Beyond the Occupy Movement

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The Bay Area was host to numerous street protests this fall, stimulated by the Occupy Wall Street movement. In addition to marches in downtown San Francisco, many outlying cities have seen their own demonstrations. As the protests spread to Occupy Monterey, Occupy Santa Rosa, Occupy San Jose and Occupy Oakland, some of them turned violent. Occupy Oakland shut down the port and resulted in clashes between law enforcement and demonstrators in which some serious injuries occurred.

Obviously the banking and financial practices of the past few years, ranging from rip-offs like Mr. Madoff’s to sub-prime mortgage lending resulting in widespread home foreclosures, are sparking concern among the American public. This has probably been the period of deepest unrest we’ve seen here since the anti-war protests of the late 1960s and 1970s.

A number of factors led to the financial mess resulting in the current, persistent recession. Trends in the international economy, such as the entry into the job market of millions of new workers in the post-Soviet, post-Maoist and developing world economies, drove down wages and created competition for the United States. Credit was too lenient, both to consumers and homebuyers, racking up too much debt. Government borrowing ballooned the federal deficit.

The Obama administration, the Congress, the private sector and non-profits are making efforts to address what went wrong in the U.S. economy. Deficit reduction, infrastructure projects, tightening credit, repatriating jobs and better educating the public about financial choices are all significant ways of getting this problem under control and preventing future economic meltdowns.

However, these steps will not address one of the root problems that has contributed to this mess. To have the level of financial dislocation we have experienced, and have it persist well beyond the normal period of a down business cycle, means that we have some systemic problems in the United States that need to be addressed. One of these is that our system of politics and government is no longer very effective at responding to challenges in the economy or addressing crises such as the financial meltdown. Extreme partisan bickering has precluded timely solutions.

But at an even more fundamental level, ethical lapses throughout our society are having a negative impact on our economy. Our values are not supporting a healthy economy at this time. You might ask, How do ethics affect an economy? David Callahan, a Princeton Ph.D., founder of the Washington, D.C., research institute Demos, and author of the recent book The Cheating Culture, has described how cheating and rule-bending are occurring in nearly every aspect of the American economy.

Callahan has studied what he identifies as systematic cheating in over 30 different areas across numerous sectors and professions in American life. These include sports doping, workers comp fraud, pension abuses, Ponzi schemes, insider trading, scientific misconduct and accounting fraud. The professions in which he finds significant cheating include law, medicine, accounting, business, real estate, finance, politics, the media and education. Enron, Bernie Madoff, Arthur Anderson and Eliot Spitzer are just a few of the names prominently associated with cheating scandals in recent years.

The effects of widespread cheating on the economy are to create an uneven playing field for citizens that disadvantages those who play by the rules. Perceptions of an uneven playing field may decrease incentives for people to work hard, start small businesses or strive to succeed. Falsifying loan qualifications to make subprime mortgages may have temporarily inflated the income of certain mortgage sellers, but in the end it has led to foreclosures, bank failures and negative effects on homeowners and communities. Cheating takes down companies when scandals are exposed, cheating on income taxes denies the government funds needed to operate, and cheating generally creates dysfunction in our economy.

Callahan traces what he calls the “cheating culture” to a “winner-take-all society,” in which individuals are so determined to get ahead that they bend the rules in order to do so. He notes that the penalties for cheating are not high enough to deter it, and that most cheaters get away with cheating. But one does not even have to ascribe the cheating to this cause to accept Callahan’s position that it is happening and to conclude that the effects on our economy are negative.

Callahan has set up a website to expose cheating in America in all its forms and to discuss solutions, and it’s worth reviewing at www.cheatingculture.com.

To pull out of the present economic morass, where job recovery is still not happening for many Americans and the majority of those previously eligible for unemployment benefits have now exhausted their coverage, we need to go beyond deficit reduction and tinkering with the national budget. We need to address both the ability of our political system to produce results that keep our economy and country strong, and how to restore the underlying values that are needed to support a vital economy.