

FROM A MARKET ECONOMY TO A FINANCE ECONOMY

THE MOST DANGEROUS AMERICAN JOURNEY

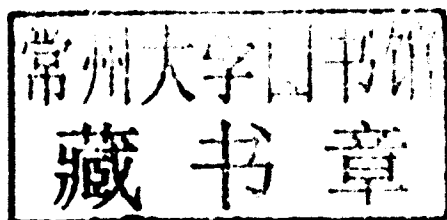
A. COSKUN SAMLI



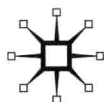
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A. COSKUN SAMLI



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From a Market Economy to a Finance Economy

This book is dedicated to a most proactive government that
worries about the people and the future of the country.
Is there such a government out there?

Preface

During the past two decades or so some scholars maintained that American capitalism will implode because new technologies, often perceived as threats, are blocked; wealth is accumulated in the hands of few who simply are oriented only toward current gains; the education system has stopped producing curious people who want to explore, who are willing to learn more, and who wish to build and make things. The system did not implode but switched from a market economy to a finance economy, which I believe is a preimplosion stage. No country with uneducated people and little curiosity can truly advance. Entrepreneurs who are risk takers, organizers, and doers have been challenged and practically stopped by the most powerful vested interests that have, and are still gaining, even more financial power and are using it to maintain the status quo continually. They are simply motivated by gaining more wealth now.

When I came to the United States some 55 years ago, there was a market economy. Small companies were competing; there was no outsourcing, and only about 15 percent of petroleum was being imported; CEOs did not make much more than their workers; gasoline was about 17 cents a gallon; people bragged about their work and not about the cruises they took; we did not owe money to the Chinese or the Japanese; and there were almost no financial planning and investment companies. That was the time when educational institutions were competing to educate their students better. Doctors used to make home visits with their black bags. The upper limit of income tax was 92 percent. This was a society with unlimited potential and extreme ambition to get better. With the

exception of race relations, which have gotten much better with time, the United States was much more of a humane society where people were more valuable than corporate profits. Am I describing a dreamland? No. But I am describing a futuristic, dynamic society with zeal to improve. For instance, in early 1960s I worked with the Office of Consumer Affairs in California. These offices were there in every state. They were closed down by President Reagan, who felt that consumers don't need protection.

Just what happened to the futuristic, dynamic society? It functioned well because the two dominant political parties agreed on the general goals for the society, and even in their approach to fulfill those goals they were not much far apart until about the late 1960s. They were not imagining themselves a football team having a championship match. The progressive American society continued making major progress when president LBJ presented his dream of the great society; unfortunately it was cut short by a "war of choice"—the Vietnam War—and ever since the American society has been moving in the direction of profiteering, greed, and financial control.

Am I being too harsh on the American progress or lack thereof? Perhaps. But how can we improve if we are not critical of our own existing conditions. In 2001 I wrote a book titled *Empowering the American Consumer*, wherein I questioned the purpose of writing it. The answer was that although, on the surface, the American economy seemed to be doing quite well at that time, in reality it had derailed. And if it continued the same way, there was a possibility of disaster. Many powerful firms were focused on their own profits, and were almost forgetting that they owed their very existence to consumers. Instead of generating consumer value they were engaged in what seemed to be an endless merger mania. They were gaining more and more power by buying out their competition and were becoming so powerful that they were terrorizing consumers. Mind you, the conditions then were not nearly as bad as what we are having now in terms of having a finance economy.

To my amazement the current finance economy is antiworker, anticonsumer, anti-immigrants, antipoor, and, above all, antigovernment. Why? The financial giants do not really want to have a higher authority limiting their activities. But I am equally surprised and definitely displeased about how accurate I was in my observations and predictions.

I must reiterate that present-day America is not like what I dreamed when I was very young in a third world country. I used to think that it would be wonderful if there were no greedy elite and people lived in conditions where everyone had equal opportunities to education, to work, to medical care, to advancement, and to share in scientific advancements. The United States appeared to be just such a society where these and other such rights were unquestioned.

In my earlier book I merely question these and other equality conditions. In this book I know they are not there at all.

Just what is needed to be done? From my personal perspective, nothing is likely to be accomplished as long as billionaires and millionaires resist any change in the financing system in the economic activities of the current finance economy. This has to stop. Running our country is not, and should not be, limited to simply creating few high-paying jobs responding to financial pressures. Running our country must involve protecting equal opportunities. Not financial rewards but human values must be the ongoing guideline for future progress shared by all. Equal opportunity in education, in job creation, in industrial advancement should not be controlled by financiers.

When I first came to the United States, I was totally obsessed with the fantastic American education system, which emphasized individual advancement. It taught us that we are not learning simply to get jobs, but to be better citizens and certainly better human beings.

But I keep going back and asking one major question: how did the "one percenters" gain all the power to run our country? Just where is the equal opportunity for the "ninety-nine percenters"? The

financiers insist on privatization of practically everything and the “ninety-nine percenters” of our society are proposing social nationalization of certain social activities.

Nationalization: Is It a Pragmatic Solution?

