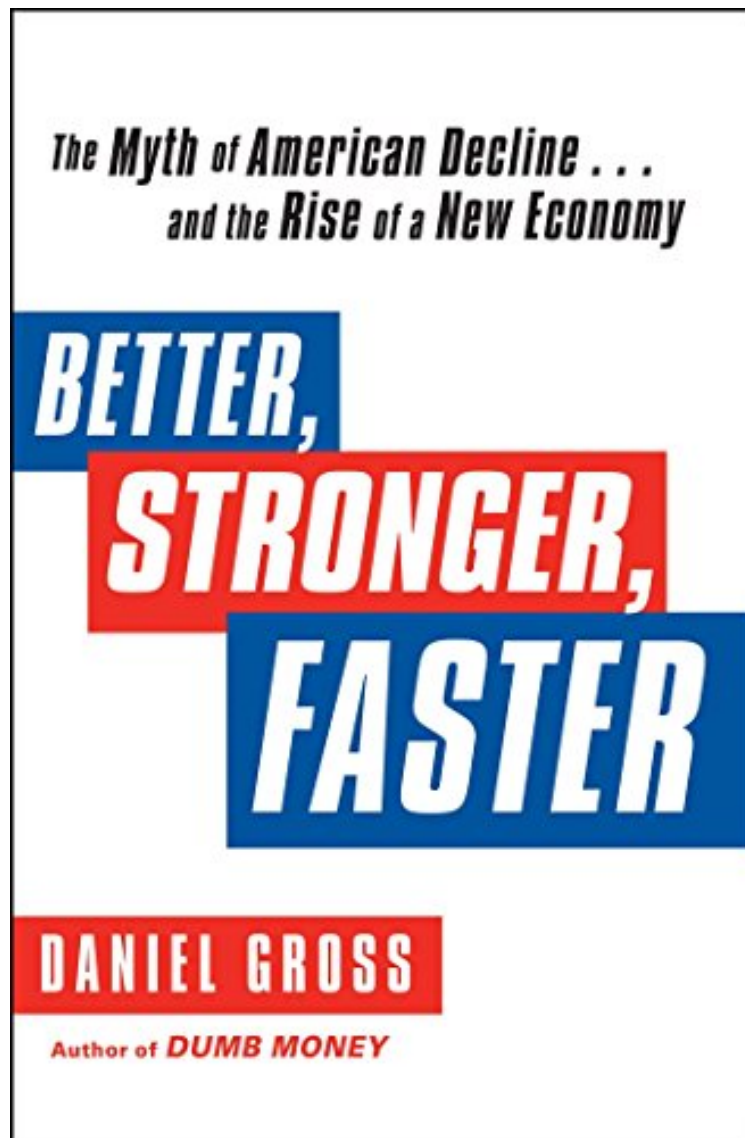


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Better, Stronger, Faster: The Myth of American Decline . . . and the Rise of a New Economy

Daniel Gross

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market has been on a tear and the indicators, both lagging and leading, show that the economy will continue to grow and improve. This fine book proves the pessimists wrong! I am not a big fan of Mr Obama but the people under the president worked hard - - and successfully to solve the 2008 panic. Those individuals were Mr Geithner, Mr Bernanke and Mr Paulson.0 of 0 people found the following review helpful. However the books does make good points. The US economy can still create new ...By DrewsterPopular press book about some of the challenges facing the american Global economy. However the books does make good points. The US economy can still create new brand names.0 of 1 people found the following review helpful. Very good book.By Cheryle WillsThis book has information about the recession that I forgot or did not know. This helps to understand what happened during that time better. Interesting reading.

