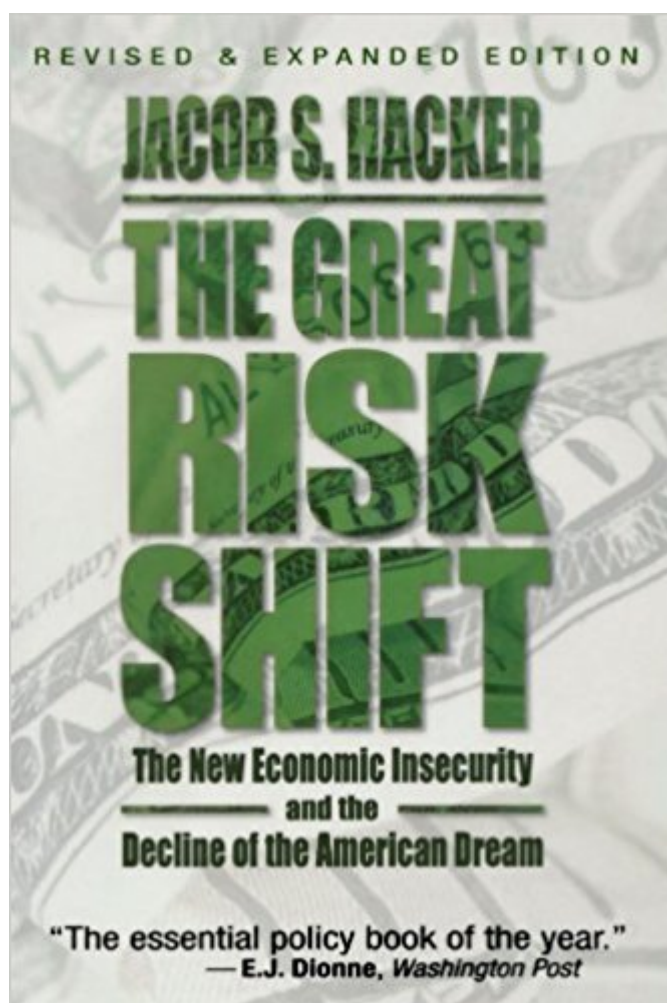


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# The Great Risk Shift: The New Economic Insecurity And The Decline Of The American Dream



## Synopsis

America's leaders say the economy is strong and getting stronger. But the safety net that once protected us is fast unraveling. With retirement plans in growing jeopardy while health coverage erodes, more and more economic risk is shifting from government and business onto the fragile shoulders of the American family. In *The Great Risk Shift*, Jacob S. Hacker lays bare this unsettling new economic climate, showing how it has come about, what it is doing to our families, and how we can fight back. Behind this shift, he contends, is the Personal Responsibility Crusade, eagerly embraced by corporate leaders and Republican politicians who speak of a nirvana of economic empowerment, an "ownership society" in which Americans are free to choose. But as Hacker reveals, the result has been quite different: a harsh new world of economic insecurity, in which far too many Americans are free to lose. The book documents how two great pillars of economic security--the family and the workplace--guarantee far less financial stability than they once did. The final leg of economic support--the public and private benefits that workers and families get when economic disaster strikes--has dangerously eroded as political leaders and corporations increasingly cut back protections of our health care, our income security, and our retirement pensions. Blending powerful human stories, big-picture analysis, and compelling ideas for reform, this remarkable volume will hit a nerve, serving as a rallying point in the vital struggle for economic security in an increasingly uncertain world.

## Book Information

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## Customer Reviews

In *The Great Risk Shift*, Jacob S. Hacker lays bare our unsettling new economic climate, showing how it has come about, what it is doing to our families, and how we can fight back. Behind today's insecurity, he contends, is the Personal Responsibility Crusade, eagerly embraced by corporate leaders and politicians who speak of a nirvana of economic empowerment, or an "ownership society." But as Hacker reveals, the result has been quite different: a harsh new world of economic turmoil. Hacker brings into focus as never before the pressures that shifting financial risk onto consumers exerts on our pocketbooks and in our lives. Blending powerful human stories, analysis, and compelling ideas for reform, this remarkable volume will hit a nerve and serve as a rallying point in the struggle for economic security in an increasingly uncertain world. Exclusive Read a letter from the author of *The Great Risk Shift*.

