



THE OCCUPY HANDBOOK

EDITED BY JANET BYRNE

Paul Krugman

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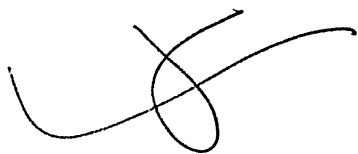
Lawrence Weschler

Matt Taibbi

Emmanuel Saez

and 46 others

Inwas Faral

A stylized handwritten signature in black ink, consisting of a large loop and a sweeping tail.

Early praise for

THE OCCUPY HANDBOOK

“More than a scrapbook of the recent Occupy Wall Street movement, *The Occupy Handbook*, a compilation by our best journalists, thinkers, and economists, puts the story of America’s revolt against inequality in welcome historical perspective. From the barricades of 1848, to the barrios of modern Chile, to the improbable campgrounds thrown together in the shadows of New York skyscrapers, the *Handbook* examines the budding question of whether democracy can foster a more equal, and also a more prosperous, society. Insightful pieces by Gillian Tett, John Cassidy, Bethany McLean, and many more prepare you to think about the next outbreak of outrage and activism—which is only a matter of time.”

—Roger Lowenstein, author of *The End of Wall Street* and *When Genius Failed*

“This fascinating collection explains why *and* how income and wealth inequalities have rightly climbed to the top of the policy agenda in so many countries. With multiple perspectives from both experts and activists, *The Occupy Handbook* contains valuable insights on the historical context, the formation of the popular movements, their impact, and what the future may hold. I suspect it won’t be long before this handbook is viewed as the reference guide for understanding how an unstructured gathering of people in Zuccotti Park ended up providing the catalyst redefining policy imperatives around the world.”

—Mohamed A. El-Erian, CEO of PIMCO
and author of *When Markets Collide*

Also by Janet Byrne

A Genius for Living: The Life of Frieda Lawrence



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THE OCCUPY HANDBOOK



EDITED BY JANET BYRNE

GUEST EDITOR
ROBIN WELLS



BACK BAY BOOKS

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PUSTAKA PERDANA



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*To Zack and Daniel,
who heard a lot about the contributors,
and whose own contributions are of another order of magnitude*





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THE OCCUPY HANDBOOK





Introduction

A Tale of Two Taxes

*Nobody lies groaning under the yoke of inauthenticity
twenty-four hours a day.*

—Raoul Vaneigem

One fall morning I stood outside the Princeton Club, on West 43rd Street in Manhattan. Occupy Wall Street, which I had visited several times as a sympathetic outsider, had passed its one-month anniversary, and I thought the movement might usefully be analyzed by economists and financial writers whose pieces I would commission and assemble into a book that was analytical and—this was what really interested me—prescriptive. I'd been invited to breakfast to talk about the idea with a Princeton Club member and had arrived early out of nervousness.

It seemed a strange place to be discussing the book. I tried the idea out on a young bellhop. He said that he took the protests seriously, found himself wondering about the methodology, but was not involved. He didn't have the time: he didn't live in Manhattan and, besides the bellhop job, he was in school. Paying for college was difficult. The protests made sense to him, he said, for one reason: they concerned what mattered to everyone—the economy. I had expected more resistance, some frank skepticism, maybe a comment to the effect that the protests

struck him as frivolous. Thirty minutes later, the response of my breakfast companion more or less echoed the bellhop's: the first of many such universal reactions I'd hear to the issues raised by OWS.

Occupy Wall Street has the rare distinction of being a protest movement that even the objects of its attack can find little fault with. According to the Spectrem Group, a consulting firm serving ultra-high-net-worth individuals, 61 percent to 68 percent of millionaires support raising taxes on millionaires. Although every banker I approached to participate in this book, including JPMorgan Chase CEO Jamie Dimon, politely declined, it was impossible not to sense that, behind the scrim, income inequality was a subject that everyone, even bankers, wanted to speak about.

A single exception to the bankers' silence came late in the project, when I received a phone call from Paul Volcker. I had tried to contact him for about two months—two-thirds of this book's entire short gestation period—through such avenues as the Atlantic Salmon Federation: an avid fly fisherman and conservationist, he has served as a director of the organization. Finally, I had sent a letter, by snail mail, to one last address. It was an unconscionably long letter, because by then the roster of contributors, which I included, had grown. I put my phone number under my signature.

Fielding a call from Paul Volcker might have been daunting if he had been all business. I suppose he was, but what I heard on the phone was a disarmingly friendly laugh in a low register. "Tell me," the former chairman of the Federal Reserve said, "did you really get all these people to write something for you?" I remembered a Reuters headline from a few months before: "Paul Volcker Says Volcker Rule Too Complicated." The story was written after the collapse of the brokerage MF Global. MF's filing for bankruptcy was held up as an object lesson in

the need for the so-called Volcker rule, which limits the kind of proprietary trading that helped lead to the worldwide financial collapse. Another rumble; one or two more questions. I was being vetted, but there was no hint of challenge. What I detected was more of a we're-all-in-this-together sentiment. One sensed that this was a man who liked the truth and knew how to find it.

