

Prins brings insider knowledge to 'Pillage'

Ever wonder how we got into the current economic mess? More important; ever wonder how we might be able to get out of it and avoid these kinds of situations altogether in the future?

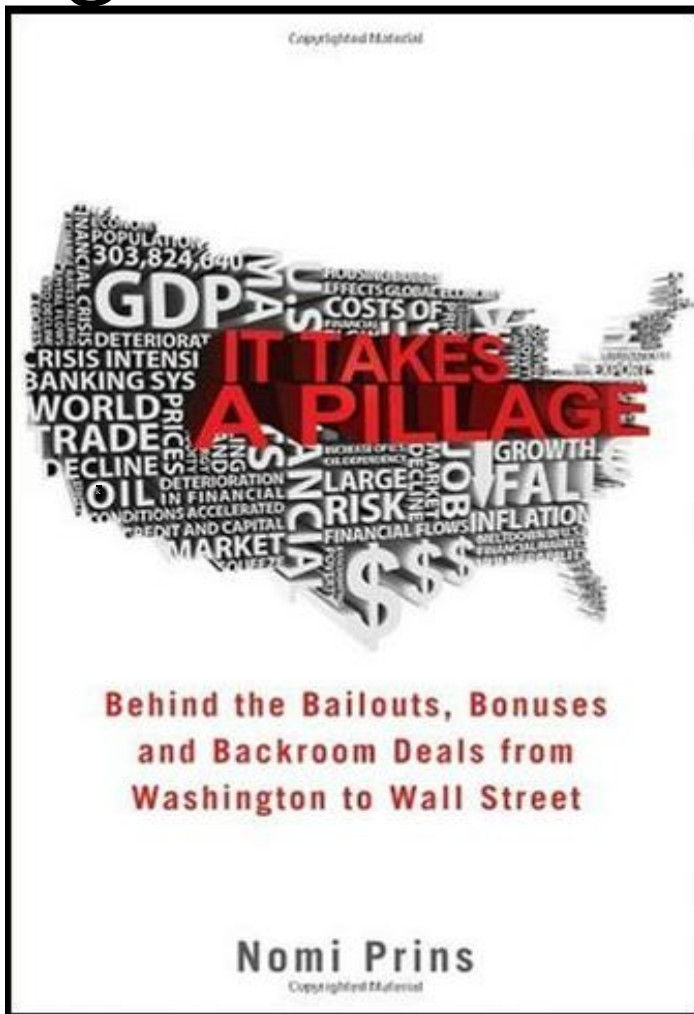
If so, then "It Takes a Pillage" by Nomi Prins is definitely the book for you. Whereas many writers have asked similar questions and offered a variety of solutions over the last couple of years, Prins brings an insider perspective to her work that other authors often lack. As a former managing director at Goldman Sachs, she understands her subject matter intimately.

Yet unlike most of her contemporaries, Prins seems to genuinely understand how the crisis has affected ordinary citizens. "People were hurting," Prins writes, "but Wall Street was rolling in record amounts of dough."

Prins is now a senior fellow at Demos, a nonpartisan public policy research and advocacy organization; her previous books include "Other People's Money" and "Jacked."

At the heart of "It Takes a Pillage" is the notion that the meltdown was essentially the result of lax regulators who ignored warning signs that were clearly unambiguous. On the surface, everything seemed to be going rather well, and no one wanted to spoil the party by pointing out the obvious: We were irresponsibly careening down the road toward disaster even as obscene profits were being generated by a select few.

Primarily due to her background and firsthand experience, Prins is understandably skeptical of the government's motives when it comes to providing assistance. "If the government wanted to get the money to consumers, it could have given them bailout assistance directly, or at least directed it to banks that were



"It Takes a Pillage: Behind the Bailouts, Bonuses, and Backroom Deals from Washington to Wall Street," by Nomi Prins. Hoboken, N.J.: John Wiley & Sons, 24909. 296 pages, \$25.95.

eager to give out or renegotiate loans," she writes. "This bailout was never meant to help consumers."

After dissecting the government's efforts to deal with the financial imbroglio in considerable detail, Prins reflects on the real meaning behind the numbers. "What do all of these dishearten-

ing statistics mean?" Prins asks rhetorically. "They mean that the bailout is not working. They mean that our government is trying to sustain fundamentally flawed institutions, ignoring a system that is itself fundamentally flawed."

When it comes to Wall Street, Prins can be particularly blunt in

her denunciation of, and contempt for, the detrimental impact and callous disregard that characterizes many who are employed there. "People get paid for creating an illusion of value that is based on some ill-defined notion or demand for a particular product, on assumptions, on internal evaluations, and on sheer spin," she observes. "The financial world does not create anything beyond the temporary value that is extracts."

Prins also knows her history. She authoritatively describes the measures FDR took in the 1930s to regulate pecuniary institutions in a way that limited their potential to exacerbate economic instability. She specifically explains three laws that had a profound effect on calming the markets: the Glass-Steagall Act of 1933, the Securities Act of 1933 and the Securities Exchange Act of 1934.

It is interesting, given her overall position on the role of governmental intervention in financial matters, to note that Prins is an unabashed fan of the New Deal: "FDR and the sitting Congress had the spine to combat this lack of transparency and Wall Street aggression with deep, not cosmetic, changes — which is why the banking industry fought them for years." Not incidentally, she feels that the repeal of the Glass-Steagall Act in 1999 was a major contributing factor to our present state of affairs.

A point that Prins makes consistently throughout "It Takes a Pillage" is that self-regulation simply does not work. "When the underlying conditions remain," Prins asserts, "then the same basic problem will keep coming back with a new face."

Prins argues persuasively that it will take substantive change to end the boom-bust cycles that have plagued our economy for the past several decades. She feels

that public outrage is the only catalyst capable of uniting the political forces necessary to truly overhaul the flawed system at the core of all of our misery. Unfortunately, that will not happen until the pain gets more intense for more Americans.

"We have got to be louder in our demands for real change," Prins pleads.

Finally, she proposes a realistic and credible plan of action that can lead to long-term prosperity, for all Americans — not just a privileged few. Her prescription is summarized in recommendations that include severe penalties for purposefully hiding risk, never capitalizing banks that are not completely transparent, preventing investment banks from being holding companies, never nationalizing risky banks, severely restricting the power of the Federal Reserve and restructuring the entire banking system.

"We need to understand how the addiction to making money in the short term with limited regulation and constraint hinders America's long-term economic stability," Prins notes. "We need to stop this pillaging."

The bottom line is that "It Takes a Pillage" is one of the most carefully constructed books available on the reasons for the current economic crisis as well as what can be done to prevent this kind of imbroglio from occurring in the future. It is extensively researched, meticulously referenced, and written in language that is accessible to a wide audience.

Pick up a copy. There's a good chance you will be enlightened and probably even enraged. The one thing you won't be is disappointed.

— Reviewed by Aaron W. Hughey, Department of Counseling and Student Affairs, Western Kentucky University