

Op-Eds

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Thank You Milton, Alan, and Phil

Alan Greenspan proclaimed, when asked on Sunday about the current banking and financial crisis, that the crisis with the country's financial institutions was as dire as he had ever seen in his long career.

And he's right.

The current financial meltdown which, since he made that statement, included the bailout of AIG, is clearly the worst since 1929 when the Gilded Age succumbed to the greed and gave way to The Great Depression.

Americans are again glassy eyed watching a failing economy not sure what affect it might have on them. Not sure whether to panic as they observe what could be the implosion of the financial markets.

Pensions and 401K's are declining as shares of Freddie and Fannie, Bear Stearns, Lehman, and AIG tumble. Their mercurial falls from lofty rarefied heights to the quagmire under the dollar level has to be devastating.

IndyMac and ten other banks have been taken over by the FDIC in moves that have already cost the taxpayers about \$9 billion. Banks like WaMu and Downey Savings are in trouble and at risk mainly due to their involvement in risky subprime mortgages.

But other large national banks are also at risk. Citigroup lost \$2.5 billion last quarter while Bank of America and JP Morgan Chase announced profit declines of 41% and 53% respectively. Merrill had to be purchased Monday before an imminent crash.

And there is no bottom in sight.

So who's to blame for the misadventures that could throw America into its second Great Depression?

There's a lot of blame to go around, but three prominent figures come to mind immediately starting with the deceased Milton Friedman.

Mr. Friedman's idea of supply side economics while teaching at the School of Economics at the University of Chicago, looked attractive to President Ronald Reagan. Supply side economics, or Reaganomics as they like to call it, led to the term 'trickle down economics;' a reawakening of laissez-faire.

Great as a theory and on paper but not so good in 'real' world economies. Why? Because of greed! Greed at the top. So much greed that all that trickles down is crap.

As Naomi Klein described in her new book, *"The Shock Doctrine,"* the core of Professor Friedman's theory was that economic forces of supply, demand, inflation, and unemployment were like forces of nature, fixed and unchanging. But the forces of nature are not fixed and unchanging. When you piss Mother Nature off she chooses which force she will use to bring nature back into alignment.

One of those unknown economic forces is greed and Milton failed to include in his equation the potential destruction of this part of human nature. And it has been destructive.

The signs were there; obvious signs of pending danger, but were missed or ignored leading to our current crises. The two most obvious came in the form of the dot.com bubble and most recently in the housing market.

Though Alan Greenspan had opportunities to prevent the excess of the technology sector, he only provided lip-service. When faced with an overheated housing market he chose to use the word 'froth.' It was evident to some observers at the time that the runaway appreciation in the housing market was more than 'froth.'

On a political note, action in either crisis would have slowed the economy and would look bad for the political party in office. So those in Congress, with Alan Greenspan's help sacrificed the American people to kick the can down the road.

It was obvious to even the common observer with common sense that the overheated housing market couldn't sustain itself. 'Creative Financing,' including subprime loans had failed before and were destined to fail again.

So why couldn't Mr. Greenspan see this? Myopia? His relationship with the Bushes? Who really knows?

But the biggest failure in all this is Congress; more specifically Senator Phil Gramm and those that without question fell in lock-step with his self-serving attempts at deregulation.

Congress passed two Phil Gramm bills, in 1999 and 2000, that have ultimately left a nation, the world, on a precipice. He effectively, with the complicity of a blind Congress, destroyed the economy and is costing the taxpayers hundreds of billions of dollars. Dollars we don't have.

The Commodities Futures Modernization Act of 2000 deregulated the energy sector and was the primary cause of the Enron and WorldCom bankruptcies which cost employees, vendors, and investors billions of dollars. Those and many other bankruptcies left millions of people without retirement's or savings.

One year previous the Gramm-Leach-Bliley Act repealed the Glass-Steagall Act that had protected us from the Predatory Capitalism of banks and investment firms for over 70 years. It deregulated the banking sector allowing corporate and executive greed to inflict pain and suffering on the American people.

And we're still not sure how deep the pain and suffering may go.

Though these three gentlemen bear the most responsibility for our current economic problems those trying to fix them aren't much help.

Their attempts to stop the hemorrhaging involves you and me, the taxpayers. They're bailing out private corporations with our money. Privatization of profit, socialization of debts. Isn't capitalism and the free market great?

So why should that bother us? Surely things would be worse and ultimately more costly if these institutions were allowed to fail. Henry Paulson and Ben Bernanke are stealing your money to make sure that executives like Jaime Dimon of JP Morgan; Richard Fuld of Lehman; John Thain of Merrill and others keep their 30 to 40

million dollar salaries while your deposits and investments decline, some now worth next to nothing.

The FDIC protects your deposits and savings should your institution fail. But for how long? The current take-overs have been estimated to cost the taxpayers \$9 billion already and could quadruple with the failure of WaMu or Downey Savings. They are passing that debt, unseen, to our children and grandchildren.

They are stealing our money. So what do we do?

Sometimes, the only way to cleanse a system so corrupt, so greedy, to eliminate the rot and decay, is to let the system crash. Painful, but necessary. But no matter what road we take it's going to hurt.

Thank you Milton. Thank you Alan. Thank you Phil.

But most importantly, don't forget to thank your elected officials who are looking out for all of us.