

Opinion: America's moral crisis lies in boardrooms, not bedrooms

By Robert Reich

Republicans have morality upside down. Santorum, Gingrich, and even Romney are barnstorming across the land condemning gay marriage, abortion, out-of-wedlock births, access to contraception, and the wall separating church and state.

But America's problem isn't a breakdown in private morality. It's a breakdown in public morality. What Americans do in their bedrooms is their own business. What corporate executives and Wall Street financiers do in boardrooms and executive suites affects all of us.



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There is moral rot in America but it's not found in the private behavior of ordinary people. It's located in the public behavior of people who control our economy and are turning our democracy into a financial slush pump. It's found in Wall Street fraud, exorbitant pay of top executives, financial conflicts of interest, insider trading, and the outright bribery of public officials through unlimited campaign "donations."

Political scientist James Q. Wilson, who died last week, noted

that a broken window left unattended signals that no one cares if windows are broken. It becomes an ongoing invitation to throw more stones at more windows, ultimately undermining moral standards of the entire community

The windows Wall Street broke in the years leading up to the crash of 2008 remain broken. Despite financial fraud on a scale not seen in this country for more than eighty years, not a single executive of a major Wall Street bank has been charged with a crime.

Since 2009, the Securities and Exchange Commission has filed 25 cases against mortgage originators and securities firms. A few are still being litigated but most have been settled. They've generated almost \$2 billion in penalties and other forms of monetary relief, according to the Commission. But almost none of this money has come out of the pockets of CEOs or other company officials; it has come out of the companies – or, more accurately, their shareholders. Federal prosecutors are now signaling they won't even bring charges in the brazen case of MF Global, which lost billions of dollars that were supposed to be kept safe.

Nor have any of the lawyers, accountants, auditors, or top executives of credit-rating agencies who aided and abetted Wall Street financiers been charged with doing anything wrong.

And the new Dodd-Frank law that was supposed to prevent this from happening again is now so riddled with loopholes, courtesy of Wall Street lobbyists, that it's almost a sham. The Street prevented the Glass-Steagall Act from being resurrected, and successfully fought against limits on the size of the largest banks.

Windows started breaking years ago. Enron's court-appointed trustee reported that bankers from Citigroup and JP Morgan Chase didn't merely look the other way; they dreamed up and sold Enron financial schemes specifically designed to allow

Enron to commit fraud. Arthur Andersen, Enron's auditor, was convicted of obstructing justice by shredding Enron documents, yet most of the Andersen partners who aided and abetted Enron were never punished.

Americans are entitled to their own religious views about gay marriage, contraception, out-of-wedlock births, abortion, and God. We can be truly free only if we're confident we can go about our private lives without being monitored or intruded upon by government, and can practice whatever faith (or lack of faith) we wish regardless of the religious beliefs of others. A society where one set of religious views is imposed on a large number of citizens who disagree with them is not a democracy. It's a theocracy.

But abuses of public trust such as we've witnessed for years on the Street and in the executive suites of our largest corporations are not matters of private morality. They're violations of public morality. They undermine the integrity of our economy and democracy. They've led millions of Americans to conclude the game is rigged.

Regressive Republicans have no problem hurling the epithets "shameful," "disgraceful," and "contemptible" at private moral decisions they disagree with. Rush Limbaugh calls a young woman a "slut" just for standing up for her beliefs about private morality.

Republicans have staked out the moral low ground. It's time for Democrats and progressives to stake out the moral high ground, condemning the abuses of economic power and privilege that characterize this new Gilded Age – business deals that are technically legal but wrong because they exploit the trust that investors or employees have place in those businesses, pay packages that are ludicrously high compared with the pay of average workers, political donations so large as to breed cynicism about the ability of their recipients to represent the public as a whole.

An economy is built on a foundation of shared morality. Adam Smith never called himself an economist. The separate field of economics didn't exist in the eighteenth century. He called himself a moral philosopher. And the book he was proudest of wasn't "The Wealth of Nations," but his "Theory of Moral Sentiments" – about the ties that bind people together into societies.

Twice before progressive have saved capitalism from its own excesses by appealing to public morality and common sense. First in the early 1900s, when the captains for American industry had monopolized the economy into giant trusts, American politics had sunk into a swamp of patronage and corruption, and many factory jobs were unsafe – entailing long hours of work at meager pay and often exploiting children. In response, we enacted antitrust, civil service reforms, and labor protections.

And then again in 1930s after the stock market collapsed and a large portion of American workforce was unemployed. Then we regulated banks and insured deposits, cleaned up stock market, and provided social insurance to the destitute.

It's time once again to save capitalism from its own excesses – and to base a new era of reform on public morality and common sense.

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