Dear Reader, Given what's happening on Wall Street right now, you are probably feeling at risk. But have you stopped to think about why? Why are our personal finances so much more anxiety-producing today? The stories in the headlines are all about the financial crisis at the very top--among the big banks and Wall Street firms, the hedge funds and financial insurers--but the story I tell in *The Great Risk Shift* is about the slow-moving financial crisis that has crept into the lives of the rest of us as risk has moved from the broad shoulders of government and corporations onto the backs of American workers and their families. Our jobs, our health care, our family finances, and our pension plans are all less secure--and the reason is pretty much the same across all these areas. We've seen major changes in our economy, yet little response from our corporate and political leaders. Indeed, the big response is--you guessed it--to shift more risk onto us. So guaranteed pension plans morph into risky 401(k) plans, traditional health plans morph into Health Savings Accounts--or no pension plan or health plan at all. Meanwhile, proponents of the risk shift call for partial privatization of Social Security and shifting away from employment-based health insurance to individually purchased, unregulated plans--all to put more of your skin in the game. Make no mistake. Your skin is very much in the game already, and each of us has to step up to the challenge on our own and together. Acting alone, we can set up a sunny-day fund to put aside unexpected windfalls (rare as they sometimes seem) for future rainy days. We can also check out our private and public insurance options using the guidelines in the book. And with simple mortgages and pre-set savings, we can commit ourselves to do automatically what we have trouble doing optionally. But I wouldn't feel the book was complete if it just said, "It's up to you," because, frankly, there's no way most of us can deal with these risks on our own. We need to "get mad" and then "get even," as I put it in the book, to put in place a new set of priorities. So read the book for a simple (I promise) health plan that can cover everyone, and which was the basis for leading candidates' plans in this year's presidential race. I will tell you how

401(k)'s can be truly made secure and predictable (really!) and how we can deal with the job insecurity that plagues so many. The Great Risk Shift is an expose, a call to arms, and handbook for how we can get back to the basic idea that once made our middle-class strong: people who work hard and do right by their families should have a basic foundation of financial security to be able to confidently reach for the American Dream. I promise the book will change the way you look at your own financial situation and our nation's choices. Please check the book out for yourself.

Sincerely, Jacob S. Hacker

"Jacob Hacker, a Yale University political scientist, has emerged as an incisive voice on issues relating to retirement security and income volatility."--AARP Bulletin

"Jacob Hacker's research on the uneven state of the American safety net has made the young Yale University political scientist a top idea merchant to Democratic think tanks."--Business Week

"Thoughtful Democrats like Clinton aide Gene Sperling and Yale professor Jacob Hacker have argued that Americans, even amid prosperity, are increasingly insecure in our globalized economy and wary of downside risks if they have to change jobs or learn new skills."--Michael Barone, Washington Times

"Hacker's biggest idea to combat volatility: Smooth out the financial ups and downs through 'universal insurance' that would temporarily make up income shortfalls from job losses. Don't be surprised to see a variation on this and other Hacker ideas batted around during the 2008 presidential race."--U.S. News & World Report

"As Jacob Hacker argues persuasively in *The Great Risk Shift*, America's middle class finds itself living with far more risk and income volatility than it did a generation ago." --Christopher Hayes, *The Nation*

"Hacker's important and illuminating book--with its call for creating an insurance and opportunity society--should inform every discussion of progressive political strategy in the coming decade."--David Moberg, *In These Times*

"Jacob S. Hacker, a 35-year-old political science professor at Yale, has become something of an intellectual 'It boy' in the Democratic Party over the last decade...The patchwork safety net created in the decades after World War II truly is shriveling, and there will be rewards for the party that comes up with a convincing solution. Hacker has done the Democrats a favor by developing a story and a catchphrase--the great risk shift--to describe the problem."--David Leonhardt, *New York Times*

"In cutting-edge polemics like Jacob Hacker's *The Great Risk Shift*, the smartest liberal voices are focusing on voter anxiety about health care and income volatility--anxiety that the GOP hasn't even begun to find a way to address."--Ross Douthat & Reihan Salam, *The Weekly Standard*

"Democrats don't really have an answer to the economic anxieties of the middle class. They don't quite know how to deal with the complicated mix of optimism and anxiety that characterizes even the upper-middle class in today's economy. They

