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The Great Deformation: The Corruption of Capitalism in America
David A. Stockman
New York, New York: Public Affairs, 2013 (743 pages)

According to David Stockman, the federal government has damaged the proper function of financial markets by endless tampering, intrusions, and bailouts that improperly benefit elites and undermine market justice. The result has been a growing concentration of wealth in the financial sector relative to the real economy. Wall Street's politically instrumented financialization of the economy has secured for a speculative ruling class much of the wealth generated by constructive business enterprise. This wealth siphoning activity is sustained by means of a government-sanctioned hijacking of capitalism.

As capitalism is corrupted by unfair advantages for elites in securing, controlling, and maneuvering assets globally, the rewards that should flow to productive ingenuity, savings, and labor contributions are shunted instead to largely unaccountable plutocrats, their hedge-fund cronies, and fast operators in the shadows. This distortion of capitalism undermines the competitive prospects of responsible investors and productive entrepreneurs. Traditional republicanism is weakened as those who fall behind in this race for capital and power become comparatively less able to finance a morally reasoned policy vision. Meanwhile, the "Wall Street to Washington coterie" dictates the economy's platform and redistributive agenda. Voters cannot afford to demand true reform because their jobs, homes, and retirement prospects are no longer secure apart from Wall Street's success in the economy.

Decades of attacks on the moral integrity of financial markets by Wall Street elites and their lobbyists has produced “a great deformation” of market justice and sustainability. During the period of 2008–2012, the distortion of checks, balances, and incentives became extensive enough to ensure an eventual day of reckoning. Stockman hopes that when accountability for sound monetary policy finally arrives (perhaps by 2020), “Mr. Market” will be free to cleanse the system with an economic justice profound enough for a sustainable recovery. In the meantime, a false recovery continues predicated on the power of central banks to subsidize dominant financial entities.

David Stockman begins part 1 of his five-part, 743-page book with three chapters on the 2008 financial panic. The first several chapters include many wry and sardonic anecdotes as well as a scathing discussion of crony capitalism. Along the way, the author dissects the allegedly needless rescue of AIG, the false narrative generated by Wall Street barons, and the ability of the same elites to use government intervention to disguise and sustain their programs of plunder. Stockman is at ease using bold metaphors to roast the guilty in every quadrant of the ideological landscape. The result is a surprisingly red-free, blue-free analysis from someone who was at one time President Ronald Reagan’s budget director.

Part 2 of the Stockman magnum opus explores the Reagan era, its roots in the Nixon administration, the birth of the GOP leadership’s antitax proclivity, and the triumph of the welfare state in America. In this section, Stockman’s analysis of mid-twentieth-century economic policy is sweeping, incisive, and morally informed. In explaining the logic of his narrative, Stockman suggests that the now-scattered pieces of the policy-development puzzle cannot be adequately assembled without interpretative license. Readers are left to judge whether this discretion is warranted.

Part 3 of the book explores New Deal myths, war-era episodes of crony capitalism, the so-called twilight of sound money, and what is portrayed as Eisenhower’s last stand for fiscal rectitude. Stockman’s defense of the gold standard in this section is detailed and instructive. Gold advocates stand to gain a more nuanced understanding of gold’s role in the economic policy wars by contemplating Stockman’s rich historic analysis.

In part 4 of the book, Stockman dissects Alan Greenspan’s transition to easy money as monetary policy. He also explains Wall Street’s turn to financial gaming, the bull-market culture, and the Fed’s subsidization of gambling manias. His erudite observations lead to the conclusion that financial legitimacy is mortally wounded in America as well as worldwide.

Part 5 of the treatise is entitled, “Sundown in America: The End of Free Markets and Democracy.” This section details financial follies, especially those of Mitt Romney, Ben Bernanke, the Obama Administration, and yes, David Stockman prior to his moral enlightenment. The author’s candor about his own moral delinquency during his rent-seeking years lends credibility to the book (571–76). Stockman provides economic prognostications as well as recommendations for policy change. He sees the need to restore sound money, repair the free market, reorient the Fed’s work, reconfigure the congressional election process, and reduce the size of government. Furthermore, he wants to cut the national debt, withdraw federal incentives that subsidize risk, recover a portion of the wealth siphoned by elites, and amend the federal tax code. While willing to offer reforms, Stockman is not optimistic about their prospect (702).

Allegedly, the current "phony" recovery will come to a ragged end (670). What we have now is a split recovery—magnificent for the top 5 percent while modest to minimal for the bottom-three quartiles. Massive corporate profits, elevated asset prices, and fabulous prosperity for elites work to make the economy look better than it is for most Americans. Such a dichotomy is transitory, mere rhetoric being no substitute for a proper link between rewards and true merit (659, 671).

