

money in esoteric securities rather than in risk-free Treasuries, the standard practice. The idea was—I'm not kidding—to make an extra one-fifth of 1% in interest. When the esoterica, which the stock-loan folks thought was riskless, crumbled, so did the firm.

The likes of Citi owned AAA-rated mortgage securities they thought were as safe as Treasury securities. That's what AAA means—or what they thought it meant. But since the rating agencies screwed up royally by not analyzing the securities properly—a whole other story—Citi et al. got whacked.

Don't forget, too, that a fair number of Wall Streeters got wiped out because their wealth was tied to their firm's stock price. Dick Fuld, the former CEO of Lehman, had shares and options worth about \$1 billion at their peak. He got less than \$1 million when he sold them after the firm went bankrupt. (He still took home, before taxes, \$490 million from his stock-based compensation, so don't cry for him.) James Cayne, CEO of the defunct Bear Stearns, was in a similar situation. If Fuld and Cayne had known their firms were as badly at risk as they proved to be, don't you think they'd have sold as much stock as they could before their firms imploded?

In the end, the problem isn't really pay; it's competence. The CEOs didn't under-

stand the fine print. These firms collapsed out of ignorance fueled by avarice—a particularly toxic combination. Under the circumstances, Feinberg is doing the best he can. But what he's doing is more symbolic than real (although symbolism does matter). Meanwhile, genuine reform of the financial system is bogging down. Wall Street wins again.

The Real Bailout

SOME BANKERS NOW HAVE THE ATTITUDE of, What's the problem? The crisis is over. Get out of our way and let us get back to business. This is especially true of those who don't owe the government any money. The conventional thinking is that the \$700 billion of Troubled Asset Relief Program (TARP) money was the beginning and will be the end of the bailout. TARP lent \$238 billion to more than 680 banks, according to SNL Financial, a research firm; 44 of these banks have repaid a total of \$71 billion. Thus, there's less than \$170 billion, a relative pittance, of TARP money invested in banks.

So when the likes of Goldman Sachs or JPMorgan Chase, which were well capitalized and well run, say they didn't really need TARP money in the first place, that's more or less accurate. However, that doesn't mean that Goldman, JPMorgan

The Megarich

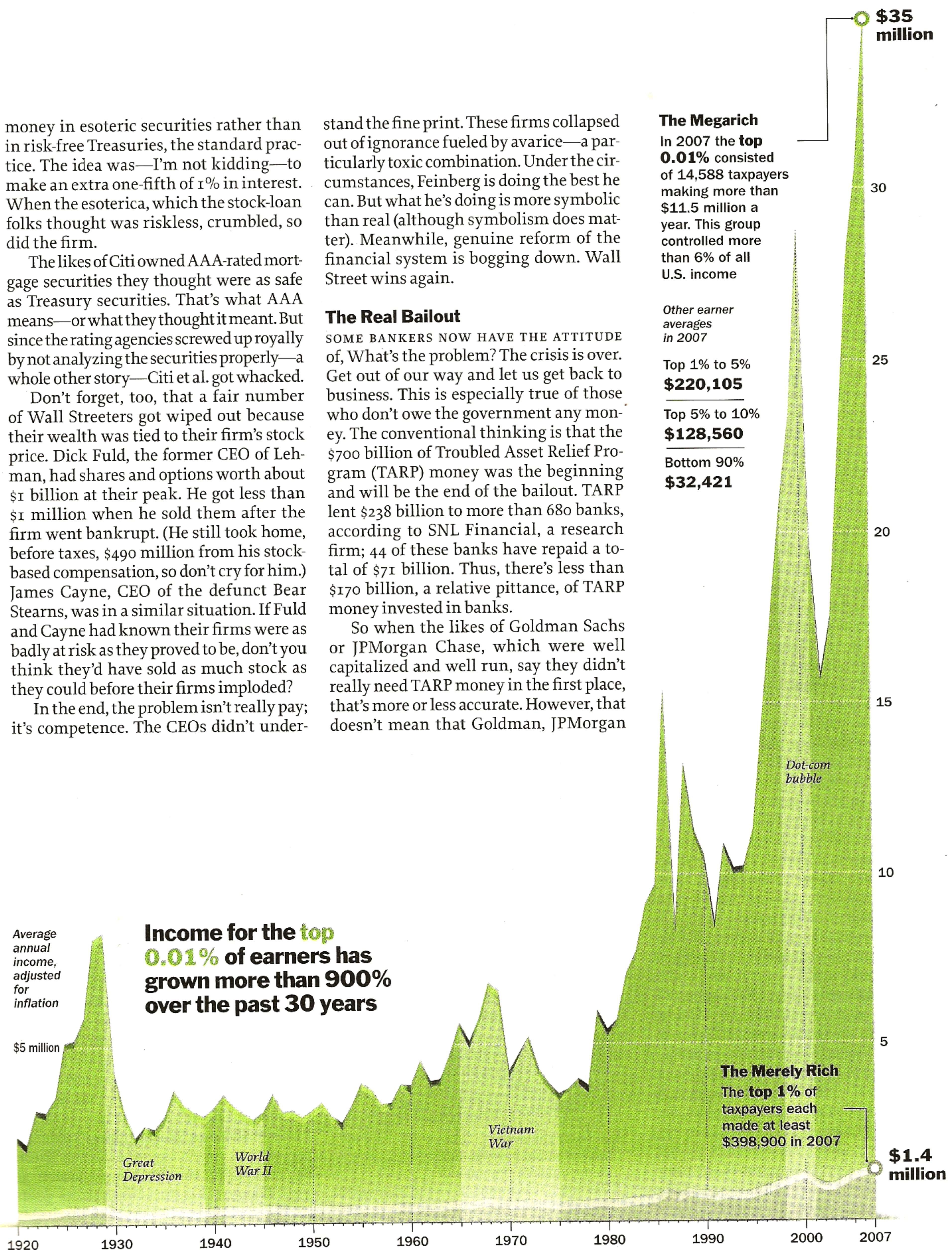
In 2007 the top 0.01% consisted of 14,588 taxpayers making more than \$11.5 million a year. This group controlled more than 6% of all U.S. income

Other earner averages in 2007

Top 1% to 5%
\$220,105

Top 5% to 10%
\$128,560

Bottom 90%
\$32,421



Note: Figures include capital gains Source: Income-distribution analysis by Thomas Piketty and Emmanuel Saez using tax data