

Special Report

The October Surprise

October 2011

“Occupy Wall Street” has captured the attention of the nation and the world. It also has raised many doubts, criticisms and questions, from what exactly its goals are, to how long it will endure, to how much impact it will have on politics, public policy and public life and to who is supporting the movement. No definitive answers are possible yet, since each day brings new twists and turns. But it is known the movement has a “winter strategy,” complete with stocks of tents and Arctic-quality sleeping bags, so it clearly doesn’t plan to go away any time soon. This Special Report is intended, therefore, to analyze what is known so far and to offer clients suggestions on appropriate responses.

The Background

When the “Occupy Wall Street” movement was in its infancy, an Agence France Presse photographer took a picture of a little girl in New York’s Zuccotti Park, cradle of the fledgling protest. She was holding a sign that read: “Look Mom. No Future.” Next to the solemn child sat an elderly woman dressed in black with her own sign: “Grandmas against greed. Grandpas too.”

That image summarizes the disparity of the movement, its broad yet puzzling appeal to the jobless and those who feel betrayed by government and major institutions, the uncertainty of what happens next and the reason the “Occupy” protests are causing unease among governments and business leaders around the globe.

The often incoherent cacophony of demands from the protesters, ranging from cries for income redistribution to the end of the Federal Reserve Bank, is deemed unlikely to result in specific actions. Yet many find in the amorphous protests a sign of hope and even optimism that millions who have been hurt by the economic downturn are demanding change that could have ramifications for decades. In short, the status quo is under attack.

Why “Occupy” Matters

For every argument that naysayers cite to buttress their position that protests do not bring societal change, there is an example where they worked—eventually. Consider the current bans on smoking in public places, the required use of seatbelts, the greater acceptance of gays and lesbians, the rise of Prohibition and the end of Prohibition, the long-fought battle for the right of women to vote. In conservative Saudi Arabia, women are on track to be permitted to drive. In America, an African American is President.

The “Occupy” movement stunned the scoffers by spreading during the last six weeks—the proverbial October surprise—to more than 82 nations. It has confused or angered as many as it has inspired, led to hundreds of arrests and brought cautious expressions of solidarity from union leaders to President Obama to the Vatican. The protesters range from disillusioned young college graduates desperately seeking employment to pay off huge student loans to the hangers-on in society espousing the most libertine of fringe causes. They include environmentalists, energy activists, labor unions and society’s most disillusioned who blame the privileged minority for the woes of the majority.

According to the latest New York Times/CBS News poll, almost half of the public—46 percent—thinks the sentiment at the root of the “Occupy” movement generally reflects the views of most Americans. Another poll found that eight out of ten believe Wall Street financiers are overpaid and greedy.

At first largely ignored by mainstream media, the “Occupy” movement quickly went viral through social media. Even as the usual suspects—liberal celebrities like Susan Sarandon, Pete Seeger, Michael Moore and George Soros—flocked to embrace it, “Occupy Wall Street” has spread with no easily recognizable leaders from city to city, from continent to continent. An unofficial umbrella group, “Occupy Together,” claimed that protests took place in 1,500 cities worldwide during just one October weekend.

How to Respond

Government and business leaders would do well to pay this confusing young movement serious heed because it is spreading and involves great emotion and anger. It is more than nascent class warfare and may well become the flip side of the anti-government, anti-deficit, up-from-the-grassroots Tea Party, an underestimated political movement that turned the Republican Party on its head in the 2010 elections. If the carnival does not fizzle, the “Occupy” movement might have its own anti-establishment impact in 2012.

This is not the right climate to ignore the public’s fear and anxieties or to stoke them by insensitive displays of wealth and extravagance. The outsize bonuses for poor performance, the expensive conventions, and the “corporate jet” ethos of yesterday anger those whose retirement funds are gone, whose houses were foreclosed, who can’t find work.

A company’s reputation for good governance, social responsibility, compassion for employees and willingness to do what it can to help those in need has never been more important. But in this climate such a reputation is easy to lose and if lost, difficult to regain.

Everyone wants to be taken seriously. The most powerful tool any CEO has is the ability to listen, see how things really are and conduct an effective two-way communication to make change happen for the betterment of everyone. Of course all of Wall Street is not to blame for the excesses of a few. Yet no socially responsible CEO believes that having the largest chunk of the country’s wealth in the hands of the tiny top tier is a good thing for the nation or sustainable in the long term.