While Stockman's perspicuity is evident throughout the book, key concepts are sometimes circumstantially defined. Stockman's defense of free (but not unfair) markets is the premier example. Readers must content themselves with indirect definitions. In Stockman's thinking, free markets have design features inimical to capture by crony capitalist forces (xi, 317, 330). Free markets insist on sound money, fiscal rectitude, and respect for private choices (xiv, 227, 347). Sound market architecture successfully resists Keynesianism, monetarism, and economic disequilibria (xvi, 356). Honorable market freedom works to punish leveraged speculation that underprices risk and hazards long-term prosperity. Prudently designed markets disallow the extraction of rents by manipulative ploys and market scalpers (42, 51, 391, 492, 513, and 559). Finally, credible price discovery in free markets cannot accept central bank subsidies for Wall Street—subsidies such as the Greenspan and Bernanke "Puts" (300–302, 463).

Stockman suggests that market architecture bearing the laissez-faire stamp is not a free market design by any defensible moral standard, at least not in today's complex world. Freedom is not license. Illustrious liberty has always necessitated moral responsibility. If today's capital markets cannot be governed to prevent a grotesque misalignment of productive merit and earned rewards, a market design consistent with morally laudable outcomes should be introduced. No area touchable by ingenuity is without the prospect of progress.

Stockman's book will put off some readers. The vocabulary is sophisticated, the author's tone often polemic, the overlap of observations not infrequent, and the timeline interrupted. The approach to documentation is also unorthodox. Nonetheless, the nature and complexity of the project may justify the approach.

Some readers may dislike the fact that had it not been for the author's calamitous fall from investment banking grace in 2005, the book would not have been written. Deep in his treatise, Stockman dryly observes, "Put in mind of what Samuel Johnson once said about the gallows, I found that a criminal indictment did, indeed, concentrate my mind" (574). Arguably, it is our good fortune that as a Wall Street private-equity buccaneer, Stockman loaded his ship with too much debt. If he had sailed his loot to freedom, he might still be singing from the Wall Street choir book.

In defending himself from charges of mismanagement as the CEO of the major automotive supply company (acquired through a leveraged buyout), Stockman delved into "every nook and cranny" of his company's balance sheet and financial statements. While the criminal case against him was later dismissed and his CEO liability in civil cases settled for $7 million, the experience forced Stockman to come face to face with the “debt monster” he created with his leveraged buyout (LBO). As the scales of his own moral blindness fell from his eyes, Stockman was finally able to see the US economy as a gigantic limited buy-out operated for financial elites. In this governmentally sanctioned LBO, a massive amount of putative future wealth gets monetized in the form of dramatically accelerated capital gains and fraudulent asset acquisition (4, 519). In short, this wealth transfer system reflects a distortion of market integrity.

If David Stockman is right, the great deformation is really an insidious war waged against true justice and the productive middle class. As such, this trampling of the good ought to be opposed with all the courage and stamina people can muster—much the same way Americans took action following the 1941 attack on Pearl Harbor. Unfortunately, the insidious nature of financial war makes it difficult to defend against. In majoritarian politics, people must be able to comprehend a legalized larceny before they can effectively repel it. Happily, this thought-provoking book promises much help in understanding market morality.

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Management and the Gospel: Luke’s Radical Message for the First and Twenty-First Centuries
Bruno Dyck
New York: Palgrave MacMillan, 2013 (302 pages)

Readers of this journal will already be familiar with the impressive body of management literature devoted to discovering and articulating a broader, more balanced view of the purpose of business and the practice of management. It is a pursuit that began in earnest during the latter half of the twentieth century—spurred certainly by global competitive forces but ultimately by the recognition that the claim that the purpose of business can be reduced to the maximization of shareholder wealth is a flimsy platform for the future of an institution so essential to human flourishing. For most of the past twenty years, Bruno Dyck, professor of management at the I.H. Asper School of Business at the University of Manitoba in Winnipeg, has been a major contributor in this movement in an effort to arrive at what Gary Hamel refers to as “Management 2.0,” a qualitatively different approach to the theory and practice of management. In fact, management scholars such as Hamel, C. K. Prahalad, Peter Senge, and others have called for a wholesale reconstruction of the philosophical foundations of management, even noting the importance of drawing lessons from the field of theology. With *Management and the Gospel*, Professor Dyck offers us a comprehensive, carefully researched, and arguably paradigmatic shift in our grasp of what this “radical vision” of management might entail.

Dyck describes the aim of this text as both simple and profound: first, to return to the gospel of Luke and interpret it through a first-century management lens and, second, to