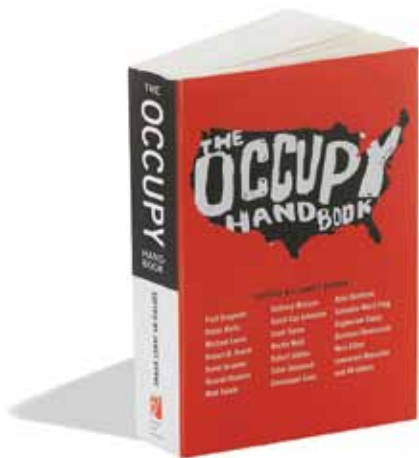


Waiting to Be Heard



Janet Byrne (editor)

The Occupy Handbook

Back Bay Books, New York, 2012, 256 pp., \$15.99 (paper).

“This is a demand to be heard. It’s a demand to have a voice. People feel voiceless. They want a voice and participation, a renewed sense of self-determination,” says activist Jon Friesen of Occupy Wall Street. David Graeber, the anthropologist who championed the consensus-driven General Assembly that became the hallmark of Occupy Wall Street, calls it a fundamentally anarchist movement whose message is “that the American political order is absolutely and irredeemably corrupt, that both parties have been bought and sold by the wealthiest 1 percent of the population, and that if we are to live in any sort of genuinely democratic society, we’re going to have to start from scratch.”

Friesen’s and Graeber’s words are recorded in *The Occupy Handbook*, a collection of 56 essays that analyzes where the Occupy movement came from, where it is today, and what it might accomplish. For better or for worse, the voices of the actual Occupiers are far outnumbered by those of their analysts, interpreters, and well-wishers.

Occupy Wall Street serves as a jumping-off point for accounts of the financial crisis. Economists Carmen Reinhart and Kenneth Rogoff provide a summary of their research on financial crises; former IMF chief economist Raghuram Rajan argues that inequality encouraged the U.S. government to support easy credit; journalist Bethany McLean, known for her work on the Enron scandal, reminds us that the housing bubble was driven by cash-out refinancing, not home purchases; while *Financial Times* writer Gillian Tett identifies social silence—that which is accepted without discussion—as a weakness of today’s complex financial sector. These are useful insights, but they do not go to the heart of the Occupy phenomenon.

Warren Buffett famously noted that it is only when the tide goes out that you learn who’s been swimming naked. One might add: It’s only when the tide goes out that you learn who can’t afford clothes. The financial crisis exposed the deeper problem of inequality that has been growing for decades. As economist Emmanuel Saez reminds us (drawing on research with fellow French academic Thomas Piketty), the top 1 percent have captured half of all income growth in the United States since the 1970s.

The recent crisis only deepened the insecurity that ordinary families had been living with for years. The government’s generous support for large banks, contrasted with its apparent inability to help homeowners facing foreclosure at the hands of those same banks, only strengthened the belief that Washington is in the pocket of large corporations and the rich. This mix of economic desperation and political powerlessness fueled the Occupy movement, which author and attorney Scott Turow describes as “a lament” about widening income inequality in the United States “brought about, in part, by a government that seems to favor disproportionately wealthy interests.”

Inequality is the fundamental motivation for the movement:

inequality of incomes, certainly, but also inequality of opportunity and inequality of power. Its famous slogan, “We are the 99 percent,” highlights the widening chasm between the superrich, who combine lives of unfathomable luxury with the staggering political power made possible by unlimited contributions to super political action committees, and everyone else, struggling to provide a decent life for their children.

So what is the solution? *The Occupy Handbook* proposes many, of which I will note three. One, suggested by economist Peter Diamond and Saez and endorsed by editor Janet Byrne, is much higher tax rates on the very rich. But that raises the question, “How, with today’s Congress and today’s Republican Party (most of which has pledged not to raise tax rates), could that possibly happen?” Which brings us to the second solution, favored by former public official Robert Reich, Turow, and others: get money out of politics, through a constitutional amendment, if necessary. While this may also seem unlikely, it is a plausible point of agreement for people across the political spectrum.

