



**Your on the
Street Reporter**



Uyless Black

**Epilogue IV to *The Nearly Perfect Storm*
Give Away or Take Away?**

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Preface

My intent in writing *The Nearly Perfect Storm: An American Financial and Social Failure*, and these epilogues is to spark your ire. I am not one to compose inflammatory compositions. I began my studies of the 2008 financial crisis with a neutral view of the subject, perhaps even skewed toward the financial world (specifically, the investment banking industry), reflecting my former employment at the Federal Reserve.

No longer. The more I learned about the institutions and individuals who were involved in the meltdown, the more disgusted I became. I wish this turn of events had not come about. I wish I had found the Great Recession occurred because of a downturn in a conventional business cycle. It did not.

Do not expect this series to be light-hearted, although I will attempt some gallows humor to lighten the load.

The Nearly Perfect Storm: An American Financial and Social Failure
Epilogue IV: Give Away or Take Away?

June 18, 2013

These epilogues are written on occasion as follow ups to *The Nearly Perfect Storm: An American Financial and Social Failure*, available at Amazon, Barnes & Noble, and other book stores. Epilogue IV discusses the recent sequester in relation to the book’s examination of meritocracy and income distribution.

Quotes from The Nearly Perfect Storm about the issue.

Page 312:
 • 1980: The wealthiest one percent of Americans took ten percent of national income.
 • 2007: The wealthiest ten percent of Americans took fifty percent of national income.

Page 313:
 The average increase in real income for the bottom 99 percent of American families between 1973 and 2006 was 8.5 percent. The richest one percent saw a 190 percent increase in income.

Pages 205-206:

Pay Per Financial Sector Worker as a Percentage of Average U.S. Compensation	
<u>Year</u>	<u>Financial Sector Share</u>
1948	103%
1958	100%
1968	101%
1978	100%
1988	123%
1998	143%
2006	178%
2007	181%

As most Americans know, the sequester occurred because Congress could not agree on a budget and an associated debt ceiling. A previous agreement in 2011 established that mandatory cuts would take effect in the federal budget on March 1, 2013, if Congress could not come to an agreement on the issue. With some minor exceptions, the Republicans insisted on spending cuts with no tax increases if they were to agree to raise the debt ceiling. The Democrats insisted on raising the debt ceiling and raising taxes with no (or relatively few) spending cuts. Again, there were some exceptions to these general stands, but by-and-large, the politicians split along party lines.

Much of the criticism of Congress has focused on their inability and unwillingness to compromise on spending and taxation. Compromise is considered a four-letter word by some of the ideologues who have been elected, courtesy of gerrymandered campaign contributions and the Supreme Court granting inert institutions the right of free speech. These politicians, whose

obligation is to *govern, sit in a chamber of governance that cannot function if mutual conciliation on issues cannot be achieved.*

In politics, *standing one's ground* is admirable in advancing one's theories. But reality, not theory, is what leads to effective give-and-take governance. In politics, *finding a middle ground* is required to advance a country.

Democrats (the left) and Republicans (the right) both have it wrong. They do not understand or will not acknowledge: Capitalism has been proven to be the most effective way for a nation to prosper. It has been said that capitalism does not work all that well, but better than its alternatives. Even Sweden, a stereotype of socialism, practices capitalism in conducting much of its business. So does Finland and Norway, and other so-called socialistic nations.

Yet, by its very nature, capitalism creates economic imbalances and resulting inequities in the citizenry. These disparities build on themselves and lead to more pronounced inequities. If left unchecked, capitalism leads to a handicapped middle class, with limited leverage on life, and an almost helpless lower class, with no leverage whatsoever.

What the extreme right and left must understand is really simple: *Capitalism's halters must be sufficiently loosened to practice what it preaches. Capitalism's halters must be sufficiently tightened to give others a chance to become capitalists. In addition, if some re-distribution of so-called upper-tier capitalists' wealth is not redistributed, the imbalances between the have and have-nots becomes morally obscene.* (Twenty years ago, this writer would have never written this last statement. I've actually changed my opinion, a rarity for me, as well as other humans.)

The right is saying, "We cannot function if we are taxed anymore. We will accept no more taxes." The left is saying, "We cannot function if we do not have help. We must tax those who have the means to help us."

We can only assume that the positions from the Nancy Pelosi's on the left and the Rush Limbaugh politicians on the right are heart-felt. Taken in theory, they are admirable, even laudatory. So, in this theoretical context, I admire and laud them.

But let's consider these supposedly commendable aspirations in the context of everyday Americans. Most Americans are not concerned with the nuances of ideology when these admittedly principled opinions end-up stalemating the country. The ordinary citizens are concerned with having a job and keeping their homes.

Here is one example of the shame of this situation: The teacher who loses her job, through no fault of her own, from the already emasculated ranks of teachers, has trouble grasping the rationale of Congressional actions that have forced her to queue-up at the welfare office. A valued teacher, humiliated by distant ideologues, enters a bread line.

Am I exaggerating? Are teachers being laid off? Take a look at <http://www.marketplace.org/topics/economy/education/every-new-school-year-uncertainty-teachers>.

OK, but why should teachers be immune to the risks, rewards, and travails of capitalism? I suppose they should not be immune, although I have trouble writing that statement. The point I will make in this report is not about insulating teachers and other members of America's middle and lower classes from economic downturns, it is about the insulating, with increasing frequency and magnitude, America's upper class from any national problems whatsoever.

If all Americans were subject to the same treatment, perhaps the increasingly confused and distressed masses could reconcile why their net income is continuing to decrease, while less than one percent of our population is continuing to garner more of the nation's wealth.

It is a very complex problem, maybe one that has no solution. But let's give it a go. I'll continue the attempt in the next report.

In writing these reports, it is important for you to know that this writer is not in a bread line. What money I made, I earned as a private businessman. So, I am not writing these essays with an ax to grind about America's well-off citizens, as I am one of them.

I am writing them because I have come to believe America's meritocratic society---one I have long supported---is becoming dangerously imbalanced.

Dangerous...not in the sense that the peasants will storm the gated communities and garrote the well-to-do. Dangerous in the sense that our society faces a moral choice about how it not only creates wealth, but how it distributes it.