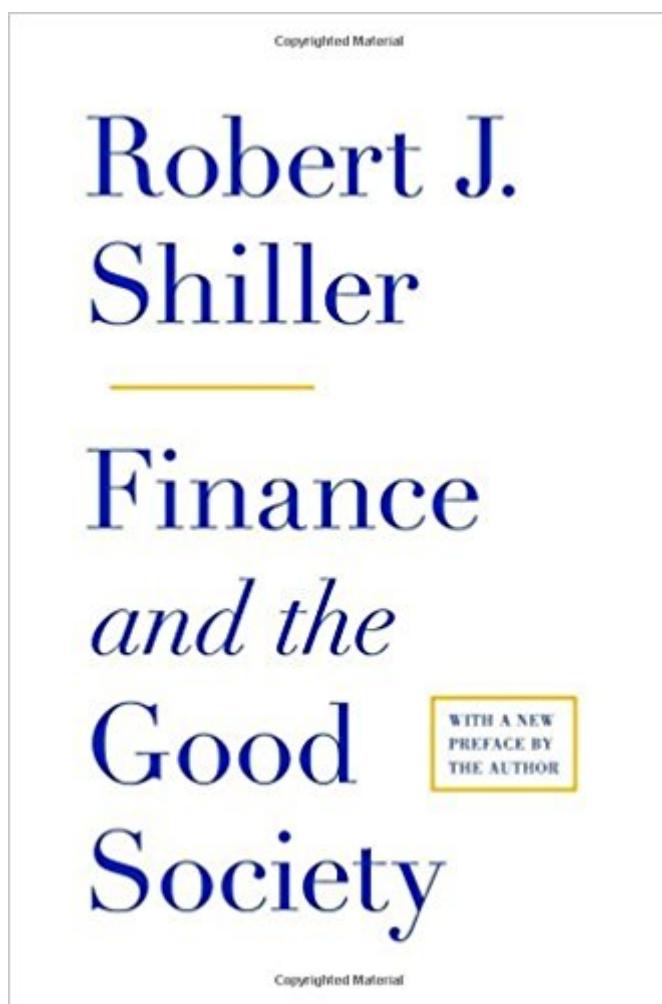


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# Finance And The Good Society



## **Synopsis**

The reputation of the financial industry could hardly be worse than it is today in the painful aftermath of the 2008 financial crisis. New York Times best-selling economist Robert Shiller is no apologist for the sins of finance--he is probably the only person to have predicted both the stock market bubble of 2000 and the real estate bubble that led up to the subprime mortgage meltdown. But in this important and timely book, Shiller argues that, rather than condemning finance, we need to reclaim it for the common good. He makes a powerful case for recognizing that finance, far from being a parasite on society, is one of the most powerful tools we have for solving our common problems and increasing the general well-being. We need more financial innovation--not less--and finance should play a larger role in helping society achieve its goals. Challenging the public and its leaders to rethink finance and its role in society, Shiller argues that finance should be defined not merely as the manipulation of money or the management of risk but as the stewardship of society's assets. He explains how people in financial careers--from CEO, investment manager, and banker to insurer, lawyer, and regulator--can and do manage, protect, and increase these assets. He describes how finance has historically contributed to the good of society through inventions such as insurance, mortgages, savings accounts, and pensions, and argues that we need to envision new ways to rechannel financial creativity to benefit society as a whole. Ultimately, Shiller shows how society can once again harness the power of finance for the greater good.

