



Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism

Kevin Phillips

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The bestselling author reveals how the U.S. financial sector has hijacked our economy and put America's global future at risk

In *American Theocracy*, Kevin Phillips warned us of the perilous interaction of debt, financial recklessness, and the increasing cost of scarce oil. The current housing and mortgage debacle is proof once more of Phillips's prescience, and only the first harbinger of a national crisis. In *Bad Money*, Phillips describes the consequences of our misguided economic policies, our mounting debt, our collapsing housing market, our threatened oil, and the end of American domination of world markets. America's current challenges (and failures) run striking parallels to the decline of previous leading world economic powers—especially the Dutch and British. Global overreach, worn-out politics, excessive debt, and exhausted energy regimes are all chilling signals that the United States is crumbling as the world superpower.

'Bad money' refers to a new phenomenon in wayward megafinance—the emergence of a U.S. economy that is globally dependent and dominated by hubris-driven financial services. Also 'bad' are the risk miscalculations and strategic abuses of new multitrillion-dollar products such as asset-backed securities and the lure of buccaneering vehicles like hedge funds. Finally, the U.S. dollar has been turned into bad money as it has weakened and become vulnerable to the world's other currencies. In all these ways, 'bad' finance has failed the American people and pointed U.S. capitalism toward a global crisis. *Bad Money* is the perfect follow-up to Phillips's last book, whose dire warnings are now proving frighteningly accurate.

Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism Details

Date : Published April 15th 2008 by Viking Adult (first published April 1st 2008)

ISBN : 9780670019076

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Format : Hardcover 256 pages

Genre : Economics, Politics, Nonfiction, History, Finance, Business

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Wael says

"Although the subject is very dense and the writing style of is not the easiest I have read, this book is replete with strikingly persuasive arguments and profound analyses backed by scores of fully documented facts, numbers, statistics and graphs that comprehensively dissect the economic crisis and presents its root causes, dynamics and future implications in clear cut fashion.

Furthermore, the subject is presented with an historical evolutionary context that makes the analysis even more convincing. This, by the way, is a hallmark of Kevin Phillips, the renowned conservative political commentator and the author of this and 13 other books. The man is truly a walking encyclopedia of American political and economic history. No wonder Bill Moyers, the distinguished PBS commentator, says If you read one book on the route to this financial meltdown, I recommend this one.

I was fortunate enough to have picked up the March 2009 paperback edition during my trip to Malaysia last October. It is updated with a new elaborate preface expounding upon the particulars of the actual economic crisis and their links to the original thesis of the book which was originally published 6 months before the domino effect collapse commenced in September 2008.

If you want to understand what the financialization of the American economy means, what CDOs, ABSs, SIVs, MBSs and the rest of the toxic financial alphabet soup are, who created them and why, the roles of debt, the weak dollar, peak oil, bubble/bailout mechanism, tinkered with economic indicators and the confluence thereof in the crisis then you owe it to your self to read this book. Whether you agree with its conclusions or not, I promise you that you will emerge much more enlightened about the current affairs which are affecting the lives of every one of us."

Bruce Sanders says

Everything I've read by Kevin Phillips I've liked, and this book is no exception. The thesis of the book is that when empires enter their waning years, finance replaces manufacturing and trade as the mainstay of the empire's economy; and as finance engages in ever more risky speculation in order to make money the bottom eventually falls out. In this regard Phillips compares the US economy to the economies of Spain, Holland, and England in the waning days of their empires. And there is no doubt about this as he convincingly amasses the facts that show we are in the declining period of our empire. He also spends much time discussing the self-deceptions, delusions and outright lies that accompany financial markets and the political arena when things begin to fall apart, and how this guarantees that no late revival will occur. Throw in a little discussion of peak oil and the future of the US as preeminent world power looks bleak indeed. Phillips is no doomsayer. Our fall from preeminence does not mean our demise. As he points out at the end of the book Spain, The Netherlands, and England are currently prosperous first world nations. All in all this is a good read with a broad and insightful understanding of the predicament the US is currently in.

Marty says

I'm a big fan of Kevin Phillips, but this one disappointed me. It seemed rushed at times (perhaps because his publisher wanted the book to be one of the first "financial crisis" books to hit the shelves?) and his flirtation with the peak oil theory was intriguing but ultimately unconvincing. Not surprisingly he is at his best when describing the politics of the bailouts and the potential for political realignments.

