

Egos and Immorality

By PAUL KRUGMAN



In the wake of a devastating financial crisis, President Obama has enacted some modest and obviously needed regulation; he has proposed closing a few outrageous tax loopholes; and he has suggested that Mitt Romney's history of buying and selling companies, often firing workers and gutting their pensions along the way, doesn't make him the right man to run America's economy.

Wall Street has responded — predictably, I suppose — by whining and throwing temper tantrums. And it has, in a way, been funny to see how childish and thin-skinned the Masters of the Universe turn out to be. Remember when Stephen Schwarzman of the Blackstone Group compared a proposal to limit his tax breaks to Hitler's invasion of Poland? Remember when Jamie Dimon of JPMorgan Chase characterized any discussion of income inequality as an attack on the very notion of success?

But here's the thing: If Wall Streeters are spoiled brats, they are spoiled brats with immense power and wealth at their disposal. And what they're trying to do with that power and wealth right now is buy themselves not just policies that serve their interests, but immunity from criticism.

Actually, before I get to that, let me take a moment to debunk a fairy tale that we've been hearing a lot from Wall Street and its reliable defenders — a tale in which the incredible damage runaway finance inflicted on the U.S. economy gets flushed down the memory hole, and financiers instead become the heroes who saved America.

Once upon a time, this fairy tale tells us, America was a land of lazy managers and slacker workers. Productivity languished, and American industry was fading away in the face of foreign competition.

Then square-jawed, tough-minded buyout kings like Mitt Romney and the fictional Gordon Gekko came to the rescue, imposing financial and work discipline. Sure, some

people didn't like it, and, sure, they made a lot of money for themselves along the way. But the result was a great economic revival, whose benefits trickled down to everyone.

You can see why Wall Street likes this story. But none of it — except the bit about the Gekkos and the Romneys making lots of money — is true.

For the alleged productivity surge never actually happened. In fact, overall business productivity in America grew faster in the postwar generation, an era in which banks were tightly regulated and private equity barely existed, than it has since our political system decided that greed was good.

What about international competition? We now think of America as a nation doomed to perpetual trade deficits, but it was not always thus. From the 1950s through the 1970s, we generally had more or less balanced trade, exporting about as much as we imported. The big trade deficits only started in the Reagan years, that is, during the era of runaway finance.

And what about that trickle-down? It never took place. There have been significant productivity gains these past three decades, although not on the scale that Wall Street's self-serving legend would have you believe. However, only a small part of those gains got passed on to American workers.

So, no, financial wheeling and dealing did not do wonders for the American economy, and there are real questions about why, exactly, the wheeler-dealers have made so much money while generating such dubious results.

Those are, however, questions that the wheeler-dealers don't want asked — and not, I think, just because they want to defend their tax breaks and other privileges. It's also an ego thing. Vast wealth isn't enough; they want deference, too, and they're doing their best to buy it. It has been amazing to read about erstwhile Democrats on Wall Street going all in for Mitt Romney, not because they believe that he has good policy ideas, but because they're taking President Obama's very mild criticism of financial excesses as a personal insult.

And it has been especially sad to see some Democratic politicians with ties to Wall Street, like Newark's mayor, Cory Booker, dutifully rise to the defense of their friends' surprisingly fragile egos.

As I said at the beginning, in a way Wall Street's self-centered, self-absorbed behavior has been kind of funny. But while this behavior may be funny, it is also deeply immoral.

Think about where we are right now, in the fifth year of a slump brought on by irresponsible bankers. The bankers themselves have been bailed out, but the rest of the nation continues to suffer terribly, with long-term unemployment still at levels not seen since the Great Depression, with a whole cohort of young Americans graduating into an abysmal job market.

And in the midst of this national nightmare, all too many members of the economic elite seem mainly concerned with the way the president apparently hurt their feelings. That isn't funny. It's shameful.