What the Movement Wants

If the “Occupy” movement has a slogan, it is “We are the 99 percent,” a reference to the financial inequality between the bottom 99 percent of society and the top 1 percent. As multi-million-dollar

salaries and bonuses of some CEOs become common knowledge, the outrage spread. The average U.S. family is earning hundreds of dollars less a year, adjusted for inflation, than it did before the economic chaos of 2008. In 2010, 20 percent of Americans earned half the nation’s income, compared with 3.4 percent earned by the poorest 15 percent. One out of six Americans lives in poverty.

Income inequality in the U.S. has increased since 1980; this country now has one of the highest levels of income inequality among developed nations. But as unemployment or under-employment has engulfed 26 million Americans and their families, causing financial perils for many towns and states, the profits of some corporations have soared to record heights. The psychological impact of that juxtaposition fuels the “Occupy” movement. The movement was spawned by anger at the perception that the world’s economic woes were created by the greed of Wall Street financiers, who were never brought to account. The movement is nourished by the growing realization that the children of many middle-class Americans may never have the comfort, security, wealth or, most important, the opportunities of their parents.

With Americans’ penchant for solving problems and making things work, OWS has been a somewhat infuriating amalgam of venting and demagoguery with “occupiers” living in tents dotting trash-strewn parks. It is not surprising that this has frustrated public authorities, who have been uncertain how to react. It has resulted in many obvious but unanswered questions: What is the point? How do we solve this problem of inequality? What comes next? Do we countenance takeovers of our public places for months at a time? Will the movement die out during winter? Is this just protest for protest’s sake?

These issues are vexing the protesters themselves even as they are becoming elated with their unexpected impact. Their war chests are expanding with donated funds as they strike a chord with millions fed up at not being able to get ahead

even when they played by the rules. The movement is drawing a wide variety of activists from many protest and change organizations and is coalescing around the idea of forcing financial institutions to change.

A group called Metro Industrial Areas Foundation began demonstrating in New York two years ago to protest the worsening economy and income disparity. That group seeks to cap interest rates at 10 percent, reinstate laws against usury, end pay-day lending and write down the principal of underwater mortgages. It is prodding major institutions to move their money from banks that refuse to change and recently has had some limited success. Metro's demonstration drew little notice, but the "Occupy" movement now has spread well beyond Metro's original scale while encompassing some of its controversial goals. Another group wants to impose a 1 percent tax on financial transactions and currency trades. Others want to kill the Fed.

It is difficult to see such ideas gaining much traction. Yes, the movement has harnessed the frustration of many at the failings of society's major institutions—from church to government. But it is not at all clear that it will achieve the effectiveness and government reforms of the anti-war and student and Watergate protests of the 1960s and 1970s.

Conclusion

It is difficult to see the broad historical picture when society is in the midst of turmoil. Immersed in our daily lives, we find it nearly impossible to tell whether turbulence is transient or profound. When those on the right and left shout so loudly they can't and won't listen to each other, those in the middle want to disconnect from the partisan paralysis. Yet our challenges are too great to permit that. We must bring the country back into balance. That is the motive for the "Occupy" movement. Great societies come and go, but it is difficult to believe that the greatest of them all has hit insurmountable obstacles at such a rela-

tively young age. Despite the gloomy prophecies that abound about America's future, there is no reason to think the worst. By most measures, America is still the best positioned country to prosper and lead.

Yet, the loss of confidence in America's great institutions is widespread enough for grave concern. We need unity and compromise, thoughtful solutions and great care that we do not do more damage. Congress's flirtation with default on our debts had tremendous repercussions; failing to understand how complex the global economy has become is not something with which we should trifle. As we have seen in Libya, Tunisia, Egypt and elsewhere, leaders who thwart, trample or trivialize the aspirations of their people ultimately will fall. How ironic that the revolutionaries in those countries are watching closely to see what happens with the "Occupy" movement.

By working together and listening to each other—even to the often incoherent voices of "Occupy Wall Street"—we will find ways to reduce our annual deficits, pay down our debt, make money by making things, invest in infrastructure, education and research and development, restore the middle class to prosperity and refurbish the land of opportunity. Our children and our grandparents deserve our best efforts.

The Dilenschneider Group will continue to monitor this important situation and issue further Special Reports as developments warrant.