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All the G.O.P.’s Gekkos

By PAUL KRUGMAN

Almost a quarter of a century has passed since the release of the movie “Wall Street,” and the film seems more relevant than ever. The self-righteous screeds of financial tycoons denouncing President Obama all read like variations on Gordon Gekko’s famous “greed is good” speech, while the complaints of Occupy Wall Street sound just like what Gekko says in private: “I create nothing. I own,” he declares at one point; at another, he asks his protégé, “Now you’re not naïve enough to think we’re living in a democracy, are you, buddy?”

Yet, with the benefit of hindsight, we can see that the movie went a little off at the end. It closes with Gekko getting his comeuppance, and justice served thanks to the diligence of the Securities and Exchange Commission. In reality, the financial industry just kept getting more and more powerful, and the regulators were neutered.

And, according to the prediction market Intrade, there’s a 45 percent chance that a real-life Gordon Gekko will be the next Republican presidential nominee.

I am not, of course, the first person to notice the similarity between Mitt Romney’s business career and the fictional exploits of Oliver Stone’s antihero. In fact, the labor-backed group Americans United for Change is using “Romney-Gekko” as the basis for an ad campaign. But there’s an issue here that runs deeper than potshots against Mr. Romney.

For the current orthodoxy among Republicans is that we mustn’t even criticize the wealthy, let alone demand that they pay higher taxes, because they’re “job creators.” Yet the fact is that quite a few of today’s wealthy got that way by destroying jobs rather than creating them. And Mr. Romney’s business history offers a very good illustration of that fact.

The Los Angeles Times recently surveyed the record of Bain Capital, the private equity firm that Mr. Romney ran from 1984 to 1999. As the report notes, Mr. Romney made a lot of money over those years, both for himself and for his investors. But he did so in ways that often hurt ordinary workers.

Bain specialized in leveraged buyouts, buying control of companies with borrowed money, pledged against those companies' earnings or assets. The idea was to increase the acquired companies' profits, then resell them.

But how were profits to be increased? The popular image — shaped in part by Oliver Stone — is that buyouts were followed by ruthless cost-cutting, largely at the expense of workers who either lost their jobs or found their wages and benefits cut. And while reality is more complex than this image — some companies have expanded and added workers after a leveraged buyout — it contains more than a grain of truth. One recent analysis of "private equity transactions" — the kind of buyouts and takeovers Bain specialized in — noted that business in general is always both creating and destroying jobs, and that this is also true of companies that were buyout or takeover targets. However, job creation at the target firms is no greater than in similar firms that aren't targets, while "gross job destruction is substantially higher."

So Mr. Romney made his fortune in a business that is, on balance, about job destruction rather than job creation. And because job destruction hurts workers even as it increases profits and the incomes of top executives, leveraged buyout firms have contributed to the combination of stagnant wages and soaring incomes at the top that has characterized America since 1980.

Now I've just said that the leveraged buyout industry as a whole has been a job destroyer, but what about Bain in particular? Well, by at least one criterion, Bain during the Romney years seems to have been especially hard on workers, since four of its top 10 targets by dollar value ended up going bankrupt. (Bain, nonetheless, made money on three of those deals.) That's a much higher rate of failure than is typical even of companies going through leveraged buyouts — and when the companies went under, many workers ended up losing their jobs, their pensions, or both.

So what do we learn from this story? Not that Mitt Romney the businessman was a villain. Contrary to conservative claims, liberals aren't out to demonize or punish the rich. But they do object to the attempts of the right to do the opposite, to canonize the wealthy and exempt them from the sacrifices everyone else is expected to make because of the wonderful things they supposedly do for the rest of us.

The truth is that what's good for the 1 percent, or even better the 0.1 percent, isn't necessarily good for the rest of America — and Mr. Romney's career illustrates that point perfectly. There's no need, and no reason, to hate Mr. Romney and others like him. We do, however, need to get such people paying more in taxes — and we shouldn't let myths about "job creators" get in the way.