Aaron says

Economics and finance are outside my field, so I can't make any solid claims about how this book stacks up compared to others. I *can* claim that this is the most accessible and readable book I've come across yet on the topic. To be more precise, the several topics, as Phillips ties together several intertwined threads related to international economics and finance. Perhaps most notable and interesting for today are the chapters on oil and "Bullnomics" in light of current events. But rather than just tossing these topics out there with a handful of buzzwords, Phillips craftily ties them into the other related issues that have not attracted as much attention. At least not yet.

On the cover of the edition I've been reading (2009 release) it quotes Bill Moyers as saying something to the effect of, "If you read one book on the economic crisis, read this one." I agree wholeheartedly that this is probably the best summary and explanation out there, but this book goes well beyond the issues of the most recent events and goes deeper into the causes of how all this came about (reaching back, 30 or 100 or 400 years for examples and comparisons).

Phillips's prose is light and accessible, not overly technical, and full of straight-forward examples instead of (all too common) rhetoric and abstract discussion of general principles. There are too many "get rich quick with these simple investment principles" and "how to be a hedge fund manager" books out there; this isn't one of them. He treats the material seriously and openly, and seems to have no particular axe to grind. Anyone with a high school education shouldn't struggle too much and should be able to gloss over some of the vocab without losing the message. This book sets the standard for explaining economics and finance to people who don't study economics and finance.

Sarah says

This was my attempt to learn about the financial market's meltdown, and I have to admit that this book bored me to tears. Perhaps it is because I tried listening to it, but whatever the reason I felt like this book was more of a jumbled-up tirade rather than a critical analysis. Yes, I would agree with Phillips' conclusion that our economy's dependence on the financial sector, which in essence just pushes money back and forth, is largely to blame for this current recession. I didn't need to hear this eighteen different ways in the third of the book that I did get through to get the gist. Phillips may have some good facts and ideas, but he could have used the help of an editor with lots of red pens.

Cindy says

Anyone with a house and or bank account will be pretty perturbed after reading this book. Kevin Phillips predicts that it may not be 30-40 years before the US recovers from the mortgage/personal debt/Iraq chaos/dollar drop and oil crisis currently affecting the average American, but it will be close. Our upcoming presidential election could tilt us back on track or completely over the edge. The OPEC oil countries combined with the emerging Asian, Russian and South American economical gains could soon be eating our collective lunch - or what's left of it. As we have given up our manufacturing base, Phillips suggests that we are in "THE global crisis of American capitalism, in the sense of being the one that signals the Great Transferal to Asia."

This book gives many insights to all of the motions that affect our current place in the world via historical patterns that have led to other societal declines that have occurred throughout recorded history.

Laura says

This book came out in 2008. This author tackled many of the situations and conditions that lead to the financial meltdown that precipitated the economic downturn our country has been in for the last two or three years.

One concept that he makes abundantly clear in this presentation is history has a way of repeating itself. Attendant to the foregoing goes something like this, 'those who ignore or refuse to learn from history are doomed to repeat it (history, that is)'. A good deal of the material in these pages is a review of world history, particularly the economic, political and cultural conditions that lead to the decline of once great nations and empires i.e. Rome, the British Empire, Spain etc. Much of what happened way back when is happening again, in our time and in our country.

There is much to ponder in this book. I never detected any tone of political bias as he proceeded to outline the various practices that lead to the "reckless finance, failed politics, and the global crisis of American capitalism". One of the major points he makes is the ascendancy of financial services becoming "20% of our gross domestic product" and manufacturing falling to 13% of the gdp. This makes me uneasy. I have friends who make their living in this "industry". But Phillips makes the case for this next statement: "In its hubris [excessive pride]the financial sector has hijacked the American economy and put our very global future at risk".

By the time I reached the conclusion, I was pretty disheartened with the state of affairs in our nation. But, he made a couple of statements that made me feel better about things. He says ". . . the United States because of its position as a North American continental economic power with a large resource and population base . . . and further abandoning the hubris [there's that word again] of military and financial imperialism would also help because both postures represent drags on the American future". It also occurred to me that Britain, Spain and Italy have not disappeared from the world stage. So, bring it on China!

A note to the cautious, the author uses charts, graphs, and terminology that sometimes made me feel like I was sitting in on an upper division course in economics. Thankfully, he, for the most part, explained in everyday language what he was presenting. I am glad I finally got around to reading this. Check off one more from my To Read list.

