

Media Cover Up for the Big Banks: High Risk Return Speculation, Fee Based Income

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Global Research, August 08, 2017

Paul Craig Roberts Institute for Political Economy

Region: [USA](#)

Theme: [Global Economy](#), [Media Disinformation](#), [Poverty & Social Inequality](#)

The big New York banks no longer perform the banking function of lending to consumers and businesses. Thanks to government policies that foster increased financial concentration, banking incentives have changed fundamentally. The big banks today are focused on higher risk-return speculation and on trading and fee-based income.

Banks don't lend not because, as banks and their lobbyists claim, of new capital requirement rules, but because their ability to lend is foreclosed by the fact that the big banks pay out all or more than all of their net income in dividends and buy-backs of their own stocks in order to drive up executives' bonuses. The extraordinary payouts of earnings leave the banks' capital position too weak to support more lending.

Thomas Hoenig, Vice Chairman of the FDIC [explained the situation last week to the Senate Banking Committee](#). Something should be done about it, but the financial pressitutes are suppressing the news.

Pam and Russ Martens tell the story [here](#).

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