

The New Financial Order: Risk in the 21st Century

By Robert J. Shiller

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In his best-selling *Irrational Exuberance*, Robert Shiller cautioned that society's obsession with the stock market was fueling the volatility that has since made a roller coaster of the financial system. Less noted was Shiller's admonition that our infatuation with the stock market distracts us from more durable economic prospects. These lie in the hidden potential of real assets, such as income from our livelihoods and homes. But these "ordinary riches," so fundamental to our well-being, are increasingly exposed to the pervasive risks of a rapidly changing global economy. This compelling and important new book presents a fresh vision for hedging risk and securing our economic future.

Shiller describes six fundamental ideas for using modern information technology and advanced financial theory to temper basic risks that have been ignored by risk management institutions--risks to the value of our jobs and our homes, to the vitality of our communities, and to the very stability of national economies. Informed by a comprehensive risk information database, this new financial order would include global markets for trading risks and exploiting myriad new financial opportunities, from inequality insurance to intergenerational social security. Just as developments in insuring risks to life, health, and catastrophe have given us a quality of life unimaginable a century ago, so Shiller's plan for securing crucial assets promises to substantially enrich our condition.

Once again providing an enormous service, Shiller gives us a powerful means to convert our ordinary riches into a level of economic security, equity, and growth never before seen. And once again, what Robert Shiller says should be read and heeded by anyone with a stake in the economy.

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The New Financial Order: Risk in the 21st Century By Robert J. Shiller Bibliography

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Editorial Review

From Publishers Weekly
Shiller is best known for arguing, as he did in Irrational Exuberance, that stock market movements do not reflect underlying economic reality and that the volatility of the market makes the financial system unstable. It is therefore a surprise to find him advocating vast expansion of financial derivative markets to reduce the economic risk faced by individuals and countries. According to Shiller, governments should swap 10% or more of their gross domestic product with other countries and administer income swaps among entire generations. Individuals should manage risk by trading in new financial instruments based on the lifetime income of their profession, the value of homes in their area or economic statistics like the unemployment rate or inflation rate. Money, he says, will be replaced by "indexed units of account" tied to things like wage rates and commodity prices. People will carry transponders to report on their every activity, with the results stored in "global risk information databases," containing all personal information, including genetic data but protected against unauthorized access. In this way, the government can eliminate the underground economy and tax evasion and individuals will enjoy more economic security. The author admits people don't think they want this additional security, but he advocates "psychological framing" to change their viewpoint. The book is certain to be controversial. Some will see a visionary, high-tech combination of the best of capitalism and socialism. Others will be reminded of Brave New World and 1984, with privacy, freedom and adventure traded for a totalitarian mediocrity founded on constant monitoring and propaganda.
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From The New Yorker
Audaciously taking well-established economic ideas to their logical extreme, Shiller calls for a revolution in the management of risk, both individual and collective. While markets are currently used to hedge away a small number of risks—health problems, rising commodity prices, volatile currencies—Shiller believes that they could also limit risks like falling house prices and rising unemployment. In the future, countries might buy and sell futures contracts based on their own G.D.P., and individuals could insure themselves against choosing the wrong profession. There is a mad-scientist quality to some of these proposals, and the technical and political obstacles to their implementation seem insurmountable. Still, Shiller's ambition is exhilarating, and gives his work something that most business books lack: a deep sense of how economic ideas might transform people's everyday lives.
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Review
Robert J. Shiller, Co-Winner of the 2013 Nobel Prize in Economics
Co-Winner of the 2005 Kulp-Wright Book Award, American Risk and Insurance Association, Inc.
Winner of the 2003 Business Book Award, *Financial Times* Germany/getAbstract
Winner of the 2004 Wilmott Book Of The Year Award for General Finance
Honorable Mention for the 2003 Award for Best Professional/Scholarly Book in Economics, Association of American Publishers

"Shiller's ambition is exhilarating, and gives his work something that most business books lack; a deep sense of how economic ideas might transform people's everyday lives."**--*The New Yorker***

"*The New Financial Order* [is] . . . easily accessible and pleasantly utopian."**--*Washington Post***

"Certain to be controversial."**--*Publishers Weekly***

"It is an understatement to say Shiller's book raises complex political, legal and economic questions. Some will probably never happen. But *The New Financial Order* is still worth a look. It casts some long-standing social problems in a new light, and it puts some fascinating ideas on the table."**--Andrew Cassel, *Philadelphia Inquirer***

"While [his] ideas may sound unfamiliar--even radical--Shiller's reasoned case recalls earlier financial innovations such as stock and futures markets, life and unemployment insurance, and earned income tax credits. The earlier innovations addressed the financial and risk management needs of individuals and societies in the same way Shiller proposes for his concepts."**--*Library Journal***