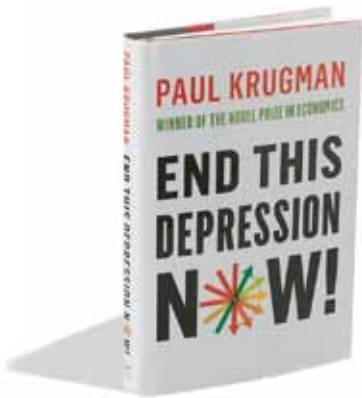
For Friesen and Graeber, however, this is mere fiddling. According to Graeber, Occupy Wall Street rejects existing political institutions and the existing legal order; in their place, it embodies “consensus-based direct democracy.” Political scientist James Miller, who has studied popular activist movements, questions what that would look like on a large scale. We should at least remember, however, that it was activists like Friesen and Graeber—not academics, journalists, or politicians—who made Occupy Wall Street a worldwide phenomenon.

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Letting Reason Prevail



Paul Krugman

End This Depression Now!

W.W. Norton & Company, New York, 2012, 272 pp., \$24.95 (cloth).

In this very readable book, Paul Krugman outlines arguments that will be familiar to the readers of his *New York Times* column. The book reads like an extended blog aimed at a nontechnical audience, and includes references to the academic literature but no footnotes or endnotes. It is in the best tradition of polemic writing.

Krugman starts with the human devastation brought on by high and prolonged U.S. unemployment as a result of the financial crisis and subsequent policy reaction. Not only has society forgone considerable output that could have improved lives, but the current high unemployment is a human and social evil that ought to be at the center of policymakers' attention.

The book's analysis is squarely in the mainstream of macroeconomics, which quite clearly establishes that government action can affect the level of demand in the economy. Krugman has the courage of his convictions when he argues that the government (and the Federal Reserve) not only can—but should—provide the stimulus necessary to offset the weakness in private demand.

He firmly refutes the myriad fallacies that have dominated the political debate (not only in America) on

macroeconomic policies: that policies must be directed at long-term goals rather than short-run concerns; that unemployment has a structural component that demand-management policies do not address; that anything the government does to influence demand will be offset by private sector action; that the crisis was caused by government interference in markets and the operations of U.S. mortgage giants Fannie Mae and Freddie Mac; that the nervous bond markets call for immediate action on the deficit; and that the main criterion for policy action should be whether it restores business confidence.

Krugman's prescription for guiding the economy out of the worst depression since the 1930s is very similar to that of the IMF: while fiscal consolidation is needed—and in some countries urgently so—where possible the stress should be on credible medium-term fiscal reforms, and immediate consolidation should be moderated to support growth. Both Krugman and the IMF recognize the need for unconventional

We are not helpless before the forces of the market. Millions need not be doomed to lengthy, soul-destroying periods of unemployment.

monetary policy, and he stands with IMF Economic Counsellor Olivier Blanchard in suggesting a somewhat higher inflation target in the current circumstances. Even if he is more outspoken in his own recommendations, Krugman recognizes that the IMF holds fast to the accumulated findings of macroeconomics.

But if the analysis is so firmly supported by the logic of macroeconomic reasoning, why does it meet with such resistance in the sphere of practical politics? Here Krugman is more cautious. While he is ruthless in deploying economic arguments to refute the assertions of those opposing an activist economic policy, he says relatively little about why reason does not prevail. This may

be because he considers his best contribution to be his use of technical, economic arguments.

The nearest Krugman comes to investigating these failures is when he recalls late Polish macroeconomist Michal Kalecki's comments on the business community's opposition to Keynes's findings: if government spending can influence the level of employment, business confidence is no longer the be-all and end-all of economic policy, and this means the business and financial elite don't have that much influence.

Public interest economists have been quick to generate models in which the staffs of public institutions distort policy by promoting plans that are in the institutions' own interest. But the problem of interest in the economic policy debate seems much more insidious than the relatively transparent functioning of public institutions. Institutions such as the IMF and the Federal Reserve come out looking intellectually robust; the problem is weak scrutiny of the influence of the rich and the financial

and business elite in the discussion. The increasing importance of private funding in academia and the growth of well-financed think tanks associated with particular agendas have strengthened the headwinds facing reasoned debate.