Chris says

If, like me, you aren't strong on financial/econ/poli sci, this book will be a challenging, yet relevant and worthwhile read. The foresight that Phillips has into the workings of our financial and government sectors is spot on. His reviews of historic precedent makes one question if we are indeed the next Rome. While not entirely gloom and doom, Phillips brings an awareness of the precarious situation in which we find our nation, and the challenges that lie ahead for the next administration. While many of us would be quick to lay the blame on the policies of the Bush administration, Phillips shows the incremental policy shifts began in the 80s. Relevant passages include p.60, where Phillips declares that the US policy is to support the financial industry above manufacturing, precisely what we saw six months after publication with the blind financials bailout vs. the rigorous oversight of the auto industry. Also, p.115 briefly touches on the impact of a Fannie/Freddie collapse, which has indeed happened. All in all, an excellent read for anyone who has a penchant for the intersections of politics, finance, and history.

Gail says

"American Theocracy, Kevin Phillips warned us of the perilous interaction of debt, financial recklessness, and the increasing cost of scarce oil. The current housing and mortgage debacle is proof once more of Phillips's prescience, and only the first harbinger of a national crisis. In *Bad Money*, Phillips describes the consequences of our misguided economic policies, our mounting debt, our collapsing housing market, our threatened oil, and the end of American domination of world markets. America's current challenges (and failures) run striking parallels to the decline of previous leading world economic powers—especially the Dutch and British. Global overreach, worn-out politics, excessive debt, and exhausted energy regimes are all chilling signals that the United States is crumbling as the world superpower.

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Robert says

A extension of the financialization theme from the book *American Theocracy* inspired by the recent unraveling of the subprime mortgage market that demonstrates that theme, and the understanding that there will be more to come as the United States continues to become more debt-ridden and finance becomes an even greater share of the GDP. It is already the largest part of the GDP. History shows that powers that shift from being producers to rentiers soon become ex-powers. Nations that live beyond their means, like people who do so, eventually must pay in one way or another. America seems to think it has a divinely ordained pass on that fact. It does not. There is a real question of whether it is too for the situation to be reversed even if now recognized and attacked with real commitment. But there is no sign of proper recognition of the

economic folly of the United States on the horizon.

Annie says

My buddy Sue B. recommended this author over the summer, (2008). I couldn't find anything at the library other than this one and had to put it on hold and wait. Just got it a few weeks ago and, wow. What a difference a few months make. If I'd read this over the summer my eyes would have rolled back in my head and stayed there (!) as I tried to absorb the now all too familiar terms; securitization of risk, credit default swaps, tranches, or derivatives. Reading this book soon after the swoon in the markets I was grateful for the help in understanding these concepts, however alarming the reality may be.

Most of us did not see this economic train wreck coming, not the real extent of it, but Kevin Phillips did, you have to think he could not have been alone.

Mr. Phillips clearly lays out his perspective that the US will likely lose considerable power and influence, particularly with the inclination to emphasize and promote financial 'products' over manufacturing. Whether we'll follow the path of the Dutch, Spain, or England in this remains to be seen. However, Kevin Phillips does a good job of referencing and supporting his arguments, and leaves much for his readers to consider.

Kitty says

I've read other books by Phillips, which both adds to my understanding of his arguments and increases my dislike of his writing style. He makes some very good points about why the US is looking at a dim political and economic future, but he fails to account for the power of the US military and its alliances across the globe.

E says

Devastating critique of the U.S.

Many readers already admire Kevin Phillips's previous books, with their incisive analysis of U.S. politics. In this treatise, published just before the 2008 presidential election, his main concerns are the dangerous dominance of the financial sector in the U.S. economy and the fiscal implications of peak oil. Phillips covers many other hazards, from securitization to the real estate bubble. He provides historical background to explain modern financial circumstances, whacks both the Bush and Clinton administrations, and offers his take on everything from imperial England to the efficient market hypothesis. After he explains how and why the U.S. is teetering dangerously on the brink of disaster, getAbstract is relieved to report that Phillips also offers some ideas about how it might rescue itself by going back to strong manufacturing, solid education and better regulations. This seems to be a fairly hasty overview of bad times, but the author can see beyond the immediate storm to the possibility of a brighter day.

Jon says

Kevin Phillips indictment of American financial policy, greed, and political incompetence is remarkable if for no other reason than his background. Phillips places most of the blame for the bailouts, bloated financial institutions, emphasis on an economy that makes money by shuffling paper and chased off manufacturing, 70 percent on Republicans. He particularly trashes both Bush presidencies -- Clinton as well, to a slightly lesser extent -- for cozying up to the wealthy, deregulating financial oversight and falling under the spell of free-market evangelists. All from a guy who was a strategist for Richard Nixon's successful 1968 presidential campaign.

