



Pragmatic Capitalism: What Every Investor Needs to Know About Money and Finance

Cullen Roche

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Being successful in the modern world of finance requires a more in-depth understanding of our global economies on a macro level. What does a shifting demographic cycle mean? How does the explosive growth of emerging markets matter? Why does the world's population affect my portfolio? Does the global monetary system impact my results this year? How does government intervention in markets impact my strategy? In *Pragmatic Capitalism*, Cullen Roche explores how our global economy works and why it is more important now than ever for investors to understand macroeconomics. Cullen Roche combines his expertise in global macro portfolio management, quantitative risk management, behavioral finance, and monetary theory to explain to readers how macroeconomics works, and provides insights and suggestions for getting the most out of their investment strategies. This book will uncover market myths and explain the rise of macroeconomics and why it impacts the readers' portfolio construction. *Pragmatic Capitalism* is a must for any sophisticated investor who wants to make the most of their portfolio.

Pragmatic Capitalism: What Every Investor Needs to Know About Money and Finance Details

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From Reader Review Pragmatic Capitalism: What Every Investor Needs to Know About Money and Finance for online ebook

Diego Cortes says

Instructional and practical.

Michelle says

the first three chapters of this book was really easy to get into with relatable examples provided. however, as i continued reading, it got increasingly repetitive which made it quite boring. the best parts were chapters 1-3 & 6 imo. chapters 9 & 10 were summaries - which would be helpful for future reference, I guess. but, seeing how long it took me to read this, I don't think I'll have the urge to pick this up again.

Gary Morris says

Informative

JG says

Understand the System (reality) as it is, not as it should be or as we want it to be

This book is really three books in one:

- 1.- Investing basics and common behavioral biases
- 2.- Popular myths and misconceptions.
- 3.- Monetary System

For those who often read Roche's blog you will be familiar with some of the ideas and concepts on this book. And for the rest I'm positive it will give you a different and fresh perspective about several topics.

Here are some of the myths, misconceptions and other topics the book talks about:

- The oversimplification of Buffett and his investment style.
- Active Funds, Hedge Funds, commissions and conflict of interests.
- Fundamental and Technical analysis
- Passive and Active Investing
- Buy and Hold
- Commodities as an investment
- Real Estate as an investment
- Modern Portfolio Theory

The Long Term
Debt (USA case)
QEs
Hyperinflation, deflation, desinflation.
Central Banks and Private Banks
Free Market and Capitalism
IS-LM model
Investments and Savings.

As you can see there are a lot of interesting topics and all of them are well addressed and are easy to understand. The core of the book is about today's Monetary System, though.

I don't agree on some few things outlined in the book. Nonetheless it is worth reading because not only it's always healthy to read intelligent arguments that differ from our view, but also it gives us the chance to think and ask questions that otherwise we wouldn't have done. As a matter of fact the book really challenged some of my investing ideas of which I was pretty sure, like the nonlinear, nonstationary and discrete aspect of Investing for the long run.

No doubt this is a great book to read in order to make better financial decisions and to develop more informed opinions.

Andreas says

I wanted to read this book mainly for Cullen Roche's ideas about endogenous money and some of his advice for investors. That is what I take away from this book. People should really learn the distinction between allocating savings and investing, because I feel the confusion between the two concepts is responsible for bad lawmaking, especially in fiscal policy. The endogenous money chapter is very useful for economic-textbook writers, who should really ditch the money multiplier myth and the 'inflation is created by central banks' myth.

Minor nuisances: The book itself doesn't really have a theme, it might as well have been a collection of his blog posts. Some chapters were interesting, some a lot less. In the final chapters, Roche just chews on his ideas a bit more, they are totally obsolete.

Derek says

The Good

This book has plenty of helpful information. Roche does well to explain what money is and how the economy works. He uses straightforward language. The examples are simple and approachable.

The Bad

My biggest criticism is that the book it is *very* repetitive. There are only a few ideas and they get repeated for 200 pages. I understand the need to reinforce certain ideas for readers who are new to the subject, but Roche goes beyond that.

At times, he uses the same sentence or quote multiple times within the span of a few pages. I stopped once or twice because I thought I had accidentally lost my place and reread a page from earlier in the book.

This repetition makes the book quite boring after just a few chapters. So even though the language is simple and understandable, it took me months to get through *Pragmatic Capitalism*.

Who Pragmatic Capitalism Is For

This book is most helpful for people who know little to nothing about how the economy works or about investing strategy. It will give you a good overview and introduce you to important financial concepts.

Who Pragmatic Capitalism Is Not For

If you're looking to improve your investing strategy, find another book. Here, I'll save you some time. There are just two big points on investing in *Pragmatic Capitalism*:

1. Investing is not a way to get rich quick. Putting money in the stock market won't turn you into Warren Buffet. That includes investing in IPOs and it includes investing in lucrative companies.
2. Putting your money into index funds is better in the long run (for the average person) than trying to pick individual stocks.

If you already know those two things, this book won't help you with investing.

The Only Chapters You Actually Need to Read

Even if you don't know much about the economy, reading this whole book is unnecessary. I'd say you only need to read (at most) five of the 11 chapters. One could even argue that you only need to read one of the chapters. The rest of the book can be skimmed. (I almost feel like Roche knows this is the best strategy because the content of the book is very skim-friendly. There are bolded lists, major points set in italics, isolated quotes, etc.)