Krugman's book shows that we are not helpless before the forces of the market and that millions need not be doomed to lengthy, soul-destroying periods of unemployment. A hundred years of macroeconomics has given us the tools to tackle the problem: all we need is the political will to do so.

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Food for Thought



Tyler Cowen

An Economist Gets Lunch

New Rules for Everyday Foodies

Dutton, New York, 2012, 385 pp., \$26.95 (cloth).

Read this book and you could start eating better without spending a fortune. It will be good for you and for the world. All you need to do is think like . . . an economist.

Economics, according to author Tyler Cowen, will break the mental chains that “food snobs” are trying to shackle you with and will lift the veil of ignorance. But wait! Cowen’s treatise is not just about food. Broader issues are at stake and, if he is right, you could help start a revolution.

It may be counterintuitive that economics—the “dismal science”—can produce a staunch foodie, “an aficionado of food and drink,” as Wikipedia has it. Cowen makes just that point through an accessible and humorous battery of economic concepts. Yes, you can eat better and more cheaply without relying on self-pronounced food experts.

He may even persuade you to change your whole approach to food and come around to his view that “a bad or mediocre meal is more than just an unpleasant taste, it is an unnecessary negation of life’s pleasures . . . a wasted chance to refine our tastes, learn about the world, and share a rewarding experience.” He

invites you to make your life “richer in discovery, especially when it comes to the very human, very basic, and very primeval pleasures of food.”

Cowen reaches back to the historical roots of economics, to Thomas Malthus and Adam Smith, and argues his point through more than a dozen economic concepts, from production functions to metarationality, and draws on fields of study as diverse as statistics and psychology.

His economic approach to good food applies the following principle: “Food is a product of economic supply and demand, so try to figure out where the supplies are fresh, the suppliers are creative, and the demanders are informed.” He attempts to use a genuinely scientific method to better understand how food markets work and to turn that information to useful purpose.

Maxims are one his favorite didactic instruments. “When donkey carts are common and women carry baskets on their heads, eat your fish right by the ocean or lake,” Cowen advises.

The well-known economist uses cross-country examples to test his

but spices up his book with snippets of history. His study of the North American food supply chain is a key element of the book. The historical references are drawn largely from the Americas, and—apart from a look at the Aztecs and the origins of corn—are from the modern era. This is a regrettable contrast to the wonderful, sweeping epic *Salt: A World History* by Mark Kurlansky.

But this book goes beyond advice on where to get a decent meal. It touches on serious topics such as the poor quality of food, rising food prices, and lack of access to good food, whose dire societal consequences include obesity, malnutrition, food riots, and even famine. The author reminds us of the marginally decreasing benefits of the Green Revolution and of the need for a new revolution in support of better eating. He staunchly favors capitalism and sees merit in agribusiness and genetically modified organisms as a way to solve food supply and quality problems. His views about obesity—that the condition is a conscious choice by the sufferer—are surely controversial. Yet we can all

It may be counterintuitive that economics—the “dismal science”—can produce a staunch foodie.

hypotheses. Food experiences are drawn from all over the world, although the lion’s share are from Asia, North and South America, and Europe. But lest he be accused of stereotyping, he includes Chinese food in Tanzania and fish and chips in New Zealand.

Arguably, few authors would have the courage to conclude that “Pakistani food in the United States is better than Indian food in the United States” or that “most people don’t like Korean food.” But Cowen’s strong opinions and political incorrectness are refreshing and, whether you agree or not, his arguments are clear and constructive. Incidentally, “the way into Korean food is through the vegetables.”

Cowen doesn’t stop at geography,

probably agree that economists can and should be part of the movement to support better eating.

Cowen’s style may occasionally be acerbic (I recommend the parts criticizing the “green” movement), but there is an intrinsic humanity to his message that “one of the most rewarding experiences is to take the food knowledge you have acquired, and bring people into your homes for sharing.”

So, foodies of the world, unite! You have nothing to lose except that really bad, overpriced fried chicken you had for lunch.

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