Financial meltdown, a deep recession, and political polarization—combined with strong growth outside the United States—have led to a global bubble of pessimism surrounding America's economic prospects. Bloated with debt, and outpaced by China and other emerging markets, the United States has been left for dead as an economic force. But in this time of grim predictions, Daniel Gross, Yahoo! financial columnist and author of *Dumb Money*, offers a refreshingly optimistic take on our nation's economic prospects, examining the positive trends that point to a better, stronger future. Widely respected for his *Newsweek* and *Slate* coverage of the crash and the recovery, Daniel Gross shows that much of the talk about decline is misplaced. In the wake of the crash, rather than accept the inevitability of a Japan-style lost decade, America's businesses and institutions tapped into the very strengths that built the nation's economy into a global powerhouse in the first place: speed, ingenuity, adaptability, pragmatism, entrepreneurship, and, most significant, an ability to engage with the world. As the United States wallowed in self-pity, the world continued to see promise in what America has to offer—buying exports, investing in the United States, and adopting American companies and business models as their own. Global growth, it turns out, is not a zero-sum game. *Better, Stronger, Faster* is an account of the remarkable reconstruction and reorientation that started in March 2009, a period that Gross compares to March 1933—as both marked the start of unexpected recoveries. As the U.S. public sector undertook aggressive fiscal and monetary actions, the private sector sprang into action. Companies large and small restructured, tapped into long-dormant internal resources, and invested for growth, at home and abroad. Between 2009 and 2011, as Europe struggled with a cascade of crises, the U.S. got back on its feet—and began to run. Through stories of innovative solutions devised by policy makers, businesses, investors, and consumers, Gross explains how America has the potential to emerge from this period, not as the unrivaled ruler of the global economy but as a healthier leader and an enabler of sustainable growth.

"Daniel Gross is one of the smartest, toughest, and most skeptical business writers around. If he says sunny days are ahead, we should all believe him. This book is not just well written and chockablock with new insights and information, it's amusing." --Jonathan Alter, author of *The Promise* and columnist for *Bloomberg View*"Yes, the United States took a huge hit from economic crisis, but talk of its long-run decline is overdone and premature. In *Better, Stronger, Faster*, Daniel Gross rebuts the declinists and documents the enduring strengths that power America's ability to transform and reset itself in dynamic ways. The United States is poised to emerge from the crisis in better shape than any of its commonly touted old and new competitors." --Richard Florida, author of *The Great Reset* and *The Rise of the Creative Class, Revisited*, and director of the University of Toronto's Martin Prosperity Institute"Daniel Gross is an author and journalist who is not afraid to challenge the conventional wisdom. His latest book does this with tremendous style, by directly attacking the 'America is doomed' camp, to paint a portrait of America that is far more vibrant than critics usually acknowledge. Not everyone will agree with this account, least of all in an election year; however, it should be required reading for anybody who wants to understand the current state of the American recovery—and the country's place in a fast-changing world." —Gillian Tett, U.S. managing editor, *Financial Times*, and author of *Fool's Gold* "Gross comes along now with the counterintuitive view that America is not in decline after all. He confronts the conventional wisdom of 'declinism' with a robust mix of statistics and argument, and offers us reasons to be more cheerful about the state of American economy than we have allowed ourselves to be." --Tina Brown, *Newsweek*About the AuthorDaniel Gross is the economics editor and a columnist at Yahoo! Finance. From 2007 through August 2010, Gross was a senior editor at *Newsweek*, where he wrote the "Contrary Indicator" column. During this time he also wrote a twice-weekly *Moneybox* column for *Slate*. Prior to joining *Newsweek*, he wrote the "Economic View" column in the *New York Times*. Gross has appeared on MSNBC, CNBC, CNN, Fox News Channel, *The News Hour with Jim Lehrer*, C-SPAN, and on more than 35 radio programs, including NPR's *Fresh Air with Terry Gross* (no relation). He is the author of *Dumb Money*, *Pop!: Why Bubbles Are Great for the Economy*, *Forbes Greatest Business Stories of All Time*; and *Bull Run: Wall Street, the Democrats, and the New Politics of Personal Finance*. He lives in Connecticut.Excerpt. copy; Reprinted by permission. All rights reserved. CHAPTER 1 The Rise of Decline The word came down on a hot, muggy August afternoon. And as frequently happens in the financial world, whether announcing bank closures or bankruptcy filings, the messenger dumped the bad news on Friday after the stock markets had closed. Doing so gives