## **Book Information**

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Robert J. Shiller, Co-Winner of the 2013 Nobel Prize in Economics Winner of the 2012 Business

Book Award in Finance & Economics, 800-CEO-READ Winner of the 2012 PROSE Award in Business, Finance & Management, Association of American Publishers Winner of the 2013 Bronze Medal Book Award in Economics, Axiom Business One of Choice's Outstanding Academic Titles for 2012 Shortlisted for the 2012 Best Finance Books in China, *Caijing Magazine* "Reading his book is like wandering through an interesting garden. . . . [T]he best passages in this book make a persuasive case for a fresh view of an industry that is too glibly demonized. The most promising way to promote the good society, Shiller says, is not to restrain finance but to release it."--Sebastian Mallaby, *New York Times Book Review* "[R]igorous. . . . Shiller presents a helpful taxonomy, and is convincing in his defence of insurers, financial advisers, and (some) bankers. He is good at relating even some of the more obscure and complex trading strategies to real world problems."--Howard Davies, *Times Literary Supplement* "Shiller, professor of economics at Yale and author of the best-selling *Irrational Exuberance*, examines the future of finance in this timely new book. Recognizing the anger of many Americans--as evidenced in part by the rise of the Occupy movement--Shiller suggests that the way to fix our increasingly unequal society is through the 'democratization' and 'humanization' of finance."--*PublishersWeekly.com Online Review* "Finance is in need of a little redemption. In his priestly new book, *Finance and the Good Society*, Mr. Shiller . . . sets out to provide it. He argues convincingly that finance can, should and usually does make the world a better place. . . . As an advocate for the financial system . . . he is wonderfully persuasive because he never plays down the problems. . . . Mr. Shiller reminds us of the profound importance of finance to making our society work."--Robin Harding, *Financial Times* "[S]hiller comes across as pragmatic as well as visionary, explaining how much financial capitalism has done for society and how much more it could do if harnessed for the common good."--James Pressley, *Bloomberg News* "[W]hile many have damned the finance industry for rampant self-interest and a tendency to prey on people's flawed thinking for its own benefit, Shiller wants to overhaul it to make sure finance serves the greater good. The key, he says, in his new book, *Finance and the Good Society*, is to democratize finance--giving the rest of us access to the tools and techniques that rich folks have used for decades to raise capital and protect themselves from risk."--Drew DeSilver, *Seattle Times* "[F]inance and the Good Society is so contrarian as to be shocking--all the more so because its author, Robert Shiller, is no head-in-the-sand capitalist nor a highly paid Wall Street shill. . . . [A]t a time . . . when fear is curbing financial innovation and the political climate could 'prevent financial capitalism from progressing in ways that could benefit all citizens,' Mr. Shiller's sensible message demands urgent attention."--*Economist* "Shiller has sought to prove what most of us were prepared to assume: finance may not be the great saviour that will create good society in the Utopian sense,

but a society that truly seeks to be good will find in finance a willing partner that can help it achieve its goals. If you are looking for a social revolution, you will not find it in Finance and the Good Society but if you are planning a social revolution you should definitely read this book first."--Financial World"[D]eeply intelligent and elegantly argued."--BizEd"If FranÃ§ois Hollande really believes finance is an enemy of society, he should read Robert J. Shiller."--Tim King, European Voice"What present would you give to the man who stands on the threshold of the ÃƒÃ©lysÃƒÃ©e Palace--a man who has almost everything? A copy of Robert Shiller's Finance and the Good Society might be a timely present. . . . [A] stimulating book."--European Voice"Extensively citing history, philosophy, psychology, neuroscience, and behavioral science, the book convincingly calls for better fiscal education and claims that greater knowledge will lessen resentment and inequality, improve comprehension, and facilitate 'the good society.' An excellent resource for readers interested in understanding and improving financial capitalism."--Library Journal"Robert Shiller makes a bold but convincing plea to reform the present financial system and use its power for the benefit of society as a whole."--Arab News"Shiller has won a deserved reputation as being among the world's most prescient analysts of financial excesses. When he defends finance, we should pay attention."--Martin Wolf, Prospect"Shiller argues his case skilfully and persistently, and with a wealth of quirky and interesting examples."--Lord Skidelsky, Management Today"What is great about the book, and surprising I suppose, is that Dr. Shiller spends a great deal of time explaining why the practice of modern finance is mostly good. . . . Honestly, it's worth the price of the book just to read an outstanding explanation of why Derivatives Providers, Financial Engineers, and Mortgage Securitizers aren't inherently evil. . . . [T]his is an even-handed book that makes a distinction that has been rarely made in the post-crisis witch-hunt: Hate the sin, love the sinner. The people involved in finance are, in general, good people and the structures, in general, work well most of the time. Improvements can be made, and when the serial crises are over in a few years, hopefully we can discourse intelligently on these improvements. Dr. Shiller has made a good contribution to that discourse with this book."--Inflation Trader, SeekingAlpha"In Finance and the Good Society, the Yale economist comes to praise finance, not to bury it. . . . After examining the often unappreciated value contributed by finance professionals, Shiller reminds us that finance has already helped build a better world through inventions like amortizing mortgages, and mutual funds."--CFO Magazine"Shiller, author of The Subprime Solution and Irrational Exuberance and an originator of the Case-Shiller Home Price Indices, has written a timely, readable book, the product of teaching finance for 25 years. Unlike so many recent books stimulated by the financial disruptions that started in 2007, it does not vilify the current system of financial capitalism but instead attempts

