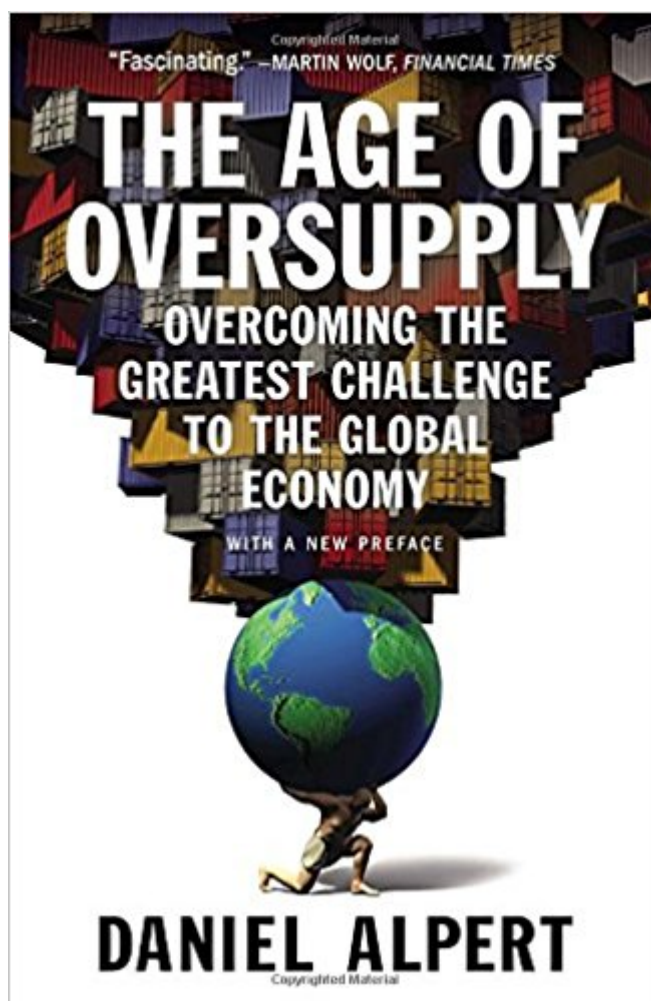


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# The Age Of Oversupply: Overcoming The Greatest Challenge To The Global Economy



## Synopsis

Governments and central banks across the developed world have tried every policy tool imaginable, yet our economies remain sluggish or worse. How did we get here, and how can we compete and prosper once more? Daniel Alpert argues that a global labor glut, excess productive capacity, and a rising ocean of cheap capital have kept the Western economies mired in underemployment and anemic growth. We failed to anticipate the impact of the torrent of labor and capital unleashed by formerly socialist economies. Many policymakers miss the connection between global oversupply and the lack of domestic investment and growth. But Alpert shows how they are intertwined and offers a bold, fresh approach to fixing our economic woes. Twitter: @DanielAlpert

## Book Information

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## Customer Reviews

Alpert, banker and progressive think-tank fellow, contends that the central challenge facing the global economy is the "oversupply of labor, productive capacity, and capital relative to the demand for all three." We learn that restarting growth is blocked by oversupply, which is here to stay, and the author offers his guidelines for avoiding a future of economic stagnation and new crises. Amid his valuable insights, the author's analysis of oversupply of cheap global labor is instructive. He cites a 2012 McKinsey study estimating that from 1980 to 2010, 1.7 billion new workers, mostly from emerging nations, were added to the global labor force, competing with workers in the U.S. where full-time unemployment remains high. With demand for goods and

services “muted” since the 2008 financial debacle, the author reports that even the most profitable companies see little reason to invest in new equipment or hire new workers. Although not all will agree with Alpert, his ideas will contribute to important ongoing debates on the global economy. --Mary Whaley --This text refers to the Hardcover edition.

“Alpert does a magnificent job of analyzing the deeper underlying causes of our economic troubles.” •Liaquat Ahamed, author of *Lords of Finance* “A fascinating new book.” •Martin Wolf, *The Financial Times*

Like other economic books, this expands on one idea, namely that there is a glut of labor pushing down wages (the glut of capital the author cites seems less obvious to me). The analysis accepts the premise that growth is the be all and end all for modern economies. The analysis and remedies seem to proceed from there. An interesting treatment. It relies also on what may be a contradiction, namely that a debt overhang threatens growth but more debt is recommended to create more growth. This apparent contradiction is not resolved that I can see, even though a distinction between infrastructure debt and consumption debt is hinted at, that distinction remains unclear to me. The essential problem of over supply is not addressed, so all that remains is how to respond to it if that is indeed the problem then the response is only to symptoms and does not address any root cause. The conclusion seems to be then that there is no alternative, coping with symptoms may be all that can be done. Nonetheless the book is very readable and generally clear as can be when treating large and sweeping economic concepts in a common context. Well worth reading.

As a libertarian I don't see eye to eye with much of the authors views but he brings up many great points about supply and demand. This book is great for studying macroeconomics and the picture the author paints isn't pretty. With more recent events the problems that the book spells could get much worse.