investors sixty hours to process the information before trading on it. On August 5, 2011, Standard Poor's, the firm that rated Lehman Brothers an investment-grade A credit on the eve of its implosion, that rented out its ancient and venerable name to any investment bank that wanted to shovel junky assets into a credulous market, stripped the United States of its AAA credit rating. In a terse statement, SP downgraded the credit of the world's largest economy, the unchallenged military leader, the proprietor of the world's reserve currency and guardian of the global stability, to AA-. The United States, which first received an AAA score from the credit ratings agency Moody's in 1917, was suddenly judged to be as likely to make good on its debt as ... New Zealand? The downgrade was just the latest humiliation to befall the U.S. economy in a three-year run of epically bad news. It came a week after the Commerce Department announced that the economy had expanded at a near-recessionary 1.3 percent annual rate for the second quarter. It came at the beginning of a month in which the economy would create no jobs, and two years after the country had officially emerged from a deep recession. It came at a time when Washington was in complete disarray, when Congress and the president were locked in an absurd standoff over extending the debt ceiling. Through fanaticism on the part of Congress and poor negotiating strategy on the part of the Obama administration, official Washington had managed to turn a once-routine formality into a circular firing squad. It came at a time when 14.2 million people were out of work, and when many more seemed to be out of hope. The fact that it was delivered when the markets were closed for the weekend did nothing to soften the blow. In the fall of 2008 the failure of Lehman Brothers, a lightly regulated, highly incompetent investment bank that had managed to amass \$650 billion in debt, triggered a chain of events that transformed the U.S. credit crisis into a global credit crisis. And it seemed to mark the end of a sixty-three-year American-led global epoch—driven by the mighty American consumer, fueled by American banks. For decades American institutions and individuals had provided the moral, intellectual, and financial underpinnings of the world's financial, consuming, and trading system. But when cheap and easy credit disappeared in the wake of the Lehman debacle, the global engine suddenly conked out: 2009 marked the first year since 1944, the height of World War II, in which global economic output contracted. Though the shrinkage was hard all over, the United States seemed to suffer the most grievous physical, financial, and psychological blows. Ghost towns, ghost malls, and ghost office buildings haunted Las Vegas, Nevada, Phoenix, and Miami. Between the end of 2007 and the first quarter of 2009, \$9 trillion of American wealth evaporated, making the United States suddenly poorer than Europe. New car sales fell 35 percent from 2007 to 2009. The United States endured a recession that lasted eighteen months, the longest period of economic contraction since the Great Depression. Nothing was downsized as much as the national ego. The collapse of September 2008 coincided with other foreboding trends: China's relentless boom, \$4-per-gallon gas, a falling dollar, an unfathomably large government budget deficit, the soaring price of gold. The largest financial institutions, once the envy of the world, became wards of the state. No entity seemed capable of making a home mortgage except the government. The hardest-working country in the world became Dropout Nation. The unemployment rate spiked to 10 percent in October 2009; an alternative measure of unemployment, which takes into account frustrated part-timers and those who have given up looking for work, soared above 17 percent. A rampant Tea Party, an ungovernable Senate, a seemingly blasé White House, unrepentant banks, and falling home values contributed to a sour mood. An NBC/Wall Street Journal poll conducted in September 2010 found that 61 percent of Americans believed the country was in a state of decline and that only 27 percent were confident their children's future standard of living would be better than their own. Americans who ventured abroad after the Great Panic of 2008 suffered a series of insults and pokes in the eye. At the World Economic Forum in Davos, Switzerland, in January 2010, amid the panels on climate change, green technology, and the need to reimagine capitalism, American voices were conspicuous by their absence. The United States, which had once dominated the forum, occupied negative space in the multilevel Kongresszentrum. U.S. bankers remained in their Manhattan bunkers, reluctant to be seen jetting off on private planes to attend an elite gathering in the Alps. Most of the Obama administration's economic team remained in Washington, prepping for the State of the Union address. The congressional delegation consisted largely of a rumpled Barney Frank, the Democratic representative from Massachusetts, and a sheepish Lindsey Graham, the Republican senator from South Carolina, who was continually forced to account for the antiglobalization rants of his Republican colleagues. In his keynote address, President Nicolas Sarkozy of France, once dubbed 'American' for his interest in bling, long working hours, and generally harder-edged attitude toward economic policy, proclaimed an end to the U.S.-led version of global capitalism and immodestly proposed himself—and Europe—as an alternative leader. "Finance, free trade, and competition are only means and not ends in themselves," he declared. At Newsweek's big Friday lunch, in the sun-dappled dining room of the Hotel Seehof, the White House economic advisor Lawrence Summers was asked to say a few words about the economy. But he was cut off: the queen of Jordan was about to make her entrance. Rania, a radiant vision in a white pantsuit, blew air kisses and made her way to the head table, where Marie-Josée Kravis, the Canadian economist and third wife of the financier Henry Kravis, was nudged aside to make room. Summers crossed his arms and remained on his feet. Yes, in ways big and small, it was hard to avoid signs of the decline in America's economic status. The data, the trends, and the zeitgeist all began to run away from the country. And that darkened the mood considerably. In 2007 Americans may have

