

Wall Street Couldn't Have Done It Alone

Written by Sheldon Richman
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The spreading Occupy Wall Street movement, despite a vague worldview and agenda, properly senses that something is dreadfully wrong in America. The protesters vent their anger at the big financial institutions in New York's money district (as well as other big cities) for the housing and financial bubble, the resulting Great Recession, the virtual non-recovery, the threat of a second recession, and the long-term unemployment – which averages more than 9 percent but hits certain groups and areas far more severely than others.

The protest is understandable, even laudable, but there's something the protesters need to know: *Wall Street couldn't have done it alone*. The protesters' wrath should also be directed at the national government and its central bank, the Federal Reserve System, because it took the government or the Fed (or both) to:

- create barriers to entry, for the purpose of sheltering existing banks from competition and radical innovation;
- then regulate for the benefit of the privileged industry;
- issue artificially cheap, economy-distorting credit in order to, among other things, give banks incentives to make shaky but profitable mortgage loans (and also to grease the war machine through deficit spending);

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- make it lucrative for banks – and their bonus-collecting executives – to bundle thousands of shaky mortgages into securities and other derivatives, knowing that a government-licensed rating cartel would score them AAA and that government-sponsored enterprises Fannie Mae and Freddie Mac and other companies would buy them;
- insure deposits so that individual depositors had no need to worry about the risks their banks might be taking;
- inflate an unsustainable housing bubble by the foregoing and other methods, enticing people to foolishly over-invest in real estate;
- work closely with lending companies to establish a variety of programs designed to lure people with few resources or bad credit into buying houses they can't afford;
- attract workers to the home-construction bubble, setting them up for long-term unemployment when the bubble inevitably burst;
- implicitly guarantee big financial companies and their creditors that if they got into trouble they would be rescued;
- compel the taxpayers to bail out those companies and creditors when the roof finally did fall in.

No bank or group of banks could do these things on its own in a freed market. It requires a government-Wall Street partnership – the corporate state – to create such misery and exploitation. The corporate state is nothing new in American history. Politicians across the spectrum have long instituted policies that benefit big banks and big business generally, and they have dressed those policies either in free-market (Republicans) or progressive (Democrats) rhetoric to lull the people into acquiescence. The result is an overgrown government that bestows privileges on the well-connected and then regulates on their behalf. The rest of the population pays and suffers.

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Many participating in Occupy Wall Street sense this, but they need sound economic theory and economic history to see fully who the adversary is. *Wall Street couldn't have done it alone.* Greed without political power is boorish. Greed *with* political power is dangerous.

So demonstrators, you are right. Something is dreadfully wrong. But your list of culprits is far from complete. So go ahead and protest outside Goldman Sachs and Bank of America. But also spend time (as a few already have) outside the White House, the Fed, the Treasury, and the Capitol building. Together they are responsible for our current economic woes. These are the entities that control our fate and over which we have no real say. This is not how America was supposed to be. It's time for things to change.

The *freed market* – embodying individual freedom and autonomy, voluntary social cooperation, and peace – is the alternative to the corporate welfare-warfare system you properly despise. All you have to do is discover it.

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