"The good news, on Professor Shiller's analysis, is that it is now possible to conceive and construct tradeable indices that will allow insurers to offer protection against such things as industrial decline and demographically-induced pension shortfalls. If we all knew such insurance was available, we could afford more risks with our choice of career, to the benefit of the economy. Creativity is the lifeblood of capitalist economics. Emotional worries about the risk of unemployment are one of the biggest threats to continued innovation. . . . The data and technology to make a market in such things exists. All that is lacking, Professor Shiller says, is the will to make them a commercial reality."**--Jonathan Davis, *The Independent***

"There are financial markets that help us manage fluctuations in corporate profitability and commodity prices. But there are no markets to help manage risks from fluctuations in labor markets and housing markets, even though these have a much bigger impact on most peoples' financial security. How could we design markets to help manage such risks? This challenging problem is examined in Robert J. Shiller's book *The New Financial Order*."**--Hal R. Varian, *New York Times***

"[A] though-provoking book."**--*Risk***

"Livelihood insurance. Income-linked loans. Inequality insurance. These are some of the bold and imaginative ideas suggested by Robert Shiller. . . . [W]hile the practical barriers to some of Shiller's suggestions may be immense, there is much that is stimulating in this book. If one were to look 30 years ahead, it would be foolish to bet against at least one of his ideas being widely adopted."**--Philip Coggan, *Financial Times***

"[Shiller's] ideas are striking, to put it mildly. . . . Mr. Shiller himself is doubtful that all his ideas will be adopted. But his book, which contains some fascinating history, is at the very least thought-provoking."**--*The Economist***

"Unemployment is up. Housing sales are weakening. Oil prices continue to fluctuate, and the stock market remains volatile. There's no doubt we live in risky times, yet our tools for managing risk are limited. . . . How could we design markets to help manage such risks? This challenging problem is examined in Robert J. Shiller's book. . . . Here Mr. Shiller turns to the role of financial institutions in managing risk. . . . It is said that behind every successful man is a surprised mother-in-law. If so, there could be quite a large market for such securities."**--Hal R. Varian, *New York Times***

"Millions of individual investors could have saved themselves enormous sums of money, and an equivalent amount of grief, by taking Robert Shiller's advice three years ago. . . . Now Shiller is back with another book that also holds warnings of sorts--this time about societal wealth inequalities and the need to mitigate what he calls 'the risks that rally matter in our lives.' If *Irrational Exuberance* was a sober assessment of a

situation that was well known yet widely defended--the nation's infatuation with stocks--*The New Financial Order* is a dissertation on problems many people don't know they have. . . . Shiller, however, has let his imagination run in this book."--**Tom Petruno*, Los Angeles Times***

"In a non-technical way, Shiller engages readers in a wide-ranging consideration of risk and introduces novel ideas concerning the ways people identify, view, and guard against risk. . . . This topic may seem to appeal to a limited audience, but the author's style enables him to broach what might have been tedious topics in an entertaining way."--***Choice***

Users Review

From reader reviews:

Johanna Garrett:

Do you have favorite book? In case you have, what is your favorite's book? Publication is very important thing for us to learn everything in the world. Each publication has different aim as well as goal; it means that reserve has different type. Some people really feel enjoy to spend their time for you to read a book. They may be reading whatever they take because their hobby is reading a book. How about the person who don't like looking at a book? Sometime, particular person feel need book if they found difficult problem as well as exercise. Well, probably you'll have this The New Financial Order: Risk in the 21st Century.

Edna Barnett:

The New Financial Order: Risk in the 21st Century can be one of your beginner books that are good idea. We all recommend that straight away because this reserve has good vocabulary that may increase your knowledge in terminology, easy to understand, bit entertaining but nevertheless delivering the information. The article writer giving his/her effort to place every word into satisfaction arrangement in writing The New Financial Order: Risk in the 21st Century however doesn't forget the main stage, giving the reader the hottest and based confirm resource info that maybe you can be certainly one of it. This great information can certainly drawn you into brand new stage of crucial contemplating.

Jamie Gregory:

As a university student exactly feel bored to help reading. If their teacher inquired them to go to the library or make summary for some guide, they are complained. Just minor students that has reading's heart or real their leisure activity. They just do what the professor want, like asked to the library. They go to there but nothing reading significantly. Any students feel that examining is not important, boring as well as can't see colorful pics on there. Yeah, it is for being complicated. Book is very important for you. As we know that on this age, many ways to get whatever you want. Likewise word says, many ways to reach Chinese's country. So , this The New Financial Order: Risk in the 21st Century can make you truly feel more interested to read.

Charles Towns:

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