

# The Real Crime: Concentration of Power

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We are missing the lesson of the current British outrage over Murdoch just as we missed the lesson of the financial crisis in America.

Was the real crime in England that employees of the *News of the World* illegally hacked the cell phone of a missing girl? Was the real financial crime in America illegal acts such as Ponzi schemes or insider trading? The answer is no in both cases.

The real crime in England was legal, not illegal; it was that one man had the power to influence large parts of the British parliament and was credited with a major influence in electing whichever government he favored. No one in government dared to cross him until an emotion-provoking illegal act unleashed a public outcry. That outcry has, at least temporarily, liberated the members of Parliament from their fear of being smeared by Murdoch's newspapers if they dared to be hostile to his interests or beliefs.

Was the real crime in America illegal acts? No. Despite the press devoted to Madoff, the real crime, here as in England, was legal. Selling subprime mortgages to people who could never pay them back was legal. Rating agencies certifying to the high quality of the resulting worthless securities was legal. The whole web of interacting CDO's was legal. It was the legal, though strongly unethical, actions of a powerful Wall Street dedicated to self-enrichment at any price that brought down the U.S. economy. And, though we are still far from recovering from that disaster, the power of money has prevented any fundamental reform of the financial sector.

In both countries, the real crime is the concentration of power that allows these things to happen.

## How Power is Used

Power can be exerted through both the stick and the carrot. In England, members of Parliament feared being smeared in the powerful Murdoch newspapers, and they also knew that if they accommodated his views or interests, they could profit from his support.

In the United States, members of Congress understand that Wall Street money and corporate money can either be used to defeat them or to support their campaigns. They also know that if they are sufficiently influential in the right direction, lobbying jobs that are far more financially rewarding than their present occupation await them when they retire from Congress

Money can extend its power to other parts of government, too. In England, part of the police force became a Murdoch ally in ferreting out more news about important stories. In America,

regulatory bodies, established to protect the public interest, become blind to risky behavior and kind to the industry. And these examples are some entries in a long list of possibilities.

### The Tyranny of Government

It has been common throughout history for the concentration of power to be in governments, often but not always monarchies or dictatorships, and for the leaders of such governments to act to enrich themselves and their friends. In the years preceding the American Revolution, the British government's restrictions on colonial manufacturing, the Navigation Acts, the tax on stamps, and the tax on tea, brought revenue to the British Crown and profits to British merchants and manufacturers at the expense of the colonies, but also produced a revolution. This tyranny by governments is the type of oppression which the Tea Party is constantly reminding us of, but today's tyranny is of a different type.

### The Tyranny of Wealth

The problem today is not the tyranny of government, but rather the concentration of money, and hence power, in Wall Street and in the largest corporations. And it is clear that enough money can buy political power.

Both Wall Street and the major corporations have added to their strong direct effect on the economy a decisive effect on the actions of governmental bodies. It is their influence on the federal government that caused the regulatory bodies to stand back from regulation and encouraged the excesses of the financial sector in the years leading up to the crash. It was the federal government, led by Wall Street alumni, that rescued the financial institutions so that they are now posting record profits despite having impoverished the nation. It was the overwhelming lobbying power of the financial sector that prevented the passage of meaningful financial reform. The banks that were too big to fail are, with the concurrence of both political parties, now bigger than ever. And the actions of the U.S. Supreme Court, permitting the unrestricted use of corporate and Wall Street money for campaigns, are adding to this effect.

The declared goal of most major U.S. corporations today is to make their stock as valuable as possible. As more than two-thirds of all stock is [held by](#) the wealthiest five percent in the country, this corporate goal amounts in practice to simply making the wealthy wealthier and increasing the extreme concentration of wealth and power that already exists in America today. And if making the stock as valuable as possible means sending jobs and technology abroad, while holding down wages at home, so be it.

Yet it is to this same corporate leadership that the government turns for policy advice on how to create jobs and revive the economy.

### Today

Today we have a concentration of wealth unmatched since the days immediately preceding the Great Depression in 1929. This wealth and power, concentrated in Wall Street and in the major corporations, is being used for the enrichment of the already wealthy. Unfortunately, that enrichment is one that does not raise all boats. As statistics clearly show, the big boats are rising rapidly and the small boats are not doing well.

After the Great Depression, the U.S. government acted to lessen the power of concentrated wealth. It separated commercial from investment banking, insured bank deposits, enacted

social security, and facilitated unions as a counter-force to corporations. It even became to some extent the employer of last resort.

But the power of wealth today over both political parties is now such that new government actions are mainly words that cover real inaction, and even that limited action is often described as the actions of a too large and too powerful government.

Today, the threat of tyranny comes not from the government, but from the concentration of wealth and power outside government, and from the influence on government of that great concentration of wealth and power.

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