invested, lent, and behaved as if nothing could go wrong, but starting in 2009 they began to behave as if nothing could go right. In a nation known for its congenital optimism, declinism quickly emerged as the chic intellectual pose for the new decade. Left, right, center, highbrow, lowbrow, ideological, and pragmatic—you name it. Like Walt Whitman, the American decline caucus contained multitudes. The vindicated bears, the small group of analysts, economists, and journalists who accurately predicted the financial apocalypse of 2008, roamed the denuded terrain with confidence. Frequently scorned in 2006 and 2007, these prognosticators remained suspicious of the turnaround efforts, believing that the excesses that caused the problems in the first place had yet to be worked off. Peter Schiff, the libertarian money manager who warned of a debt apocalypse in frequent media appearances, proclaimed that the cure was aggravating the sickness. An adherent of the Austrian school of monetary theory, he believed the rescue—cheap money provided by the world’s central banks and higher levels of government spending—was a vain effort to reflate the original bubble. Nouriel Roubini, the bon vivant New York University economist dubbed Dr. Doom, whose blog posts accurately predicted the housing and credit debacle, remained bearish through 2009 and 2010. So long as housing remained an issue, he believed there could be no recovery. “I see one percent growth in the economy in the next few years,” he told CNBC in July 2009. “It’s going to feel like a recession, even when it ends.” Those who looked backward found ample reason to expect decline. From his perch at Harvard, the historian Niall Ferguson, a nostalgist for the faded British Empire, repeated his case that the once mighty American dreadnought was dead in the water. The weight of history suggested that the United States, overextended and debt-ridden, was likely to suffer the same fate in the early twenty-first century that befell the British Empire in the mid-twentieth. “It’s not a thousand years that separates imperial zenith from imperial oblivion,” he said in a May 2010 speech. “It’s really a very, very short ride from the top to the bottom.”¹ Kenneth Rogoff and Carmen Reinhart, economists who data-mined history in *This Time Is Different*, a comprehensive look at financial debacles going back to the 1300s, arrived at a similar conclusion. Centuries worth of data on finance-induced crises suggest the United States won’t be bouncing back any time soon, they concluded. The moment Barack Obama was sworn in as president, a wave of economic declinism swamped the political right. A surprising number of analysts, including op-ed page contributors to the *Wall Street Journal*, George Will, and adherents to supply-side economics, insist on viewing economic and market performance mostly through the lens of politics. Democrats, they are convinced, are bad for markets and the economy, while Republicans are good for both—evidence be damned. “Obama’s Radicalism Is ...