

## The Inevitable GREAT AMERICAN RESET: Riding the Economic Rollercoaster of Capitalism

**Carl W Hafele CFA CPA**

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*What caused the Great Recession and how can we recover? A financial analyst offers a fact-based examination.*

In *The Inevitable Great American Reset*, financial analyst/CPA Carl Hafele has done a yeoman's job of analyzing America's financial crises dating back to before the twentieth century. Hafele both offers a historical perspective and seeks to show common elements in financial crises, demonstrating that, in many respects, history repeats itself.

Hafele devotes an entire section of his scholarly examination to the financial crisis of 2007-2009, the most recent financial meltdown and, for many readers, the most painful one. Hafele masterfully explains conditions that fueled the crisis and how it unfolded. He describes, for example, four important policies/trends that led up to what is commonly referred to as the Great Recession: lowering of credit standards, extremely low interest rates, high household debt levels, and high investment-bank leverage levels. Hafele discusses each in some detail and demonstrates how they all conspired to help cause America's most serious financial crisis since the Great Depression.

The second half of the book is the most sobering. Here, Hafele takes issue with the country's economic policies, putting the blame squarely on politicians. In discussing the Keynesian theory of economics, for example, he writes that the country's leaders follow only half of the theory; they "spend in downturns to prime the economic pump. But the other 50% of the equation—save when times are good—has purposely been ignored and the term 'surplus' is removed from the dictionary. The result is the huge and growing unsustainable debt levels."

Throughout the book, Hafele employs an articulate writing style that helps to clarify complex financial situations and makes for engaging reading. An added strength of the work is Hafele's well-chosen use of financial data, presented in easy-to-understand charts and graphs that complement the text.

Hafele is perceptive and adroit in his observations; however, when he expresses his own solutions to the country's problems, it is not difficult to detect a definite ideological edge. For example, in worrying that capitalism is undeservedly criticized, he writes: "Over a third of Americans do not view capitalism positively. I assume they think and hope that the government will create a job for them. Perhaps my naivety is being exposed by assuming that the majority even want a job, instead of preferring to live a subsidized, low-key, low-stress, slow-paced life." In contrasting the differences between "red" and "blue" states, Hafele, a Kentuckian, points out that southern red states are largely "tax-free" and "pro-growth," while northern blue states are "redistributionists." In blue states, he writes, "'Fairness' is priority one, which makes economic growth anemic."

Still, one need not agree with Hafele's philosophy to benefit from his book. It is comprehensive and instructive, and reading it should prove valuable to anyone who wants a better understanding of the United States' financial conundrum. Well written, well designed, and well documented, *The Inevitable Great American Reset* may not be pleasant to read, but it will certainly be enlightening.

BARRY SILVERSTEIN (March 18, 2014)

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