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Preface

Growing up in a home that relies on welfare is not an easy thing to do. However, it's also not as hard as one might imagine. When we were young, my six siblings and I didn't always get the Christmas presents we asked for, we often ate rice and beans for dinner, and I never got my own bed. As a child however, I never once thought of our living style as anything less than normal. Sure, my best friend, Kevin, who lived across the street from us, had better toys, nicer clothes, his own bed, and his family ate meat more than twice a month, but that never bothered me. Yes, at times I wanted what Kevin had, but I never thought I was anything less because I had less. When we would go to Kevin's house, the O'Brian family was always gracious, hospitable, and never treated us any differently, even though they were well aware of our economic situation. I was sheltered though, and when I was 17 my shelter began to fall apart.

Wealth and Poverty

I went to Kevin's house quite a lot that summer. His friends from school would be there too, and we would all play ping-pong and video games. Kevin doesn't go to my school. His school is tucked away deep in the forested Presidio, where families pay $38,000 a year for their children's high school education. My school is in the middle of the city, and tuition is free. His friends were nice people, always very friendly to me, but they weren't like Kevin. They spoke with an arrogant undercurrent to their words, talking about their cars and often making fun of Kevin because all he owned was his dad's old Lexus ES300; a car that costs more used than both of my parents cars would brand new. They had a true disregard for reality. When I think about it, what it comes down to is; they never rode the MUNI (San Francisco's public transit system). If you manage to grow up in San Francisco without riding the Muni, you haven't really grown up in San Francisco at all. Their arrogance was most apparent when we watched NBA games together. They sat, in awe, and watch as 10 athletic black men battled it out on the basketball court. It never seemed like they cared much who won or lost. This was a kind of a freak show to them; huge, buffed, sweaty black men completing amazing feats of athleticism. It always reminded me of wealthy Romans watching Gladiators fight to the death. There was something sick about it.

Black people truly scared Kevin's friends. Although they would never admit it, blacks scared their parents as too. While preaching the value of public school, public transportation, and diversity, these families had managed to totally isolate themselves from it all. They lived in Pacific Heights, Saint Francis Woods, and Forest Hill. They sent their children to schools that were 92% Caucasian, and bought them BMWs at the age of 16, so the wouldn't have to take public transportation. It is easy to say you accept all people, no matter what race, creed, or color. It is much, much harder to actually do it.

MUNI is a special thing in the city. If you ride Muni enough, you will truly see the ugly side of all people, sometimes affirming and sometimes disproving preconceived racial stereotypes you might have. Kevin's friends never got to ride a packed bus and see the business man refuse to give up his seat for the pregnant lady, while the black teenager jumped up and politely offered his seat. They were never been chased off an M Train at 1am and run, faster than they've ever run before, because they know what would happen if they stopped running. That summer was the first time I felt the void that divided me from many of the other white kids in the city: the wealthy white.

As you might be able to tell, money was never a driving force behind any of my parent's decisions in life. Greg and Elizabeth Porter never put their children's happiness or well being behind anything else. If having happy children meant raising them in relative poverty, that's what they were going to do. So when they started having children the decision was made that it would be best for the kids if my mother stayed home and taught us, while my Dad worked double shifts in restaurants to support this life style. As a result, my family fell into a very unique socio-economic niche in the city. Due to our family's limited income, we relied on food stamps to bring food to the table some nights, and on government subsidized housing programs to house us in one of the most expensive cities in the world. My Family's unique life style was made possible in large part due to the government aid that was available to us. I knew quite early on that we didn't belong in the city. I knew that if it wasn't for the government, we would not be able to stay in the city I loved so dearly.

Socially, I have been exposed to both the wealthiest, and the poorest of people in San Francisco. Coming from this exceptional socio-economic position, I was able to straddle the two worlds, giving me a childhood few get to experience.

As one may predict, my upbringing, and my parent's attitude towards money, has heavily influenced my own feelings towards wealth. My parents have instilled in their children an acute sense that money should never be an emotional burden.