The first few chapters tell the whole story. I agree with his premise. Too much detail for an Non-Economist beyond that. I do feel that the book is worth reading. It really highlights some of the issues today that are so distorted in the Newspapers.

It only takes about 17% of the US workforce to make all the physical stuff - that's agriculture, construction, manufacturing, and mining combined. There are no major shortages of any buyable

thing in the developed world. It's a great achievement. That never happened before in all of history. This ought to be great. It's not working out. So what's wrong? As Alpert points out, because it doesn't take that many people to make all the stuff, there's not enough personal income to buy all the stuff. Alpert thinks the problem is oversupply, not lack of personal income. In some sense, this is backwards, but it's traditional economic thinking. Alpert sees the right problem. His proposed solutions aren't too helpful, but at least he's on the right problem. Piketty's "Capital" doesn't get this at all.

A better title for the book would have been "Everything Daniel Alpert understands about the world economy." The author is educated, informed, open-minded and appears extremely well-read. Also, significantly, he comes with no ideological baggage and no axe to grind. This is really what he thinks. He is not advocating a bunch of solutions that would make him better off or advance his status in his field or anything like that. He identifies "oversupply" as the biggest problem we face at the moment. In short, there's a good billion people in the world who have joined the world economy but they are prone to save rather than spend. The governments of their countries invest the proceeds of their sweat in providing credit to the west, which then spends the borrowed money on the goods they make. This is not controversial. Bernanke discussed the global glut of savings in 2005, a full eight years before this book came out. What is controversial is that the author thinks this is the most important thing happening right now on the planet. Maybe he's right, but if he is he should discuss why in the book. The book's opening chapter goes a long way toward establishing this problem of oversupply, but that's it. Then the book becomes a laundry list of often very interesting things the author has figured out for himself through reading books and papers and through discussing with people he knows. In no particular order, the author (among many other things):

1. Does his own version of Krugman's "End this Depression Now"
2. Explains very persuasively that Quantitative Easing is past its sell-by date
3. Bravely criticizes the Rubin/Summers/Clinton success with the deficit as serendipitous and the conclusions that stem from it as misguided
4. Summarizes damn well what's wrong with the Eurozone
5. Obliterates the libertarian / tea party / plutocratic view as self-serving
6. Explains that printed dollars are far from worthless (the IRS won't take pesos)

Also, he provides a list of proposals to help the US economy:

1. The government should urgently invest borrowed money to upgrade the dilapidated infrastructure.
2. Medical care reform should focus on resolving the split between those who pay and those who benefit.
3. Education reform should tackle the mounting student debt.
4. The bankruptcy taboo should be broken when dealing with banks. We need more, controlled, Lehmans.

So there you have it.

None of the solutions really relate to the alleged main theme of the book, which is oversupply. I sympathize IMMENSELY with the author, because he spares no punches. Nobody who is remotely partisan in nature will finish this book feeling like he did not get attacked at some point. But the main thesis is not developed adequately. Here in the UK the manufacturing industry was hollowed out in the 1970's, in the US in the 1990's and everywhere else in the west somewhere in between. China did not do this. US debt has been rising for decades, in a process (and with consequences) outlined by economists from Fischer to Minsky with no help required from the developing nations. The problem of poor demand (the mirror image of oversupply) was first linked to capitalism more than a century ago by Hobson. For this book to be a significant addition, it needs to go beyond what others have done, and this it fails to do. There is no "inventive step" here, no new addition to the body of knowledge. More to the point, we refer to 2007- today as the "financial crisis." When I picked up a book with the title "The Age of Oversupply" I was expecting the author to tell me why this is not a financial crisis, why it was something else, and I would expect among his proposals a way to tackle oversupply. I learned tons of things reading this book and I gained an appreciation of the author as a very intelligent and reasonable man, but I've found absolutely nothing here I did not already know about oversupply and how to deal with it. Indeed, I found the "anti-mercantilist" bits of the book to be the most poorly argued points made in these 255 pages. Regardless, this was informational, entertaining and educational.

Nothing new here, but well written and a good overview if you don't usually follow global economics.

Kind of a thick read, really makes you think about America's world stance.

After reading this book, I find myself looking at macro economic events differently. His basic premise is that China and all these Asian Lions have built themselves as export driven economies and therefore we are swimming in goods and services as well as capital that looking for a home. We need millions more middle class Chinese consumers to absorb the excess and that's not going to happen overnight. It's obvious the publisher told the author not to include any mathematical equations and he glances over some pretty sophisticated topics in order to stick to his subject which is probably a good thing. However, I find the author's proposed solutions to be unrealistic and politically impossible. He's also a diehard liberal democrat so he slams republicans at every opportunity. He even goes so far as to take cheap shots at Dick Cheney for his cardiac problems and heart surgery. Basically, you just have to ignore his rants. I would recommend this book to

anyone who wants to understand why they are having such a hard time making ends meet and why Obama and the Fed can't seem to resolve this economic funk America has been wallowing in for the past six years.

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