The book is data heavy, a little dry and somewhat repetitious. Also irrelevant in one case, that being his discussion of a declining US Energy sector. Informative, but if you want to read about financial misadventures, Michael Lewis' writing is a lot more lively.

David says

Bad Money is a thorough examination of the developments in the financial industry (and developments between the financial industry and government) which laid the foundation for the 2008 financial meltdown. The book was begun in 2007 and finished in 2008 before the collapse. I'm not sure whether it was available for purchase in time for anyone who cared to take warning. In any case, few in Wall St. or DC wanted to remember business doesn't only go up.

It examines the increasing emphasis on derivatives and other gimmicks that provide gambling and ways to pawn off risks on others, while providing no essential goods or services. It goes over the shifting global energy sector and other factors contributing to the US decline. It reviews some of the historical cases of past dominant powers which focused their economies on finance during their declines. The growth of corporate debt since the 1980s is covered. It discusses the major role of home ownership in English-speaking nations in economic bubbles. And so on - many threads that could have caused reasonable people to be cautious in the 2000's. The author didn't claim to know that a meltdown would happen in 2008, he mentions it as one of the possible results of these serious problems.

It's somewhat coincidental that I had read the the Forbes magazine article, "Why (Some) Psychopaths Make Great CEOs" (<http://www.forbes.com/sites/jeffberco...>) and the book The Psychopath Test. "Psychopaths" are people who lack empathy and other essential emotions, who like to manipulate others, who have high opinions of themselves and low appreciation of risks, etc. Although Bad Money doesn't discuss personalities of individuals, it could be viewed as a case study in what happens when a key economic sector is run by psychopaths (or acts as if it was). There's the risky choices, the willingness to force others to pay the consequences of their choices, the manipulation of the economy and government, the egos even after the meltdown, and just generally treating the world economy as a casino rather than the source of human livelihoods...

Will Byrnes says

I became interested in the book when I saw Phillips on Bill Moyers, and Moyers offered a strong

endorsement, saying that this was the best thing out there to help understand what was happening in the financial crisis. From what I have seen, tough sledding and all, he was right. A better title, might have been *Bad, Worse, Worst Money*.

This is a very thoughtful, information-rich look at the shaky underpinnings of the contemporary American economy. Our current precarious position is not due merely to crony capitalism or the corruption of the few. It is endemic in our system, part of a global irresponsibility.

Booms brought about by credit expansions out of proportion with real economic growth are doomed to bust. But burst housing bubbles have a greater and longer-lasting effect on the economy than mere Wall Street meltdowns.

He shows how the government consciously attempts to mask the true inflation rate (and thus the value of the dollar) by tweaking calculation of the Consumer Price Index to keep it artificially low. As many public benefit programs are tied to this it acts as a means by which those on, say, Social Security, are forced to accept annual increases that do not come close to covering the increase in real prices.

Phillips notes changes in the world, the shift from private corporate control of oil to state control. (although not noting the increase of corporate control over states) He sees the increase in foreclosure being a result not just of consumer exuberance, but of lender malfeasance. This has been well documented since the book came out.

As boom times extend there is a tendency for such economies to begin to produce less and less stuff and more and more “financial instruments.” In short more money but less real product with much of the paper being traded back and forth backed up by exactly nothing. At some point it goes boom. He notes one credible source that believes the current fiscal problems are the worst in history. Really? Worse than the Great Depression?

The book is not long, only 207 pages, but it is no one’s idea of a fast read. Although it is not completely opaque, Phillips style is somewhat turgid, despite his many years on NPR. It is thick going for the content but it may be that no one can make a breezy read out of such serious material

Review Posted October 2008

Review re-posted - May 22, 2015

Barry says

This book is both prescient and dated. It covers the credit crisis up to the end of 2007 and correctly forecast the credit problems in the fall of 2008.

Kevin Phillips is also a policy wonk and his tendency is to focus general political realities rather than just finance. Which is often a good thing, but finance viewed in isolation can be a stifling view.

Phillips makes every attempt to make his subject readable but this is still a chart-heavy book. I agree with his

approach, we need the charts to understand the material. I have a finance major, so this book is not daunting to me.

Phillips has a few really good ideas that he belabours. Some, like peak oil and \$100 barrels of oil, which sounded so inevitable in the spring of 2008, are now viewed in an entirely different light.

Even after all the recent coverage about the credit crises and how the major players managed to get us in this mess, Phillips revealed many telling details of how things happened behind the scenes.