to inform readers. . . . Judging from the book, Shiller's students are very fortunate."--Choice"Robert Shiller deserves much praise for trying to restore balance to public discussion of contemporary finance. His task is not easy, but he carries it off clearly, succinctly and with great hope for the possibilities of reformed finance. His focus on 'the good society' is absolutely correct: to build the better society that philosophers and social scientists have sought for ages, we badly need a financial system that works, not only for big business but for all of us."--Joel Campbell, International Affairs"Finance and the Good Society makes clear that Shiller is at heart an egalitarian who wants the financial industry to become more humane and inclusive in order to serve the common good. Some readers may regard the book as a public relations treatise for the industry or may object to his advocacy of an economy closer to the European model, with reduced income inequality. Few would deny, however, that Shiller floats novel ideas that deserve further scrutiny and debate."--Murad J. Antia, Financial Analysts Journal"This book will appeal to a much wider audience than . . . might suggest, however, with the easy flow, readability and wisdom that come hand-in-hand with being a bestselling author and professor of economics at Yale. Shiller demonstrated the same eloquence and clarity when he forewarned the public about the 2000 stock market and the 2008 sub-prime bubbles."--Tracey Zalk, Actuary"For the public, the book succeeds in providing a highly credible case for viewing finance as integral to the goals of the good society. . . . For professional economists who know Shiller's work, the big ideas will be familiar, but there is fun to be had in the footnotes."--Erin Todd Bronchetti, Journal of Economic Literature

"Finance and the Good Society is a provocative call for understanding, then reinventing finance as a force that could create inclusive prosperity. Shiller acknowledges the excesses, inequalities, and unfortunate incentives to sleaziness in the current financial system but says it doesn't have to be that way. An important book for those who seek change."--Rosabeth Moss Kanter, Harvard Business School Professor and author of SuperCorp: How Vanguard Companies Create Innovation, Profit, Growth, and Social Good"Drawing from history, economic theory, and keen observation of our economy, Robert Shiller brings a fresh perspective to a big issue--the role of finance in our society. He urges us to overcome the popular misperception that all finance is sleazy and to think broadly about how we can harness its power for the benefit of society as a whole."--Darrell Duffie, Graduate School of Business, Stanford University"Many MBA students are fascinated by the world of finance but wary of entering it because they perceive it as declining and marred by unethical behavior. This book will show them why finance is and should be a vital part of the good society's solution, rather than its problem. No other book does this with more authority or credibility."--Shlomo

Maital, professor emeritus, Technion-Israel Institute of Technology "This is an overflowing feast of ideas and facts--from Adam Smith to neuroscience to casino design--that will convince intelligent readers who think of finance as an arcane subject that it is not just interesting but even entertaining."--Robert Wade, London School of Economics and Political Science

