence in Central America. In 2005, he received the Barbara Olson Award for excellence and independence in journalism from The American Spectator. Mr. Melloan lives in Westfield, N.J. He is a member of the Council on Foreign Relations and the Dutch Treat Club.
Excerpt. copy; Reprinted by permission. All rights reserved.
Chapter 1 The Return of the Progressives
According to the progressive narrative, which is confirmed as authentic current history by the Beltway press, the crash of 2008 was a repeat of 1929, the result of an excess of greed on Wall Street. As the 1929 story goes, Wall Street went on a speculative bender, pumped up stock prices to a point where they could go no higher, and the market crashed. That touched off the Great Depression. The narrative continues with how the Democratic Party produced a savior in Franklin Delano Roosevelt, who led the country out of the Depression through the extraordinary use of government power to create jobs. The latest chapter in the progressive narrative awards the FDR role to Barack Obama in today's unquiet times and assures the American people that he will lead them out of the current malaise, also through the extraordinary use of government power. Extraordinary in this instance refers to massive employment of the government's power to borrow and create money. It would make a nice story if it were true. But it is mostly bunk. Wall Street didn't bust up the U.S. economy in 1930. The Dow Jones average had recovered most of its two-hundred-point "Crash" dive of October and November 1929 by April 1930. So Wall Street's wild high jinks born of the unparalleled 1920s prosperity didn't "cause" the Depression. That version has had much popular appeal presumably because it conforms to the biblical warnings of excess-cum-retribution. It has been told repeatedly because its antibusiness bias has neatly fitted the mind-set of progressive college professors, historians, and journalists over the decades. As some excellent economic historians have effectively demonstrated in a recent outpouring of scholarly revisionism, government policies caused the Depression. The primary blame lies with the

Republican Party (progressives will at least agree to that). Herbert Hoover and Congress -- seeing the crisis as an opportunity, if that sounds familiar -- raised taxes and tariffs. The Federal Reserve, a government bank, did its bit by tightening money at exactly the wrong time. The recovery from the Crash -- a downturn that was no more dramatic than some on Wall Street before and since -- was beginning in spring 1930. But that rebound was aborted by the sudden slowdown in U.S. foreign trade brought about by the radical Smoot-Hawley tariff bill and by the higher taxes Hoover and Congress imposed on Americans. The economy went into a downward spiral that did not bottom out until 1933. Hoover, carrying only six states, was deservedly trounced by FDR in 1932. Roosevelt ran on a conservative platform, promising to abandon "protective" tariffs, cut federal spending, balance the budget, maintain a sound dollar, and restore order in the banking system, which was plagued by bank failures and runs on banks, caused in the main by the inept management of the young Federal Reserve System that had simply starved the banks for cash. The Fed had been founded only sixteen years before the Crash, after eighty years in which the United States had had no central bank, thanks to the abolition of the second Bank of the United States by Andrew Jackson. Somehow economic growth and technological development survived the absence. Once in office, FDR did indeed relieve the bank problem. Exercising arbitrary powers, which presaged much that would come later, he ordered closure of the nation's banks for a week. Demonstrating the political skill that would keep him in office for over twelve years until his death, he artfully called the shutdown a "bank holiday." In his first "fireside chat" with an anxious nation he explained that the banks would be inspected by an army of bank examiners during the "holiday," and only those that were sound would be allowed to reopen. He also established the Federal Deposit Insurance Corp. (FDIC) to insure deposits with premiums paid by the banks. It was a rather naked exercise of presidential power, but it worked. Americans took their money out of the mattresses and put it back into the banks. The economy began a feeble recovery. Had Roosevelt stopped there with his use of federal muscle and fulfilled his other campaign promises, the recovery would have gained steam. But he soon fell under the spell of his progressive advisers, and having once used government power to good effect, he couldn't resist the temptation to extend his control over the economy and in the process waged a war of words against private business from the White House. His policies put a chill on new private investment and retarded the recovery that was struggling to be born. He nonetheless won reelection handily in 1936, thanks in part to heavy support from organized labor. After that came "the second New Deal" with more federal meddling resulting in an economic relapse that would prolong the Depression, for all practical