The Man and His System

The United States of America practices what is known as State Capitalism. As opposed to stringent, pure Capitalism, in the State Capitalist system the government plays much more of a role in the market; relying heavily on the success or failure of corporations within the United States. One of many examples of the intimate relationships between government and corporation includes the aerospace Corp. Lockheed Martin, and Washington. The two have been doing business with each other for years now. The most recent example however, was just last year, when our government awarded Lockheed Martin 22,000 federal contracts in the fiscal year of 2011, amounting to over $40 billion in sales to the federal government for the Corporation.

This close-knit relationship between the public and the private sector is most blatant in our financial system and on Wall Street. The appointment of ex-Wall Street CEOs to the Federal Reserve, Treasury, and Securities and Exchange Commission is rampant in Washington. Many of the economists filling positions in the government have made fortunes in the financial sector prior to serving the people of America. As a citizen of the United States, I am not convinced the Treasury Secretary, or the Chairman of the Federal Reserve are acting in my best interests. Many of them have very strong ties to Wall Street, and the fact that these positions in government are filled by people who made fortunes in the financial sector prior to working with the U.S. Government only helps to strengthen the ties between Corporations and our Government, integrating private business interests into the Fed, SEC, and Treasury.

In the 2010 documentary, *Inside Job,* director Charles Ferguson shines light on certain suspect characters serving in the Fed, SEC, and Treasury. One astounding example of Investment Banker made governing official, is the case of ex-Secretary of the Treasury, Robert Ruben. Ruben served under president Clinton during both his terms. During that time, Ruben vehemently pushed for the passing of the *Gramm-Leach-Bliley Act,* which allowed Citi Corp. and Travelers Insurance to merge, creating a larger, multi-purposed financial Corporation. Prior to the *Gramm-Leach-Bliley Act,* mergers of this kind were illegal, due to the fact that such multipurpose corporations (combining investment banking and Insurance sales) may present a conflict of interests, which would certainly be detrimental to both the market and to the clientele of such a firm. Economists and Congressmen had historically agreed that a multi-purposed firm of that size would be unhealthy for the market. Much to the delight of Ruben – and many of his colleagues, the Act was passed, and Citigroup was formed. After his tenure under Clinton, Ruben took a position at the very same Corporation he helped create: Citigroup. In 2007, he served as chairman of Citigroup, accruing $126 million dollars from the company by 2009.

On May 30th, 2006, Henry "Hank" Paulson took the job of Treasury Secretary under G. W. Bush. In order to comply with the "conflict-of interests regulations", Paulson had to liquidate all of his untaxed stock holdings, which were valued at over $600 million. Prior to his appointment, Paulson was the highest paid CEO on Wall Street, working for one of America's largest investment banks, Goldman Sachs. Many argue that the presence of high-level investment bankers serving as Public Officials does not present a problem; due to the conflict-of-interest regulations they meet before assuming their positions, as well as the fact that they are the most knowledgeable financiers in the country. In an article by Adam Sharpe, he shows us the real irony behind the "conflict-of interest regulations". Sharp explains,

> "So to avoid any appearance of a conflict of interest, government rules forced Mr. Paulson to sell all that stock. Phew, looks like we dodged a bullet there…
>
> Mr. Paulson's conflict of interest also brought a very unique benefit: He didn't have to pay any capital gains taxes on the sale of that stock — zero. The Economist estimated his tax savings to be $200m. That's not bad compensation for less than 3 years of work at a "public service" gig. He also got a nice salary and generous benefits.
>
> The ethics rules that forced Paulson to sell his GS shares were designed so that rich executives aren't dissuaded from entering public service due to tax issues. But they seem to have the opposite effect. It encourages these guys to move to Washington after they've made their fortunes. Getting a government job with conflicted interest turns out to be a fantastic tax dodge."

In 2004, Hank Paulson vehemently lobbied for the de-regulation of leverage[1]. The regulation of leverage was lifted, and by 2007, Lehman Brothers was borrowing $31 to ever $1 the firm actually had. This irresponsible and unethical borrowing of assets was rampant on Wall Street in the years prior to the 2008 market collapse. It also made the large-scale buying and selling of CDOs possible; one of the most direct causes of the market crash. These men make it clear what the purpose of a corporation in this country is; not to serve the American people. Not even to serve its employees. No, the purpose of these corporations has become to serve a very select few. The Paulson's and Ruben's of this country are benefiting from the existence of the

[1] *Leverage is the amount of money a financial institution borrows in comparison to the amount of money the institution actually has*

Citigroup's and the Goldman Sachs'. This brings us to "corporate personhood": The CEO's safety net.

