
Jeffrey Sachs: Message to Wall Street

The Wall Street elite seems completely befuddled by the Occupy Wall Street movement. The demonstrators are called «[unsophisticated](#),» or misguided, or much worse ([mobs](#), communists, and more). Here's a short note to the titans of Wall Street to help them understand what's happening.

Let me start with the *Wall Street Journal*, which seems to be the most confused of all. In its Friday edition, the Journal editorial board [couldn't understand](#) why the protestors would want to protest JP Morgan and hedge fund manager John Paulson. *The Journal* also couldn't understand why the protesters were failing to champion something as wonderful as the Keystone Pipeline, which the Journal assures us would create many jobs.

The Journal can be forgiven for this basic confusion. It must be hard work to channel Rupert Murdoch's cynicism, greed, and ideology every day, so here are some answers so that the editorial board doesn't have to knock itself out with fresh research.

The protesters are annoyed with JP Morgan because it, like its fellow institutions on the street, helped to bring the world economy to its knees through unprincipled and illegal actions. *The Journal* editorial board apparently missed the [news](#) carried in the *Journal's* own business pages that JP Morgan recently paid \$153.6 million in fines for violating securities laws in the lead-up to the 2008 financial collapse. JP Morgan, like other Wall Street institutions, connived with hedge funds to peddle toxic assets to unsuspecting investors, allowing the hedge funds to make a killing at the expense of their «mark,» and the world economy.

The protestors are not enamored of Mr. Paulson either, since he played this role together with Goldman Sachs. Paulson made a fortune by teaming up with Goldman to bundle failed mortgages, which Goldman then peddled to its customers, in this case some unsuspecting German banks. Paulson shorted these assets and thereby profited as the bank's investments collapsed. For this little maneuver, Goldman paid [\\$560 million](#) to the SEC in fines. Of course this is a small amount compared to the profits that Goldman reaped for years playing in toxic assets. On Wall Street, misbehavior pays, at least up until now.

Mr. Paulson actually made some [extraordinary statements](#) in the *New York Times* on Friday (hard even to believe the nonsensical quotations are correct, but there they are, in the paper of record). He too expressed befuddlement about the protests against his business dealings. Didn't the protestors know that he had created 100 high-paying jobs in NYC? 100?

What the protestors do know is that Mr. Paulson's success in shorting toxic assets bundled for gullible investors has netted him billions. In 2007, he reportedly took home [\\$3.7 billion](#) by betting against the U.S. mortgage market. And the protestors can also do their arithmetic. Paulson's take home pay was enough to cover not just 100 jobs at \$50,000 per year but rather approximately 70,000 jobs at \$50,000 per year. Nice try, Mr. Paulson, but the people in Liberty Plaza don't think your hedge-fund play is really worth the compensation of 70,000 people. Nor do they understand why hedge fund managers pay a top tax rate of [15%](#) on their hedge-fund earnings.

The Journal, Paulson, and others who accuse the protestors of being «unsophisticated,» somehow

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have forgotten a basic point. It's not just Paulson, or Goldman, or JP Morgan that parlayed their unethical behavior into vast fortunes at the expense of hapless investors. Just name a big name on Wall Street in the past decade, scratch the surface, and uncover a financial scandal. Bank of America, Goldman, JP Morgan, AIG, Merrill Lynch, Countrywide Financial, Lehman Brothers are only the start of the list.

Maybe the *Journal* forgot to mention this because it itself is enmeshed in a series of scandals, ranging from [hacking phones](#) in the U.K. that has created a full-fledged crisis for its parent News Corporation, to last week's [resignation](#) of the European publisher. Murdoch is not just running an organization of corporate propaganda, but a criminal enterprise, at least in the U.K.

The protestors are not envious of wealth, but sick of corporate lies, cheating, and unethical behavior. They are sick of corporate lobbying that led to the reckless deregulation of financial markets; they are sick of Wall Street and the *Wall Street Journal* asking for trillions of dollars of near-zero-interest loans and bailout money for the banks, but then fighting against unemployment insurance and health coverage for those drowning in the wake of the financial crisis; they are sick of absurdly low tax rates for hedge-fund managers; they are sick of Rupert Murdoch and his henchman David Koch trying to peddle the [Canada-to-Gulf Keystone oil pipeline](#) as an honest and environmentally sound business deal, when in fact it would unleash one of the world's dirtiest and most destructive energy sources, Canada's oil sands, so that Koch can profit while the world suffers. And they are sick of learning how many Republican politicians - the most recent news is about [Herman Cain](#) - are doing the bidding of the Koch brothers.

Here, then, Wall Street and Big Oil, is what it comes down to. The protestors are no longer giving you a free ride, in which you can set the regulations,

set your mega-pay, hide your money in tax havens, enjoy sweet tax rates at the hands of ever-willing politicians, and await your bailouts as needed. The days of lawlessness and greed are coming to an end. Just as the Gilded Age turned into the Progressive Era, just as the Roaring Twenties and its excesses turned into the New Deal, be sure that the era of mega-greed is going to turn into an era of renewed accountability, lawfulness, modest compensation, honest taxation, and government by the people rather than by the banks.

That, in short, is why Wall Street is filled with protesters and why you should wake up, respect the law rather than try to write it, and pay your taxes to a government that is ruled by people rather than by corporate power.

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