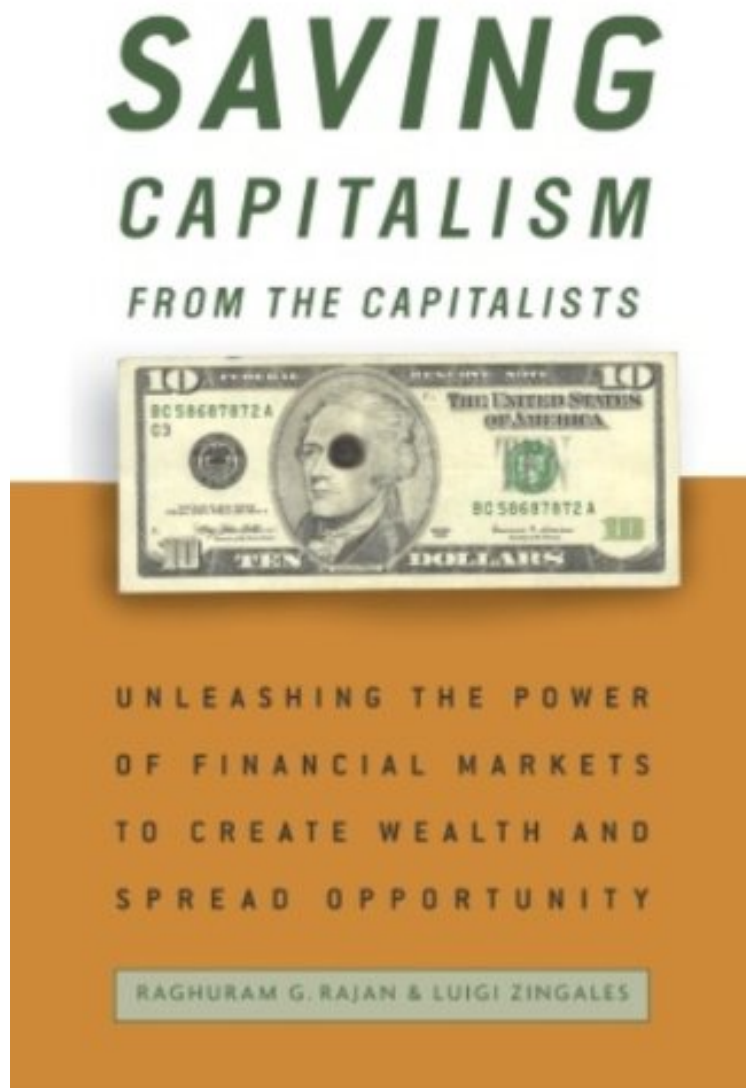


[Mobile pdf] Saving Capitalism from the Capitalists: How Open Financial Markets Challenge the Establishment and Spread Prosperity to Rich and Poor Alike

Saving Capitalism from the Capitalists: How Open Financial Markets Challenge the Establishment and Spread Prosperity to Rich and Poor Alike

Raghuram Rajan, Luigi Zingales

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In the Wealth of Nations, Adam Smith defended the new world order of market competition, but warned that businessmen did not like competition and will try to undermine it at every turn. They will do this by collusion, acquiring competitors, and asking the government to give them a monopoly position (rent-seeking). The authors relentlessly repeat Smith's theme and bring it up to date. The most important thing they do in this book is explain what a healthy financial system does for the economy (mainly keeping the cost of financing innovation and competition low), and explaining why so many countries have severely underdeveloped financial systems (the capitalist powers that be and their government cronies don't want competition, so they hate modern financial institutions). The authors are accused by many reviewers of being laissez-faire right-wing ideologues, but it is the reviewers who cannot get beyond left versus right. I recommend this book highly.
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7 of 8 people found the following review helpful. **THOUGHT PROVOKING BOOK ON THE SOUL OF CAPITALISM AND HOW TO KEEP IT ALIVE**
By Denis Benchimol Minev
"Saving Capitalism" is a book with a simple and even intuitive thesis -- that capitalists don't like competition. Since competition is the heart of capitalism, then capitalists don't really like true capitalism. Though simple, it is innovative because no one thinks of capitalism's biggest enemies as the capitalists themselves. The book goes to great lengths to demonstrate the truth in this thesis, drawing examples from different countries and showing what rational behavior by capitalists leads to such a negative situation. The thesis is well defended and makes a reader -- especially an economist as myself -- question the very foundations of economics. However, the authors also expose the reasons why capitalism has survived, especially in the West, despite such threats. It leads to the conclusion that one must fight for freedom in a wide sense, including economic freedom, meaning well oiled financial markets, open trade barriers, and low regulation to increase competition in as many markets as possible. Competition, whatever the source -- for capital, for labor, for markets, for foreign exchange --, is the heart of capitalism and should be defended by all.

Capitalism's biggest problem is the executive in pinstripes who extols the virtues of competitive markets with every breath while attempting to extinguish them with every action. Saving Capitalism from the Capitalists is a groundbreaking book that will radically change our understanding of the capitalist system, particularly the role of financial markets. They are the catalyst for inspiring human ingenuity and spreading prosperity. The perception of many, especially in the wake of never-ending corporate scandals, is that financial markets are parasitic institutions that feed off the blood, sweat, and tears of the rest of us. The reality is far different. Vibrant financial markets threaten the sclerotic corporate establishment and increase corporate mobility and opportunity. They are the reason why entrepreneurship flourishes and companies like The Home Depot and Wal-Mart have mere fly specks a quarter of a century ago have surged as they have. They mean personal freedom and economic development for more people. Throughout history, and in most of the world today, the record is one of financial oppression. Elites restrict access to capital and severely limit not only general economic development but that of individuals as well. Open borders help check the political and economic elites and preserve competitive markets. The greatest danger of the antiglobalization movement is that it will keep the rich rich and the poor poor. Globalization forces countries to do what is necessary to make their economies productive, not what is best for incumbent elites. Open borders limit the ability of domestic politics to close down competition and to retard financial and economic growth. Markets are especially susceptible in economic downturns when the establishment can exploit public anger to restrict competition and access to capital. While markets must be free to practice "creative destruction," Rajan and Zingales demonstrate the political and economic importance of a sustainable distribution of wealth and a baseline safety net. Capitalism needs a heart for its own good! There are no iron laws of economics that condemn countries like Bangladesh to perpetual poverty or the United States to perpetual prosperity. The early years of the twentieth century saw vibrant, open financial markets that were creating widespread prosperity. Then came the "Great Reversal" during the Great Depression. It can't and won't happen again, unless there is greater understanding of what markets do, who benefits, and who really wants to either limit them or shut them down. Saving Capitalism from the Capitalists breaks free of traditional ideological arguments of the right and left and points to a new way of understanding and spreading the extraordinary wealth-generating capabilities of capitalism. From the

Hardcover edition.