Corporate personhood is the recognition of a corporation as a single, humanlike entity in the eyes of the law. Corporate personhood is the reason why CEOs are able to commit seemingly egregious financial crimes, such as driving their firms into the ground and costing thousands of employees to lose their jobs, stockholders to lose their money, and walk away from the mess with severance packages upwards of $300 million. Corporate Personhood was born in 1886 as a product of the Supreme Court's ruling in *Santa Clara Vs. Southern Pacific Railroad (*affirming more concretely the ruling of *Trustees of Dartmouth College vs. Woodward).* In *Santa Clara vs. SPR*, it was affirmed by the Supreme Court that American corporations have the same rights, under the 14th amendment equal protection clause, as actual American citizens do. The Cornell University Law School cites the equal protection clause as the following: "nor shall a state deprive any person of life, liberty, or property without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws"(Cornell University of Law). As a result of the Supreme Court allowing businesses to fall under the category of "Person", corporations have enjoyed equal rights to due process and protection under the law far too often. Lehman Brothers CEO, Richard Fuld, for example, drove his firm to the ground in 2008. The documentary film, *The Fall Of Lehman Brothers,* cites early signs of obvious mismanagement in the years preceding its collapse. Just before filing for bankruptcy, Lehman Brothers was maintaining a leverage of 44:1; The highest leverage of any Wall Street firm. Lehman Brothers' irresponsible borrowing of assets eventually caught up with them, costing thousands of employees their jobs and retirement packages, stockholders their money, and the global market its stability.

2008 and The Bubble Burst

In 2008, the United States witnessed an ugly display of blatant financial corruption since 1930. In the early 2000's, Loan Agencies began issuing colossal amounts of "sub-prime" loans. These were high-risk loans, usually issued to individuals with bad to atrocious credit history. Why would a bank make such a risky loan? For the first time in history, the bank never had the intention of holding onto the loans. Instead of holding onto this "toxic waste," as the loans were commonly referred to, the Loan Agencies would sell these loans to large banks, such as Morgan Stanley, Goldman Sachs, or Lehman Brothers. The large banks would then turn around and package thousands of these faulty loans, labeling them as "CDOs" – or Credit Default Obligations – further disguising the "toxic waste", and sell them on to massive investment firms, both national and international. These investment firms assumed they would be accruing large returns on the CDOs, however, By the time the large American banks bundled the sub-prime loans, and labeled them as CDOs, the loans themselves and the people who owned them were so disconnected from the person who first borrowed money from the bank, that the Investment firms had no way of knowing what they were actually buying. But wait! What about the rating agencies?! Isn't it their job to make sure Investment banks know what's a good and a bad investment?

Above the countless Investment Banks, Loan Agencies, Local Banks, and Insurance Agencies, sit three very powerful Corporations. Standard and Poor's, Fitch, and Moody's are the three largest rating agencies in the country. The big three played a pivotal role in the crash of our economy, and shone light on the devastating flaws that come as a result of a de-regulated financial market.

S&P, Fitch, and Moody's job is to rate investments, in doing so, alerting possible investors to the quality (or safety) of the investment. The Big Three, prior to the market crash of 2008, were commonly seen by the public as unbiased entities, lacking the competitive attitude that many other financial institutions had. As the sub-prime snowball began to roll however, the rating agencies began to take full advantage of Federal Regulator's absence on Wall Street. Moody's was the most eager to award CDOs the highest rating possible; AAA. Whether or not Moody's knew how faulty the CDOs actually were is beside the point. The higher it rated an investment, the more profit Moody's would make. According to the documentary film, *Inside Job,* in the year 2000, an annual total of 2,500 CDOs received AAA ratings. By the year 2006 however, 4,000 CDOs (two thirds of CDOs) were receiving AAA ratings on a yearly basis. Thousands upon thousands of extremely high-risk loans, given to extremely high-risk people, were receiving the same safety ratings as U.S. Government Bonds. The frantic buying and selling of Collateralized Debt Obligations should have stopped when the rating agencies were forced to label them. Instead, those companies did what companies do best, took advantage of an opportunity to make a profit. Shouldn't there be someone in charge of making sure the rating agencies are honest? There is. So where were they?