When a function, such as defense, health care, education, or energy, is nationalized all citizens and all consumers share the benefits. The British have nationalized certain industries on and off, thus saving time and cost and solving many other problems. If, for instance, we were to nationalize the health care industry, its efficiency would increase such that instead of about 18 percent of the GDP its cost would be around 8 percent as experienced in Germany, the United Kingdom, or even Israel. Furthermore, the industry, just as in these countries cited and in many others, would cover everyone and would not leave some 45 million people without health care. But the 1 percenters insist on privatization, which is strictly a huge money-making proposition for them and critically enhances the income inequality in our society. If we stop dealing with labels and approach problems realistically, we may decide to nationalize some of the nonprivate issues such as health, defense, education, energy, and the like. We forget that ours is a mixed economy—the biggest attraction for me to study the American economy. Unfortunately, this feature of the economic realities is not even discussed seriously anymore. The 1 percenters have limited the national discourse to profitability and financial issues.

What Is the Role of Corporate Entities?

Much research has dwelled on profitability as an early indicator of “too-big-to-fail” (Greeve 2008). But this is a very complex issue; it is not even possible to measure or estimate if “too-big-to-fail” is a legitimate concept to explore. Would it or would it not be correct

to consider size as an asset or a liability? The 1 percenters think it relates strictly to the profitability of the company and the society or the government should not interfere. But what if that profitability is exploiting consumers' rights? Corporate entities must make money by generating consumer value, which I learned very early on, rather than by exploiting them. But do things really happen this way? Unfortunately, the financial giants are making money at the expense of the society as a whole.

This book is a manifesto for what was recently noted as the "99 percenters," who are basically losing ground in a stagnant and troubled economy. Many of my early predictions have become reality, and I sincerely hope that my observations in this book may inspire some people to think and act in favor of the society as a whole rather than support a privileged financial giant that continues to dictate the direction of our economy. Is anybody listening? We must get away from "one dollar one vote" to "one person one vote." Let democracy prevail.

Acknowledgments

This is my twenty-fifth book. It is mainly based on some 14 recessions I lived through and studied. I know perhaps more than most people about recessions and related economic conditions. I hope to share those experiences with you. A book cannot be developed without the help of many people. I hasten to say that this book is the result of my daily discussions and my nightmares. I have difficulty believing that a dynamic society such as ours with so much potential will allow itself to reach such a deteriorating position. My almost daily discussions, at least when he is around, was with my colleague Ron Adams, which help me for my ideas. We have had almost endless discussions as to how our economy can be so great and how sad that it is in the hands of 1 percenters and not showing good progress. My friend Dr. James Gray of Florida Atlantic University has been very instrumental in writing this book. We had many discussions that gave me many good ideas.

My immediate colleagues Dr. El-Ansary and Dr. Kavan were always there to respond to my questions or comments. My friend, coauthor, and scholar Dr. Joe Sirgy of Virginia Tech has always been an inspiration. Dr. Ed Mazze of Rhode Island is usually full of ideas and whenever I talk to him he always shares them with me. My editor Charlotte certainly is the most important inspiration that kept me going. She was most enthusiastic and encouraging about this book. I hope the book will live up to her expectations.

Without help of my research assistants I am not sure I could have accomplished much. Now they have moved on to bigger and better things, but I gratefully acknowledge the assistance I received from John Wells, Weston Probst, and Adenike Olunuga, whose on-and-off

work made it possible to get my research together and consistently going in the right direction.

Susan Watts always types my almost illegible handwritten notes. She then constructs it into a book. She is a magic worker. Her husband Bill Watts also deserves much credit for reading the whole manuscript and commenting where they may be possible improvements.

Unlike my previous dean who totally discouraged me from writing books, my current dean Ajay Samant has been very encouraging.

My daughter Dr. Ayla Samli is always interactive and always has many good ideas. My brother Osman Samli lives in Istanbul but he is only a telephone call away and as such has been a critical source of ideas and inspiration.

Finally, but above all, my most important interactive partner and also supporter, my wife Bea Goldsmith who not only read many parts of this book and argued with me, but also gave me the best possible meals, which kept me going. Without the support of the people mentioned here and many others who helped me throughout my long professional life I would not have been very productive—I am truly grateful. I must also add that I am solely responsible for the contents of this book.

I certainly hope that it will stimulate your thoughts and activities to help our country move out of its present doldrums.

A. COSKUN SAMLI
Ponte Vedra, Florida

About This Book

Here is a brief synopsis.

In the preface I talk about my concerns and partially my dreams.

In the introduction the emphasis is particularly on what should be and why.

Chapter 1 deals with just what is happening to the American economy—where some of the real problems are and what appears to be the future.

Chapter 2 explores what it was like earlier and how the conditions are changing and where we are headed.

Chapter 3 goes into one of the most important concepts of the book—the greed factor. If the economy allows greed to take over then the whole system becomes dysfunctional for the majority of the society.

Chapter 4 explores if those giants that are considered to be too big to fail could really survive even if they receive support.

Chapter 5 deals with a summary of what happened during the past five decades or so. It really reflects my professional life.

Chapter 6 points out that one of the major ways of getting out of the current economic doldrums is innovation. It must be strongly stimulated.

Chapter 7 discusses recessions. It points out that they could be eliminated but in some ways they feed the greed factor.

Chapter 8 points out that the society must not be split up. If it is supported by business, education, and government the whole society will benefit.

Chapter 9 finds out that Alice has my concerns. They should be taken very seriously for the future of our society.

Chapter 10 deals with a very important concept, the government. It is maintained that government must be a partner rather than being treated as a foe. The chapter explores the areas where government should be playing a very important role.

Chapter 11 explores just how the current questionable directions can be reversed. This would mean a strong movement toward progress.

Finally, the postscript deals with my wishful thinking about the future of our society, which still has a great potential.

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