His piece came in immediately after our conversation, arriving on the same day as the songwriter Tom Verlaine's interview with *Rolling Stone* journalist Matt Taibbi. Paul Volcker and Matt Taibbi feel basically the same way about certain things.

This is a book about fairness. It came together shockingly fast, in a small laundry room in an old house in the "Pharm Belt": my office. Bucks County, Pennsylvania, was once a "farm belt." With its pharmaceutical and financial corporations grafted onto a largely discarded agricultural landscape, it displays some of the same perversions of income inequality and perks of high-income contagion that are common to much of the country. The median household income is \$74,828. Only 4.9 percent live below the poverty level. Infrastructure is superb, people work hard, and there is a firm volunteer ethos and charitableness. A swing state, Pennsylvania is twenty-eighth in so-called entitlement or social safety-net federal expenditure. This is one measure of what some refer to as "red-state socialism," meaning that residents of more heavily Republican, or "red," states, tend to be the greatest beneficiaries of the federal aid they in theory oppose. (They also tend to oppose tax increases.) The top ten state beneficiaries of entitlement spending voted Republican in the 2008 presidential election. Significantly, in a growing nationwide trend, more safety-net spending now goes to the middle class than to the poor.

Thirty miles from Bucks County is Camden, New Jersey,

the poorest city per capita in the nation: median income \$27,027, with 31 percent of the population below the poverty level. (New Jersey, a “blue,” or Democratic, state, is fiftieth—*last*—in entitlement spending. New Mexico is first.) As the sociologists Kathryn Edin and Maria Kefalas and the writer Chris Hedges have shown, Camden may tell us more about the future than we realize. Its depredations are a source of pain first and most obviously to those who live them; but they are also a source of discomfort to those who witness them. Whether the city represents an end point in the national income-inequality debate or a place from which to begin a discussion, it would be difficult to find many who fail to agree that its position is untenable.

Fanning out from Bucks County in every direction, the pattern of haves and have-nots repeats itself. The train ride into New York reveals a familiar American discordance: high-end condos and junkyards, pristine converted stone farmhouses and old linen mills with smashed windows. The line originates in Trenton, New Jersey, where the median household income is \$36,601, and 24.5 percent live below the poverty level, as compared with an overall state average of 9.1 percent. One passes through Princeton—median household \$104,234, 6.5 percent living below the poverty level. At the other end is Newark, where I was born: median household income \$35,659, with 25 percent living below the poverty level.

The Occupy Handbook is divided into three parts. Part 1, “How We Got Here,” takes a look at events that may be considered precursors of OWS: the stories of a brakeman in 1877 who went up against the railroads; of the four men from an all-black college in North Carolina who staged the first lunch counter sit-in of the 1960s; of the out-of-work doctor whose nationwide, bizarrely personal Townsend Club movement led to the passage of Social Security. We go back to the 1930s and the New

Deal and, in Carmen M. Reinhart and Kenneth S. Rogoff's "nutshell" version of their book *This Time Is Different: Eight Centuries of Financial Folly*, even further.

Part 2, "Where We Are Now," which covers the present, both in the United States and abroad, opens with a piece by the anthropologist David Graeber. The world of Madison Avenue is far from the beliefs of Graeber, an anarchist, but it's Graeber who arguably (he says he didn't do it alone) came up with the phrase "We are the 99 percent." As *Bloomberg Businessweek* pointed out in October 2011, during month two of the Occupy encampments that Graeber helped initiate, and three months after the publication of his *Debt: The First 5,000 Years*, "David Graeber likes to say that he had three goals for the year: promote his book, learn to drive, and launch a worldwide revolution. The first is going well, the second has proven challenging, and the third is looking up." Graeber's counterpart in Chile can loosely be said to be Camila Vallejo, the college undergraduate, pictured on page 219, who, at twenty-three, brought the country to a standstill. The novelist and playwright Ariel Dorfman writes about her and about his own self-imposed exile from Chile, and his piece is followed by an entirely different, more quantitative treatment of the subject. This part of the book also covers the *indignados* in Spain, who, before Occupy began, "occupied" the public squares of Madrid and other cities—using, as the basis for their claim that the parks could legally be slept in, a thirteenth-century right granted to shepherds who moved, and still move, their flocks annually.

Part 3 lays out actions. One is disinvestment, on the scale of antiapartheid-level sanctions—see Michael Lewis's interview with himself, "Boycott!," in which he explains his embarrassment at not having stood on a soapbox during two visits to Occupy encampments, and in which he calls for the removal, by universities and other institutions, of endowment funds

from the “too big to fail” Wall Street firms. Two other proposals are Felix Salmon’s, for reducing the mortgage burden, and Michelle J. White and Wenli Li’s, for cutting foreclosures. They address in detail one of the biggest human costs of the crisis: loss of one’s house.