The Federal Reserve Bank ("The Fed") and the Securities and Exchange Commission (SEC) are in charge of regulating Wall Street. They are the referees in the financial game that is American Capitalism. The very first sentence on the SEC's website states, "The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation". While the mission statement of the SEC is noble, prior to the market crash, the SEC sat aside and watched, as large investment firms unfairly gambled with their investor's money, in an un-orderly and unprotected fashion.

The Federal Reserve has a very similar mission statement, stating their duties to be "supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers." In their mission statement, the author goes on to state that the Federal Reserve is in charge of "maintaining the stability of the financial system and containing systemic risk that may arise in financial markets".

Both the Fed and the SEC utterly failed to uphold their promises of "supervising", "Regulating", "Maintaining stability", "containing systemic risk", or ensuring "the safety and soundness" of any bank in the United States during the early 2000's.

It is apparent to me, that corruption is rampant within our government and financial system. A statement like that seems radical and extreme, I know, but it is true. We have either become blind to the corruption that occurs in our government, or we see it happening and just don't care very much. I am of the opinion that both are true. Some of us live such bloated, fat lives, we have begun to act like farm animals; being fed so much, that we are blinded to our own eminent demise. It is only when the market crashes, and we begin to taste a little bit of that foreign flavor that is financial instability, that we wake up from our food coma and see how we've been swindled by the banks.

The rest of us just don't care. We have grown accustomed to the corruption at the top, and simply don't question it. We don't mind that after leaving Washington, Robert Ruben took a cushy position as Vice-Chairman at the very corporation he helped create; Citigroup. And it doesn't bother most of us that in a two-year stint with the company, he was paid $126,000,000.

Ruben is just one example of the countless government officials with strong and unethical ties to corporate money. These relationships without a doubt create a conflict of interests when it comes down to “supervising and regulating banking institutions to ensure the safety and soundness of the nation’s banking and financial system and to protect the credit rights of consumers”(Federal Reserve Bank).

It is our government’s responsibility to protect us, the citizens, from eminent corporate greed and recklessness that comes as a byproduct of deregulation and Capitalist freedom.

The Moral Dilemma

Growing up in a poor family had its perks. Early on, I developed a healthy relationship and attitude towards money. I certainly valued money, but with the influence of my parents, money never became an obsession, or something I treated with an unhealthy blasé attitude, like I saw in many of Kevin’s friends.

I have dwelled upon the moral and ethical flaws within our Capitalist system quite a lot in this paper. My relationship with Capitalism however, is a positive one. I have a fiery passion for economics. The flow of money and its effect on everything in our country fascinates me to no end. I look forward to majoring in economics, and hopefully, going on to business school in order to acquire all the skills necessary to excel in the world of business. Being on the brink of entering this world of competitive Capitalism is exciting for me! I believe that I am of a certain mold that will excel in a competitive environment, especially one that is built around commerce and capital, both of which I am very passionate about.

I cannot ignore, however, that the system is flawed. This culture, I am so eagerly waiting join, is exclusive. It is a white man’s culture. Many of the Latinos, Asians, and Blacks I went to high school with would not stand a chance in this game. I grew up speaking English, which gives me an advantage over roughly 30% of Americans. I also had the privilege of being raised in a home where it was never “if you go to college”, it was always “when you go to college”. While I eagerly await the day when I may play this capitalist game for myself, it saddens me that many of the kids I went to high school with will not have this chance. They can only dream of the possibilities that are quickly becoming my reality.

I have lived with both the very poor, and the extremely wealthy. I have lived welfare and food stamps, and I have witnessed teenagers crashing their dad’s Audi without repercussions. When my number is called, I hope to bring something to the American Capitalist game, a different outlook on what purpose our economic system should serve. I hope to see it change from the self-serving, greedy, detrimental cancer it is today, to a system that is by the people and for the people. I want bring American Capitalism out of the pockets of a select few, and make it serve the people of this nation once again. I am not preaching Communism, I am simply looking to build a financial system that does not take from the people of the country, but instead serves those people and their best interests.

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