Shawn says

I saw the author on Bill Moyer's on PBS and was very impressed with his insight, his manner of speaking, and his seasoned viewpoints--enough to immediately get on the list for this book. Unfortunately, however, I found myself increasingly disappointed as I got into the book itself. The writing style takes many mid-sentence tangents. The main points are obscured and difficult to glean. I found myself looking for a dictionary more than I have with any other recent book (I fault myself for that one, but it nevertheless made things harder to understand). I grew tired of the frequent references to his prior books and to the arguments he made in them--it seemed like a dozen such references were made. I persevered through to the end expecting some sort of summary of the arguments or some sort of logical conclusion, but it seemed like the writer hit the "pencil's down" point and just stopped writing. I came away with a few interesting, new insights, but it took way too much reading to find them. My hopes for a persuasive or predictive analysis never materialized.

George Thomas says

Read this book on the plane to/from Spain - check out some cool sights traveling from Madrid to Bilbao to Barcelona, with lots of small towns in between.

Kevin Phillips covers much more than just how Wall Street went crazy packaging American private debt with *structured finance innovations* that encapsulates the sub-prime housing market as just one aspect. This book also does an interesting job correlating the zenith of earlier international superpowers, specifically Spanish, Dutch, British society and cultures. Add to this an exploration of recent petrodollar realpolitik blunders, peak-oil, and oh yeah, don't forget about global warming, and you've got a toxic cocktail for a 21st century party. Chock full of referenced sources for those inclined to explore more, I highly recommend this book for any laypersons who would enjoy a historical perspective with a 'behind the scenes' view of our American *superpower* predicament that isn't what hear or see reported by the media conglomerates.

Check out the [Super Rich: The Greed Game](#) Google video here for a video romp through some of the same territory.

Ryan says

Phillips discusses several financial topics while arguing that the United States is heading towards a complete economic collapse. He compares the tremendous expansion of America's financial sector to that of other historical world powers (such as the British and Dutch) shortly before those powers collapsed.

Unfortunately, Phillips chose to try and one-up Krugman in shrillness. More importantly, enormous passages were falsified or made irrelevant within a year of publication.

1. His general "prediction" - that the financial sector would further collapse - was borne out in history, but not quite the way he argued. Most of what he emphasized had already happened late the previous year, and while housing prices continued to plummet well after this book's publication, his concerns regarding the failures of deregulation have not yet been seen again in the market, unless you count Madoff and friends.
2. His objections to the rate of inflation being much higher than presented may be true, but little evidence for this has been since offered (outside the shadow statistics he already cited in the book). The issue as presented is now ambiguous. It's now also besides the point, since the Fed's concern for the passed eight months or so has been to avoid *deflation*, and in the next year or so whether it can avoid *hyperinflation*. Whether the Bureau of Labor Statistics is continuously understating the level of inflation by a couple of percentage points just isn't the end of the world right now.
3. His shrill, sneering, haughty arguments about the inevitability of peak oil in the immediate future has been **PROVEN WRONG** and **UNAMBIGUOUSLY WRONG**. And it was **PROVED UNAMBIGUOUSLY WRONG** something like three months after the book was published. Of course he could then say that the projections cited (like that the global production of oil will peak maybe during 2009 and no later than 2011) did not capture the unforeseen global drop in consumer demand, screw him. If the organizations did not include that in their projections, it means they are bad, overconfident projections. **ESPECIALLY** when Phillips stringently also argues that we are on the verge of a financial collapse, which, you know, might have a large impact on aggregate demand. Especially when following what he proposed that early in the game would have been throwing wealth down the drain. That is to say, actions that may have been appropriate if peak oil were to occur in 2009 are wasteful if it really isn't going happen until 2015, 2025, or 2075.

The book's intention, the historical comparison between the US and older world powers, is a narrative, sheer storytelling. As storytelling, it can't (or shouldn't) be taken seriously. One could say that I'm playing Monday Morning Quarterback here, but I would not be nearly as harsh if Phillips hadn't been so shrill and arrogant in his analysis and predictions. Storytelling is a common human fallacy we all fall into. Myopic, dogmatic storytelling is asinine.

There are a handful of interesting points in the *Bad Money* that you wouldn't see in a normal pop-econ book, such as the (now trendy) citations of heterodox economics or devoting so much time to shadow statistical agencies. There's nothing that wrong with the analysis of the finance system either, so long as the reader identifies the ideology running through it. If Phillips had simple toned down the ideology and expressed much more uncertainty in his viewpoints, this could have actually been a pretty decent polemic, but as is, the work is mediocre at best.