Each contributor took a leap of faith in agreeing to participate in this project. Not entirely by design but then more sure-footedly, the project evolved nonhierarchically, as OWS famously has. Contributors initially had no idea what others were writing. Most of them chose their own topics, and agreed generally to avoid overlap, sometimes by being in touch with one another. The contributors were not paid properly for their time, and some of the best technical economists in the country undertook two and sometimes three revisions of their work in order to make their pieces comprehensible to readers who, like myself, are not subject experts.

The question remains: is economics ever a solution to the deep-seated troubles of a city like Camden? If you were trying to think of ways to fix the economy, couldn’t you do better than to use economics? The answer is: probably not in this world. What the *Financial Times* journalist Martin Wolf says, in part 3, about capitalism might also be said of economics generally: while imperfect, it is “uniquely flexible, responsive, and innovative.” And it’s important to distinguish economic practice from—as Paul Krugman and Robin Wells suggest in part 1—politics.

A turning point for me in the book’s composition came when Peter Diamond and Emmanuel Saez delivered a complex tax proposal with a simple message: if the marginal tax rate on the income of the top 1 percent were doubled, from 35 percent to 70 percent, any resulting unhappiness experienced by the 1 percent would be socially unimportant; and recall that the majority of millionaires want their taxes raised, as the Spec-

trem Group's survey demonstrates and as Warren Buffett demonstrated in 2011. Raising the marginal tax rate would cause the 1 percent to work a little less and lead some to find more ways to underreport their income, and might drive some of them from the country; but the response is small enough that revenue still would go up considerably. Yet, as the economist Brad DeLong points out in his commentary on the Diamond-Saez piece, more than half the general population of the United States is against raising the tax rate as the authors suggest.

What are the objections?

You will find some of the answers in this book, but perhaps there is a better question: Is there another, equally persuasive tax proposal? Is there an equally persuasive tax *policy*? The *Washington Post's* Ezra Klein summarizes Mitt Romney's tax policy as follows:

Extend the Bush tax cuts and, then on top of that, sharply cut taxes on corporations, the wealthy, and upper-middle-class investors, while letting a set of tax breaks that help the poor expire. The result, according to the Tax Policy Center, would be a \$69 tax cut for the average individual in the bottom 20 percent and a \$164,000 tax cut for the average individual in the top 1 percent. And Romney would pay for this through unspecified cuts to domestic programs. Since domestic programs mostly go to the poor and seniors, the regressive tax cuts would be regressively financed.

House GOP budget chairman Paul Ryan's 2012 budget plan, not intended to be enacted into law but rather to present, as the congressman's website says, a "roadmap" for the future, would, according to the *New York Times's* David Leonhardt,

reduce taxes on the wealthy. Under the Path to Prosperity, as the Ryan plan is called, taxes for the poorest 90 percent would rise, according to the nonprofit Citizens for Tax Justice.

Tax rates are at historic lows. For much of the 1970s, the highest marginal tax rate was in fact 70 percent. In 1950, it was 91 percent. Thus when Diamond and Saez write that they “favor a top tax rate near or in the range of 50 percent to 70 percent,” they are proposing simply that we return to something like the rates that were in place before the Bush tax cut for the top earners and earlier.

In choosing between these two broad approaches, which is more in keeping with American policies?

What Paul Volcker expressed astonishment about—that people were willing to contribute to a book like this at all—can be explained, I think, by the unnaturalness of the postures that income inequality has led us to assume. The postures are unsustainable. Income inequality is a form of inauthenticity, and in 2011, from Egypt to Iowa, citizens of the world threw off the yoke.

The Occupy Handbook offers, first, analysis of precedent, then a look at the here and now, and, finally, a view of how we might proceed. Research can never be said to be comprehensive. One has to account for the bias of the researcher; and there is always another alley to go down. But as the proposals on my desk multiplied, I found that none had the quiet power of Diamond and Saez’s “Taxing High Earnings.” For those who are not convinced, and who will fall into the majority Brad DeLong describes, where is the tax proposal of equal intelligence?

PART I



HOW WE GOT HERE



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PERDAMA

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Gillian Tett
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How did we get here? What should we do next?

With contributions from some of the world's leading activists, thinkers, economists, and journalists, *The Occupy Handbook* explores the historical roots of the current movement, the links between income inequality and the economic crisis, lessons from Occupy protests throughout the United States and similar movements around the world, and the potential power of the 99 percent to effect real change. Full of wisdom, provocation, and insight, *The Occupy Handbook* is essential reading for anyone trying to understand our world and hoping to make it more just.

JANET BYRNE is an editor who has worked with Nobel Prize-winning economists, Pulitzer Prize-winning writers, and leading political figures, financial journalists, academics, and bestselling authors. She is the author of *A Genius for Living* and has served as a researcher for and as a contributor to numerous books.

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