Finance and the Good Society is Shiller's most recent work on the state and role of finance in society. Given the economic climate and the time we've now had to reflect, the book is a good addition to literature of late, which has primarily been focused on causes with a sprinkle of literature suggesting solutions. Shiller takes a different perspective and analyses the role of finance in society in general and the fundamental need of financial capitalism for modern society. He splits the book into two parts Roles and Responsibilities which is focused on the roles of agents of finance and the political economy and Finance and its Discontents, which reviews the failings of finance and the agency problems that exist. Roles and Responsibilities is probably what many readers believe the author is too idealistic on. He describes the benefits that financial actors bestow on the economy by doing their job well. For all who have read New Financial Order, much of the ideas are associated with the ideas first stated there. The author basically makes the case that finance allows us to structure our means to achieve larger longer term goals. Financial industries all have their niche in expertise to help create financial solutions that allow for long term planning and if done properly our ability to structure investment gives us the freedom to plan more intelligently. Finance and its Discontents discusses much of what frustrates most people as well as recent financial economic issues of importance. He discusses the motives of those in finance, the credit cycle, the ethical issues that arise in short term arms length finance and financial speculation among other things. The author qualifies most issues as being self adjusting and evidence of misdeed by the few not by all. As such it is too dismissive of the failings of finance and agency problems associated with the industry. All in all, finance and the good society was a well thought out and articulate book. It is perhaps a little idealistic, but the author ends with an important reminding lesson- that wealth is a function of a functioning credit system that allows individuals to be productive in an organized coordinated framework, the "wealth" in the absence of finance and from the spoils of war are basically negligible. Finance is needed and as much as there is injustice that has been uncovered, the system as a whole is definitely required. In terms of how forgiving the book is, it is too forgiving and there is much behavioural science experiments that show that when money is involved people lose creativity (the candlestick problem) and it impacts honesty. As such, putting in place financial solutions for financial actors that remove agency problems should perhaps be studied more by the

experts themselves. All in all an enjoyable book, though perhaps with heightened emotions it will be championed or angrily dismissed by many right now.

The book posits that the financial sector would become a more responsible animal if more information were distributed to more people and if more creative financial instruments were developed. More oversight is not needed. More simplicity is not needed. And certainly less leveraged risky derivatives are not needed. This is a strange thesis and means that the financial sector should be given continued permission to increase its earnings rather than serve as access to capital for job creating investments.

This is a spectacular book. The first half does a wonderful job of describing the roles of many career paths in finance, especially focusing on their potential contribution to a truly "good society," and also the moral hazards which people in these jobs can easily fall into. The last half of the book includes many of Robert Shiller's suggestions for future financial engineering. Since reading it I've bought two more copies as gifts for friends.

Robert Shiller is a bit of a hero to me. I enjoy his ideas and share his thoughts that finance has the power to help lots of people. Finance doesn't and shouldn't just coincide with greed and power. This book does a wonderful job of portraying finance and all of its capabilities.

Finance could be, and at times is, very useful to people. This is Dr. Shiller's vision of how it could help solve some important societal problems. But he gives much too little attention to the failures of the financial system as it currently operates. If we can't solve those problems, it will be harmful, not helpful, if the scope of finance expands further. Unfortunately, the scope of finance IS expanding and the problems ARE NOT being addressed -- but that's a complaint for others, not Shiller or this book.

Professor Shiller has written a fascinating read. Combining history, research, psychology, economics, in pursuit of the insights and importance of modern finance. After the Great Recession of 2007-08 Shiller leads us on a path to reflect and consider what went wrong and how we can learn from mistakes, greed, poor oversight, mal-aligned incentives... But the real lesson is not to blame "finance" but instead try to understand it and expect better from it. Enjoy

This is great book and should be mandatory reading for all those who bash banks, banker, lawyers

and the like. He makes the correct case as to why finance is not evil but rather critically important to a good and prosperous society. In essence when it comes to finance "don't throw the baby out with the bath water", just improve it and make it available to all in our society.

The first half discusses the roles of many important jobs in wall street. Somewhere between a gossip section and like an anthropology of wall street. Its pretty basic. But in part To Schiller open up and provides many interesting ideas on improvement, one of my favorites was the graduated sales tax, so the more money that is earned the higher the tax on items would be. Hard to implement at the moment, but potentially powerful.

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