Financial Fraud in America. Wall Street: The Next Big Fight

By Danny Schechter
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In Britain, the police are raiding Hedge Funds to bust insider traders. In America, the Hedge Funds are still raiding us, even as public opinion calls for a crackdown on Wall Street. One recent poll, in a nation that seems so divided on everything, showed 82% for aggressive action. 82%!

A new Bloomberg survey says the public wants the government to punish the financial fraudsters. "57 percent of Americans have a mostly unfavorable or very unfavorable view of Wall Street, versus fewer than one-quarter who have a favorable opinion. Banks are viewed badly by 54 percent of poll respondents, and 60 percent have a negative opinion of insurance companies."

In a sense, reformers have won the fight of public opinion, but the financial reform battle promises to be even tougher than the health care fight.

Why?

The public is just not as informed about complicated financial issues. Their eyes glaze over with all the talk of derivatives and credit default swaps. Those favoring needed reforms still don't offer a popularly understood narrative based on morality as well as insider economic analysis. Few commentators outside the business press are talking about it.

This is why I made a new film, *Plunder, The Crime of Our Time,* investigating the crisis as a crime story. Because that's what it is!

The Banks do understand the scale of the problem and the depths of anger by their customers. As a result, they are upping their touchy-feeling TV ads and fielding the biggest army of lobbyists in history to confuse, complicate, contain and, where possible cancel proposed reforms. It was reported that there were 6-8 lobbyists for each Member of Congress working against health care reform. On bank reform issues, it's 25-1. Banks have the money and target it on politicians as a prudent investment to foster a climate that will allow them to make even more.

So far, the coalition for financial reform is not as large or organized as the movements championing health care reform. The AFL-CIO has resorted to guerilla theater, not guerilla warfare, a la the Tea Partiers. Most informed observers, to quote a Bidenism, know this issue is the real big F**k'in deal.

Even as more financial scandals surface, there is far too little follow up, not to mention investigations and denunciations. One report on Sify.com reveals, "since the financial crisis

erupted in 2008, the FBI's 1,000-agent New York office has tripled its mortgage fraud investigations squad and beefed up its securities and financial fraud group.
"The FBI's Internet Crime Complaint Center says it received 336,655 fraud complaints last year related to financial losses of $560 million, double the dollar amount reported the year before."

Progressives don't seem to appreciate the scale of this problem or how it could be turned into THE issue to organize around. In contrast, the right just wants to ignore it because it believes the private sector can do no wrong.

Recently, documents surfaced from the Lehman bankruptcy showing how that company cooked the books along with many others in the industry. But, what's being done about it, asks former New York Governor Eliot Spitzer and Josh Rosner, the managing director of an independent financial services research firm, writing:

"It doesn't take a rocket scientist — and certainly not an accountant — to deduce one thing from the Lehman scandal. The misleading of regulators, investors and the public did not happen in isolation. Like Enron, WorldCom, Tyco, Wachovia, Washington Mutual, Fannie/Freddie, CDOs, Bear, AIG, bond insurers, GM, Chrysler, CIT, California, Greece and the countless others wrapped up in this crisis, Lehman is "*symptomatic of a banking system bent on finding ways to hide risk from the investing public and regulatory community*."…

It should be clear to all that a deeper examination of the relationship between all the audit firms and their clients on the issue of risk-obfuscation is needed. Limiting any inquiry to Lehman alone is inadequate."

The cost of inaction is likely to be more big bank failures and more meltdowns. Don't take my word for it. Lehman's new chief is among those making scary warnings as Ed Harrison of Credit Writedowns explains:

"Lehman head Brian Marsal warned that Wall Street had not learned its lesson in the credit crisis and that another megabank bankruptcy was likely. Marsal made the remarks while in Berlin for a bankruptcy conference in an interview with German business daily Handelsblatt:

"Handelsblatt: you are handling the largest bankruptcy in human history. Can anything like this happen again?

"Bryan Marsal: It is even likely that a case of Lehman will repeat itself. In any case, as long as nothing fundamental changes in financial regulation and in financial institutions. Wall Street has not really learned a lot from the situation. There is still much too much leverage in the market, and credit default swaps remain completely unregulated. Even with regulators and in the companies little has been done after the global catastrophe."

Underline that: "LITTLE HAS BEEN DONE."

The situation is bad and getting worse. The Wall Street Journal reported recently on its front page about woes in the banking sector, noting banks are experiencing the biggest full year decline in 67 years.

Just two factoids to put in your don't bank on the banks file:

– 16 year high of 702 banks at risk, according to the FDIC

– highest level of loans at least three months past due ever recorded

So far the government response has been less than forceful when it comes to the underlying frauds—no serious Pecora type investigation accompanied by some talk of beefing up white collar crime task forces but with few prosecutions so far. President Obama has mentioned this but not yet made it an issue. It seems to have become a 'ho-hummer.'

Our fearless media is also downplaying this diaster because they don't have a first class, high profile villain like Bernie Madoff to use to personalize the problem.

In other words, it's shady business as usual with more businesses going out of business. And alongside this failure is a growing meltdown for what used to be the middle class and working class.

Quite reasonably, the public is becoming angrier because jobs are not coming back. And quiet as it is kept, they may not be coming back.

Writes Mark Zandi, "The job losses over the past three years have been across a wide range of industries and from coast to coast. And if you've lost your job, in all likelihood you will remain unemployed for longer than in any period since the Great Depression."

Explains Eric Janzen of iTulip.com, "The cumulative and lasting damage caused by two consecutive, predictable and thus preventable asset bubbles is starting to dawn on their victims. Some call it the "new normal." Millions of Americans have not recovered the income or job status they enjoyed a decade ago.'

This is not an abstraction. Just this morning, a man hustled me for a quarter as I was leaving the subway. As I reached into my pocket, he had a change of mind. "Forget it man," he said. "I don't need no quarter. I need a job." It was as if he was talking to himself.

No Jobs, seething unrest and a slo-go approach to reform are a toxic mix. I feel like a broken record hoping growing outrage will finally turn into action. People feel robbed because they are being robbed. They are losing jobs, homes and hope. Many are beaten down but others are slowly rising up.

It's one thing to feel good fulminating against a love affair with Capitalism. It's another to realize that's all we got, and so we must, once again, try to drive the corrupt money changers and banksters out of the system

For progressives who protested on health care, isn't it time to engage the real pain in our economy? Has ignoring the crime of our time also become "the new normal?"

News Dissector Danny Schechter edits Mediachannel.org. His new film Plunder The Crime Of Our Time (Plunderthecrimeofourtime.com) is out next month on DVD from Disinfo. Comments to Dissector@mediachannel.org

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