- Chapter one does a good job of explaining what money is (though reading half of chapter one is probably enough).
- Chapter three nicely explains what investing is (though you could still just skim this chapter).
- Chapter four lists some common misconceptions that people have about the stock market. It will give you a good idea of the ways investing can (and cannot) help someone build wealth.
- Chapter seven, which is 50 pages, is basically a summary of the book. It may be a little heavy if you don't have any financial knowledge, but you could read only chapter seven and you'd get all the important information in this book.
- Chapter eight lists some common misconceptions that people have about the economy.

Taymour Siddiqui says

It has some good investing advice and an interesting approach to investing and saving that was useful for me. But I think this book falls short in its goal which was explaining why macroeconomics and big picture concepts matter to the investor. He tries to tell us what he thinks is important about finance and economics but not how or why it is important. I left without a good understanding of how the concepts explained in the book will help me or are relevant. He is also very repetitive, repeating things "understanding the monetary system, macroeconomics and big picture are more important than ever" over and over again. I did learn some stuff but not what I was expecting going in.

Sid Johnson says

This book is an outstanding explanation of how the monetary system and financial markets work. Should be required reading for anyone who spouts an opinion in public about the Fed or economic policy. A plethora of myths are done in with lucid facts and rationale, including those perpetuated in B-schools. If you wonder why the monetarist rationale you were given in Econ 101/201 has failed in the predicted inflation (given quantitative easing) since 2008, this book will help you understand. Cullen Roche provides an apolitical, realistic explanation of how it all works without putting any school of thought on a pedestal or subjecting any school to demonization. His effort is focused on describing how it does work rather than how it should work, or what policies should be followed. Even in briefly discussing capitalism and socialism, he sticks to the wisdom that the best solution between competing ideas usually consists of taking the best parts from each.

Peyton Stever says

Crossposted from The Astrosocialist.
<http://astrosocialist.com/review-of-p...>

Here at the Astrosocialist we generally focus on the future. But part of being able to speculate cogently about the future is having an understanding of the past and present. It is with that in mind that I picked up Pragmatic Capitalism by Cullen Roche. My Review is after the break.

Cullen Roche is a finance guy who got disillusioned with Wall Street (proof enough that he is not a greed obsessed psychopath) and retreated to San Diego to try and do right by his clients. Along the way he has gone from a mainstream understanding of economics, through a Modern Money Theory (MMT) phase, to an understanding of economics that is both original and, in my view, one that seems most borne out by the facts, Monetary Realism (MR).

An explanation of what MR is Chapter 7 of the book. Before that point Cullen discusses what money is, with an emphasis on the scale of moneyness. Money is told to be akin to a theater ticket. The ticket itself isn't valuable, only the show is. Like wise things that have high moneyness are things that get you access to more goods. Bank deposits have high moneyness because they are easy to use for purchases. Gold on the other hand is easy to trade for cash or bank deposits but you can't spend it in stores generally so it has a lower moneyness. (Try to take a gold nugget to a McDonald's the poor clerk will be stupefied.)

Cullen then goes on for several chapters about finance. For me this was the most tedious and least interesting part of the book though perhaps that is because I do not yet own stock. One message stood out though about investing in yourself, things that will increase your income and skills, a college education, like the one I am pursuing, being the perfect example of that.

The book picks up again when Cullen gets into behavioral finance, the subtle irrationalities of investors and how to avoid the money losing traps borne thereof. This leads into the previously mention chapter on MR.

This chapter is really important because of Cullen's approach. He wants to describe the system without making biasing prescriptions of how to change it, like Da Vinci did with the human body. I'm not sure that I would be to such a task but it is valuable work for understanding what the current economic system in liberal democracies looks like. It is a poor policy maker that make decisions off of a poor understanding of current operations.

There are several key lessons from this chapter:

Banks produce most money by issuing loans. In this way loans create deposits and banks control the money supply.

Sovereign autonomous currency issuers, like the US government and federal reserve together, can't go bankrupt. The same way that any entity that can print money would be able to use that ability to pay off their credit cards.

Instead governments are inflation constrained, they can print so much money nobody will use it anymore. The rest of the book deals with some economic myth busting (particularly dealing with the US debt and Quantitative Easing (QE)) and a summation of important points. This review will wrap up by answering a question of its own. Why would a socialist care about a book about capitalism?

I could go with the obvious answer, for the same reason Marx's magnum opus is title *On Capital*. But Marx's critique is fundamentally different from Cullen's book. Cullen doesn't want to tear down the system. His understanding was built for his personal edification and to earn him more money in the volatile markets that hit after the 2008 crash.

Instead we can use his understanding to fend off charges that social programs and NASA are too expensive by pointing out that can only be measured in inflation and that we currently have too little of that. While that is heartening it is equally scary that the US government has ceded the job of money making to the market that still invests in made up financial products in search for profits. Which is an excellent argument for public banks to take back that function and reduce the harm that finance can do to the people.

These are important and valuable things for Socialists, Progressives and sane policy makers to understand, which is why I think it is a must read. This is a book worth referencing again and again and will be worth keeping until the economic system fundamentally changes. In my humble opinion Cullen Roche is the Adam Smith of our time.

Cullen Roche's blog is at pragcap.com, a link to an earlier version of chapter 7 of the book can be found on SSRN, along with his excellent papers on Hyperinflation (which is caused by a collapse in production not by excess money printing; which is an effect) and QE.

Joseph says

this is a good book on macroeconomics. the author made a sincere point about how we should look at investing (which is merely allocations of savings).

the best investment that we'll make is on ourselves and not on stocks etc. Investments in stocks should be viewed more as an allocation of savings than as an investment. And with it, the objective changes.

there are a few things that the author mentioned that I'll be exploring

Finlay says

Excellent. A clear explanation of the high-level structure of the US financial system. Directly addresses several persistent myths and misunderstandings.
