

Wall Street Couldn't Have Done It Alone

An Open Letter to Occupy Wall Street

by Sheldon Richman, October 8th, 2011

To Occupy Wall Street:

Wall Street couldn't have done it alone. It takes a government and/or its central bank, the Federal Reserve System, 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);
- * Make it lucrative for banks - and their bonus-collecting executives — to bundle thousands of shaky mortgages into securities and other derivatives with the knowledge that government-sponsored enterprises Fannie Mae and Freddie Mac and other companies, all subject to powerful congressmen looking for campaign contributions, will buy them after a government-licensed rating cartel scores them AAA;
- * Inflate an unsustainable housing bubble by the foregoing and other methods, enticing people to foolishly overinvest 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 bursts;
- * Implicitly guarantee big financial companies and/or their creditors that if they get into trouble they will be rescued;
- * Compel the taxpayers to bail out those companies and/or creditors when the roof finally falls in.

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No bank or group of banks could do these things on its own in a freed market. It takes a government-Wall Street partnership - the corporate state — to create such misery and exploitation.

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 some time 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. It's time for things to change.

Greed without political power is boorish. Greed with political power is dangerous.

The *freed* market is the alternative to what you properly despise.

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