know that the old language of economic security from risk doesn't stand up against the slogans of opportunity and ownership that the right offers, even though those you're-on-your-own policies make matters worse. There is a healthy debate going on in liberal intellectual circles about this. The best answer so far can be found in Jacob Hacker's new book, *The Great Risk Shift*, in which he proposes that we think of security as the basis for economic opportunity. However, this idea doesn't yet seem to have entered the consciousness of the political class."--*Washington Monthly*"The essential policy book of the year."--E.J. Dionne, *Washington Post*"An intellectual handbook for many on the left."--*The Economist*"One of the two most important books on American politics to appear this year, maybe in many a year.... Hacker's is one of those prescient books that names and anatomizes a potent, ubiquitous trend that has been hidden in plain view.... His book deserves the widest possible audience, for having nailed the most powerful and underappreciated economic trend of our era, thereby inviting a discussion of the political opportunities."--Robert Kuttner, *American Prospect*"A valuable new book...he presents data explaining the new sense of economic dread hanging over Americans. We all know that in this globalized, ultracompetitive age, job security has been beggared, but Hacker attaches startling numbers to the national anxiety."--*New York Magazine*"His most ambitious work yet."--*The New York Times Book Review*"Within a unified thesis, Mr. Hacker tells a coherent story about economic insecurity. And, by and large, the thesis is compelling...his account is provocative and worth reading."--Roger Lowenstein, *The New York Times*"Provides a fresh diagnosis of a familiar complex of problems from structural unemployment to the erosion of retirement plans you can retire on."--*The Atlantic*"A powerful and timely account of the forces driving the ascendance of economic insecurity in America. But Hacker does more than describe the problem; he offers a thoughtful and ambitious policy agenda and explains how each of us can make our own families more secure. This is an important book for anyone concerned about the continuing vitality of the American dream."--John Edwards, former U.S. Senator and Director, Center on Poverty, Work, and Opportunity at UNC Chapel Hill"America's largest social class isn't upper-income, middle, or poor. It's our sprawling anxious class. As Jacob Hacker shows in this lucid and riveting account, American families are experiencing more and more uncertainty about their future, and the reigning conservative orthodoxy is exposing them to ever greater risk. Hacker lifts up the floor boards of conservative's much touted 'ownership society' and reveals the extended rot. But he also offers up a new foundation for economic security. This is an important book."--Robert B. Reich, Professor of Public Policy, University of California at Berkeley, and former U.S. Secretary of Labor"What Hacker so effectively documents in *The Great Risk Shift* is that for too many Americans, Washington's pursuit of a so-called Personal Opportunity Society has instead brought

about deepening economic insecurity. From job tenure and health coverage to retirement planning, corporations and governments are offloading longstanding institutional responsibilities onto the fragile psychologies and balance sheets of ordinary families and households. Small wonder the public doesn't trust the national economy and its circumstances."--Kevin Phillips, author of *American Theocracy*"Hacker urges shared risk and responsibility. He builds on the best examples of efficient, high-quality coverage today: the employer-provided health insurance received in large (and high-wage) firms, and Medicare. His plan, now called Health Care for America, preserves the ability of private insurers to compete while ensuring a safety net for all Americans...Hacker's is an ambitious plan that has a good chance of making the transition from today's piecemeal approach to universal, rational coverage with the least disruption."--Chronicle of Higher Education"Hacker shows that the decline in economic security is the major economic issue of our time, far more important than the occasional recessions and blips in the unemployment rate that preoccupy so many economists. This book powerfully illuminates the real scope of the problem."--Robert J. Shiller, author of *Irrational Exuberance*"Most Americans today are on an unstable financial footing. Could this become the next hotbutton political issue?...Hacker characterizes economic insecurity as 'the defining feature of the contemporary American economy,' and his book provides a fresh diagnosis of a familiar complex of problems from structural unemployment to the erosion of retirement plans you can retire on."--The Atlantic Online"Hacker seeks to call attention to another alleged failing of the new, more market-oriented economy: rising levels of risk and insecurity...he advances some interesting proposals... deserving of serious debate."--Wall Street Journal"Risk aversion is why Americans are so nervous about the economy: As much as we prize stability, we find ourselves up to our necks in risk...income stability has fallen dramatically in the United States in the last 30 years. The likelihood that Americans will see drastic changes in income from one year to the next is three times higher now than it was in the early 1970s."--St. Louis Post Dispatch

A terrific read. An eye-opener. Everyone should read this book.

This is not the easiest book to read, but the subject should hit home for a number of Americans and it's well-done.Hacker shows how over time, government and corporate actions have led us to a point where just about every risk imaginable is being borne by individuals. Once upon a time, the government and corporations shared in the risk, but we're getting towards a point where that is not the case. With the stories he shares and the points he makes, one can see that it's no accident that stories abound of people who have lost just about everything - be it their retirement funds, their

homes and any other savings they have. Oftentimes, something as simple as job loss due to a layoff or an injury/illness (not necessarily to the person, either, as a sick or injured child can do this as well) is what triggers it, and Hacker spends a good deal of time talking about health care since that's about as broken as anything in America. None of this, of course, has been talked about as much as the "prosperity" of the past few years in the American economy, one that was a house of cards and is now in loads of trouble that anyone with common sense could have foreseen. At the end, Hacker shares some ideas well worth considering. Cynic that I am, I don't expect our elected leaders to do that, especially as they've been bought by corporations left and right. The book is not always easy to follow, as Hacker makes extensive use of statistics and at times puts several together, and it at times has the feel of an academic paper being presented at a conference of some sort. But that's a relatively small knock, and it's a book every politician needs to read and probably won't (or they will just dismiss it because they're out of touch and don't have to live the lives ordinary Americans do).

