

Financial Fraud: Culture of Greed Under Attack

Barack Obama may not get it but the SEC finally is taking action

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Anyone hoping to see the financial titans of Wall Street brought to heel couldn't help but feel glum when Barack Obama defended the latest round of grotesquely large bank bonuses.

"I, like most of the American people, don't begrudge people success or wealth. That is part of the free-market system," the president said in a recent interview with BusinessWeek, commenting on the multimillion-dollar bonuses paid earlier this year to [Jamie Dimon](#), CEO of JP Morgan, and to [Lloyd Blankfein](#), CEO of Goldman Sachs.

What was most disturbing about Obama's comment was his apparent belief that Wall Street in some way resembles a free market — rather than a sheltered casino where bankers can get incredibly rich playing the odds and count on government to bail them out when the wheel goes against them.

"I know both those guys," said Obama, referring to Dimon and Blankfein. "They are very savvy businessmen."

Of course, business savvy is easier to come by when government can be counted on to help in a pinch. For instance, following the 2008 financial meltdown — triggered in part by the actions of JP Morgan, Goldman and other big banks — JP Morgan got a temporary injection of \$25 billion from U.S. taxpayers; Goldman got \$10 billion.

But there was a glimmer of hope last week that Wall Street titans might finally get their comeuppance. The [U.S. Securities and Exchange Commission](#) (SEC) laid fraud charges against Goldman for selling toxic investments without telling buyers that the investments were designed with help from a client — a client who was a hedge fund manager and who was betting they would fail.

Unsuspecting investors lost billions, while the hedge fund manager, [John Paulson](#), personally walked away with \$1 billion. (Paulson hasn't been charged, although some, including MIT business professor [Simon Johnson](#), are urging charges against him.)

The unexpected charges by the SEC have sparked speculation Washington may finally be moving to bring the Wall Street casino/playpen under adult supervision.

So far, there's been little progress toward bringing back the sort of regulations that reined in financial speculation for many decades following the 1929 market crash.

And there's been little change in the culture of greed and entitlement, which gave the green

light to banking abuses while depicting Wall Street billionaires as inspiring characters who show the rest of us how to live the American Dream.

In that spirit, a bestseller by Wall Street Journal reporter Greg Zuckerman actually celebrates the very trade that lies at the centre of the SEC charges against Goldman. Zuckerman's enthusiasm is obvious from the book's title: [The Greatest Trade Ever](#).

In Zuckerman's telling, Paulson, the hedge fund manager who helped design the toxic investments peddled by Goldman, takes on heroic qualities as an "underdog" who overcame obstacles and "triumphed over the hubris" of Wall Street.

"Paulson was no singles hitter, afraid of risk," Zuckerman writes breathlessly. "Anticipating a housing collapse — and all that it meant — was Paulson's chance to hit the ball out of the park and win the acclaim he deserved."

The fact that Paulson's hit also helped bring down global financial markets, leaving millions suffering around the world, apparently doesn't prevent a "journalist" from concluding that fame and fortune are Paulson's just reward.

Another sentiment, probably more widely held, was captured in a handwritten sign held by protestors marching on Wall Street: "Jump, you f**kers."

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