



An Open Appeal to ‘Occupy Wall Street’

-J. Kevin Meaders, J.D., CFP[®], ChFC, CLU

July, 2012 – I can certainly empathize with the Occupy Wall Street Movement. While Ex-Goldman guy/U.S. Treasury Secretary Henry Paulson, fellow Ex-Goldman guy/New York Fed President Tim Geithner, and Fed Chairman Ben Bernanke worked diligently to use taxpayer money to bail out Goldman Sachs and some other 1 percenters, the rest of us were dealing with layoffs, foreclosures, and bankruptcies—with no bailouts in sight, just more circular rhetoric and broken promises.

In the midst of all this has emerged a war cry directed against capitalism itself. It is here that I feel some of my fellow 99 percenters may have been misled, and have thus misdirected their fiery and very justified frustration.

It is not free-market capitalism itself that has betrayed us, but rather the cronyism and mercantilism that pervades Washington DC. In a private letter to Col. Mandell House written in 1933, FDR admits that: “The real truth of the matter is, as you and I know, that a financial element in the larger centers has owned the Government ever since the days of Andrew Jackson—and I am not wholly excepting the Administration of W[oodrow] W[ilson].”¹

In a truly capitalist country, where the government neither favors nor disfavors particular business interests, highly leveraged risk-takers like Goldman Sachs would have failed in 2008 along with Lehman Brothers, to be replaced by more scrupulous and prudent firms. Unfortunately, however, as FDR noted even back in 1933, the powers in DC are beholden to the influence of certain special business interests—special in the sense that they are wealthy, entrenched and organized. And they have a system: the two-party system.

From the very first day in office, the typical politician is thinking about re-election. This costs money—a lot of money. As we have repeatedly witnessed, the politician who spends the most money almost always wins. And so where do politicians go to get money? To those who have the money, of course: the top 1 percent, through their corporations, trusts, foundations, and Super PACs.

¹ President Franklin Delano Roosevelt to Col. Edward Mandell House, November 21, 1933, F.D.R.: His Personal Letters (New York: Duell, Sloan and Pearce 1950), p. 373.

So for these individuals, capitalism works perfectly—politicians have power but need money to get elected and stay elected, and the top 1 percent have money but need the (use of) politicians' power to further their own (usually corporate) interests.

The obvious problem here is this: You and I aren't getting *any* of the money or *any* of the power. In fact, they're taking *our* money through taxation and stealing *our* purchasing power through inflation.

This is not Capitalism—this is Mercantilism.

As Hernando de Soto observed in his insightful book, *The Other Path*, “Being a system in which the government of a highly regulated state was *dependent on elite groups which were in turn sustained by state privileges*, mercantilism was vigorously opposed by [...] Adam Smith, the father of economic liberalism. Smith viewed mercantilism as a system in which merchants and industrialists demanded, and the state provided, their own regulations and sources of income.”² (emphasis added)

Sure enough, when Goldman Sachs and friends demanded a bailout, the state provided them one at taxpayer expense—the very *raison d'être* of the Fed itself. In a truly free-market economy, Goldman Sachs would have failed alongside Lehman Brothers.

Our Hybrid Socio-Economic Model

We often hold the naïve assumption that capitalism and other forms of government are mutually exclusive—but this is not so. Indeed, modern day China has taught us that this is incontrovertibly false. China, as the world's second largest economy, with bustling capitalism at almost every level of society, is run by a group of communist families, who themselves profit immensely from this false ideology, thus the need for constant censorship.

At the risk of sounding ‘un-American,’ is it not also true that our own socio-economic system is a hybrid somewhat similar to this? But instead of communism at the top, our uniquely American model of economics is a hybrid of capitalism at most levels with mercantilism reigning among the very top echelons.

Surely the baker and the painter and the gardener are all subject to the rules of capitalism, as is the doctor, lawyer and professor. But then again, these are representative of us 99 percenters. From the perspective of the rest of us, it sure looks like the top 1 percenters get special treatment in much the way De Soto describes, as “a highly regulated state dependent on elite groups which were in turn sustained by state privileges.” Perhaps the state itself is not dependent on these elite groups, but our politicians sure are.

So I would say to my fellow 99 percenters: The cycle of money from these elitists, through their lobbyists, corporations, foundations, and Super-Pacs, to politicians on both sides of

² Hernando de Soto, *The Other Path*. 1989. p. 202

the aisle, back to these elitists through the state mechanism, is mercantilism, and anathema to free market capitalism.

What's worse, attacks on capitalism itself play right into their hands. A disposal of capitalism means a transition to something else, something worse. A sharing loving world where everyone plays by the rules sounds great on campus, but the outside world just doesn't play by the rules. Is more government regulation—more favoritism—going to help our plight?

What is needed is to sever the cycle of money from the elitists to the politicians, and thus regain ownership over our representatives' power. Easier said than done.

To my mind it seems that there are several encumbrances:

1. The absence of term limits for congress and government officials creates a culture of using one's power and influence to vie for re-election and enrich oneself and one's associates.
2. The two-party system forces potential candidates into one of two 'approved' party platforms and otherwise restricts access to the ballot. Someone outside this system is disregarded by the media, and thus the masses.
3. Most of the major media outlets in this country are controlled by a conglomerate of five corporations, which are thus controlled by a few 1 percenters, who seem determined that either an establishment republican or democrat be elected. Independents, libertarians, even tea party republicans are presumed to be unelectable and unworthy of comment or consideration.³
4. The Supreme Court seems to indicate that, for constitutional purposes, there is no difference between a citizen who would like to lobby his representative and a paid, professional lobbyist.⁴
5. The Supreme Court has determined that, for constitutional purposes, there is no difference between a 'natural person' and a 'corporate entity'. This has long held precedence in U.S. corporate and tax law, but it has always been recognized as a 'legal fiction' and was not what the founders intended when they drafted the Constitution.⁵
6. Bills that are passed into law are rarely read by those voting on them. Many of the most important bills are hundreds of pages long, written by congressional aides, and in some cases lobbyists themselves.

³ These corporations are: AOL/Time Warner, Clear Channel, Disney, News Corp., and Viacom.

⁴ *McConnell v. Federal Election Commission*, 540 U.S. 93 (2003)

⁵ *Citizens United v. Federal Election Commission*, 558 U.S. 50. (2010)

7. What happens in committee stays in committee. Many worthwhile bills are either killed in committee or amended beyond recognition, and citizens have little to no access to any information therein, including how their representative voted.
8. There is not sufficient time for the public to examine proposed bills prior to their passage so constituents can consider and respond to their representatives.

One can hardly blame many of the 1 percenters for taking advantage of the system as they find it (it has been, after all, a very few influential individuals who have molded the system into what it is today.) Those with enough capital and the true American drive to succeed would be tempted to go the same way, and some with less than the highest ethical standard would certainly fit right in.

So again, I implore my fellow 99 percenters to stop the attacks against capitalism, and re-direct that energy where it belongs—toward cronyism and mercantilism. You can start by moving your tents from Wall Street in NY to K Street in DC—that’s where they keep the ‘paid’ lobbyists, your true representatives in Washington.

It’s not capitalism that has failed us, but we who have failed capitalism.

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