purposes, until mobilization for World War II. Winning the war sowed the seeds for a genuine economic recovery, but that recovery did not get under way until a few years after the war ended, thanks to the New Deal legacy. This record is cited not to totally destroy the frequent claims that FDR was a "great" president. That's a purely subjective judgment. He was both hated and worshipped by many Americans in his day. Hardly anyone was neutral in his view of FDR, and many of those attitudes still exist over six decades later. There is no denying that he had remarkable political skills that served the country well, for a short time at least, in regaining its balance from the buffeting the economy suffered from the magisterial meddling of Herbert Hoover. His wartime leadership was also inspiring, although his deals with the Russians as an old and sick man stained his record when it was learned that he had effectively sold out Eastern Europe to Josef Stalin at the Yalta Conference in 1944. These are but a few historical vignettes. But I recite them here to give some perspective to the legend being manufactured by modern progressives on behalf of their 1930s ancestors to justify the massive economic intervention by Barack Obama and a Democratic Congress. They have argued that we are in another economic crisis, and they have taken measures that threaten to abort yet another natural, cyclical economic recovery that began to show signs of life in spring 2009 with a cautious recovery of the stock market and signs that the home price decline was bottoming out in some markets. The new progressives, like their New Deal forerunners of the 1930s, have put forth drastic and incredibly costly measures to expand government power over key industries: autos, energy, health care, education, and particularly banking. Just as in the 1930s, government interventions, both existing and proposed, have diminished the business confidence needed to restore investment and economic growth. These measures have drawn heavy criticism from prominent economists. The Obama administration is building up trillions of dollars of debt obligations that threaten to cripple the ability of the U.S. economy to function, not just in the distant future but in the near term. Harking back to the false narrative of 1929, the progressive story of our own times blames their longtime bogeymen, business and Wall Street, for the untoward events of 2008. In this version, a "greedy" Wall Street peddled toxic securities to unsuspecting investors and when the investors learned what trash they were holding, the securities market locked up and stocks crashed, touching off a recession. This story is partly true, but it leaves out a rather crucial element, the key role the U.S. government and the Democratic Party played in creating the crisis and has since played in using it to justify totally irresponsible expenditures of taxpayer money, which of course further expands the future risks and obligations for taxpayers that will result from the government's unprecedented need to borrow. The 2008 slump was not caused by Wall Street "greed." It was caused by the combination of irresponsible federal monetary policy and government intervention in the mortgage credit markets that spawned greed -- on Main Street as well as Wall Street -- and turned it into folly. As in 1930, the problems in the securities markets were compounded by further clumsy federal interventions undertaken by the Bush administration and the Federal Reserve. Mr. Obama and his Treasury secretary, Timothy Geithner, have attempted a rescue, but so far the rescue attempts look more like

something Dudley Do-Right would be guilty of rather than the skilled work of the Lone Ranger. The outcome could be something similar to what happened in the 1930s, or worse, according to forecasts by some very respectable economists. History seldom repeats itself. Just after the September 2008 crash, Wall Street Journal editorial writer Brian Carney interviewed ninety-three-year-old Anna Schwartz, who forty-five years earlier had coauthored with the late Milton Friedman the famous *A Monetary History of the United States, 1867-1960*. Over her long career as a monetary economist she has proved to be no fan of bank bailouts, instead arguing that banks should be allowed to fail as a means of discouraging reckless lending. She told Mr. Carney that Fed chairman Ben Bernanke and Treasury secretary Henry Paulson were fighting the last war (meaning the one in 1929) when they flooded the economy with liquidity after the 2008 collapse. Later events have proved that policymakers should have paid more heed to the wisdom of a woman who had spent seventy years studying and writing about monetary policy. Bernanke and Paulson were reacting to the long-standing and valid criticism of the 1930 Fed for not supplying enough liquidity to the banks in that crucial year. There was justification to be found for that criticism in the aforementioned bank runs and failures of 1930. But in 2008, the problem wasn't a shortage of liquidity in the financial system. It was a sudden and broad loss of confidence in the face value of the mortgage-backed securities ...