Must read.

I used for a class and was fine :)

This book is fundamental in understanding the issues facing Americans. I am a fiscal conservative, with enough education to gain a undergraduate and post-graduate degree. While I do well for myself, this book outlines the truisms of American life. Unfortunately, America is on the decline because we have shipped our means of production to China and other third world countries. How long can China produce 80% of what we purchase, while Americans HATE American products? The truth is Americans are the hardest working in the world and produce the best products.

Unfortunately, someone has instilled upon their children a self hatred of American products to justify sending jobs overseas. Oh well, read the book. While this book doesn't contain "silver bullets" to "solve" the problem, no book does. Anyone who purchases this book and thinks its a get rich quick book is a moron. Any book that promises get rich quick schemes, is just that - a scheme. This book is reality. The reality is be careful, save, watch spending....

Hacker is being touted as a prophet with the recent bail outs and Wall street woes with Lehman, AIG and the subprime fiasco: individuals CANT manage their own money after all, Hacker was right, yes? Hannah Arendt is turning over in her grave at two subtle miscues: reaction and received

opinion. Personal responsibility vs. totalitarian control comes down to one simple bad assumption: that government is any less corrupt or any more smart than Wall Street. The Soviet economy collapsed (the first time) over a tripart deadly combination of excess military spending (with no related revenue stream), a central command economy with no price signals (the free market's central value in a global economy: no human "team" on earth can keep up with the speed or complexity) and, of course: corruption. Does anyone really believe that a roomful of bureaucrats in DC can manage any better than a roomful of traders on Wall Street? Are they less stupid or less corrupt? The lynchpin is ethics in making any balance between individual responsibility for investment and government control and regulation work, and it's sadly lacking, and there are not enough resources in law enforcement or at OMB to police individual ethics, they have to come from within. Neither party has really talked in detail about interfacing risk sharing and safety nets with global trading and ethics, they, and Hacker, miss all three points of ethics, price signals, and excessive defense spending. Reaction is the mother of all screw ups, whether in a marriage, or a social contract. Reaction to terrorism creates crazed defense spending. Reaction to simple markdowns to market creates trillion dollar bailouts. Reaction to bad individual investment choices creates huge new regulatory bureaucracies. This creates the insane pendulum that can't find the moderate balance, and the divisive conflicts between partisan policies. Hacker, as a Clinton insider, has to take a position, and is being touted as "prophetic" with the 2008 corrections. Give him his due, but watch for the next catastrophe when the overreaction creates multi trillion dollar offices filled with government bureaucrats trying to play Wall Street gurus. A whole new generation of GS 11's is what will save us! Then, we will dig up the death-by-regulation Caterpillar Tractor quote from 1970 "When small men cast long shadows, it is a sure sign the sun is setting." The bad assumption in the coming reaction is that the GS crew will be any more ethical or competent than the greedy Streeters! Does anyone really believe that? BTW, who underwrites Hackers "Insured Society" -- Lloyd's, GE Reinsurance, or AIG? Sorry, Jacob, risk is there, and every solution involves shifting! You can't afford war, a welfare state AND a huge dept of govt. risk managers-- quality, service, price-- pick two. Sure, it's easy to say forget war: until Israel and Iran go at it, and the ancient dream of the Russian czars of a warm water port becomes a reality. If God were playing a chess game intended to relegate the U.S. to history, this latest pendulum swing would be a brilliant move. Is this worth reading? Yes. Does it provide a balanced view? No. Does it miss a key conclusion? Absolutely: the assumptions of competence and ethics in big government are glaring, and the economic effects of regulation on businesses and resulting job creation are skimmed over. Look at the relationship of Siemens and the German government: shared assignments and interlocking



jobs. Success? No, the global economy will have its way. What about Japanese companies with access to M1 creation and their own government banks? Nope, the global economy trumps them again. Look up the word PARASTATAL on Wikipedia. It is VERY well known in Europe and Japan, but very novel and unstudied here in the U.S. Both German and Japanese economic literature have a lot more reservations, and a lot more research, on the parastatal structure than we do in the US, but will that stop DC from launching right into it? Oh, wait, we just did...

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