

Obama signs the financial reform bill: Towards a new volatile phase of economic disruptions?

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The Eleven Pens Of Barack Obama: Signing Financial Reform Is Signing Up For A New Struggle To Make It Real

With eleven pens for souvenirs, President Obama signed the financial reform bill in a rare celebratory moment. Significantly, the ceremony did not take place in the Oval Office but up the block at the Ronald Reagan building perhaps to signal recalcitrant Republicans that this is a cause they should sign on to.

It wasn't clear if he was aware that he was signing up for the a new volatile phase of struggle to rein in out of control financial power.

The three GOP lawmakers who voted for the bill receiving a standing O, from the largely democratic crowd that watched Obama embrace Paul Volcker while Elizabeth Warren stood by applauding (before taking her picture with the former Fed head.)

Warren's presence didn't make many news stories or the Times photo caption perhaps because many—mostly bankers and some Obama advisors— want her out of the picture permanently. They say Banks need protection too. Quips David Sirota, "Not to put too fine a point on it, but the new agency is called the Consumer Financial Protection Bureau, it is not called the Bank Financial Protection Bureau (as, frankly, you might call the rest of the government)." She could be appointed right now to head the new consumer protection bureau without approval by the Senate.

But will she?

No sooner was the bill signed than there were emails from Obama operatives flying around the country claiming credit for an achievement that looked unlikely for months, sustained the heaviest Lobbyist attack in history, and won praise from all the advocacy groups who realized that while the bill was flawed, rationalized it as the best they could squeeze out of Congress in this climate.

Republicans are predicting it will lead to job losses. Minority leader Mitch McConnell regurgitated a familiar mantra saying, "The White House will declare this bill a victory. But for millions of Americans struggling to find work, for millions of small-business owners bracing themselves for all the new regulations they'll have to deal with, for ordinary Americans who just wanted to see an end to the bailouts, this bill is no victory."

(Of course, there was no reference to the Republicans who initiated the bailouts, or, of course, the "ordinary Americans want jobs!")

Now, the businesses that could be regulated under the bill are launching an effort to reform the Reform bill— their way—to make sure the rules that are still to be written will not be too hard on them.

The Chamber of Commerce and the Business Roundtable have their hatchets out by continuing the full court press lobbying effort that did force compromises in the bill. Of course, they position what they are doing only in the most positive light,

“We will work with President Obama and policy makers to ensure that this legislation is implemented in a manner that continues to promote sustainable economic growth and job creation,” says Roundtable honcho Larry Burton.

Not only is this bla bla contrived, but it is flawed in a more fundamental way because there is no job creation to continue, in large part, because the private sector is not creating jobs. In fact corporations are stashing trillions that they are not using for job growth,

You expect business to oppose regulations on business but the Daily Beast carried an article suggesting that some savvy Wall Streeters actually want stricter regulations. Author Randall Lane writes:

“Upon passage, the standard response was to publicly grumble but privately rejoice about a bill that could have been far more punitive. But as I asked around over the past few days, there’s been a shift: many on Wall Street now view financial reform as a wasted opportunity—to make the rules that govern them even tighter.

They won’t say this officially. They might not even say it to their peers, in the same way they won’t tell others on the desk they really dig Glee. But privately, one-on-one, the most deliberative Wall Street hitters I know recognize that they need a system that saves them both from themselves, as well as potentially capricious regulators. This new law, while well-intentioned and likely better than nothing, effectively accomplishes neither.”

Lane argues that, “Wall Street craves—and needs—rules, and the discipline to enforce them consistently. If left to its own self-interest, Wall Street couldn’t function.”

In this view, the bill was not tough enough even with the many compromises the biggest firms won to allow them to circumvent the law.

Wall Street’s new battleground is over the shape of the rules to come.

The Washington Post reports, “The SEC is required to issue 95 new regulations governing a wide swath of the financial sector, dozens more than the Federal Reserve, the new Consumer Financial Protection Bureau or other federal agencies. The SEC is also slated to complete 17 one-time studies and five new ongoing reports, according to a tally by the law firm Davis Polk & Wardwell.”

The SEC does not exactly have a reputation for moving quickly. They missed Bernie Madoff’s ponzi scheme for a decade, but now say they are going after more cases of corporate fraud in the aftermath of the \$550 million dollar settlement they won from Goldman Sachs. The problem there is that they are only settling cases, not prosecuting fraudsters.

Progressives have an agenda too, to strengthen reform. They will be fighting to, in Zack Carter's buzz words "Break Up The Banks ... Tax Wall Street Gambling ... End The Foreclosure Nightmare..." There are also concerns with the future of the taxpayer billions invested in mortgage lenders "Freddie" and "Fannie."

While all this goes on in the foreground, in the background there's panic about the economy's stubborn refusal to rebound. Ben Bernanke at the Fed expects unemployment to linger for years. His arsenal of economic weaponry seems out of ammunition, He is now "unusually uncertain." Huh?

Stress tests of banks are expected to show a capital hole.

When the six-month extension of unemployment benefits squeaked through the Senate, there was a sigh of relief among those in need, and cheers from Democrats who have not been able to move the unemployment needle or restore confidence in the economy. What happens after six months?

Putting money in the pockets of consumers will create some bounce, but it doesn't deal with the deep structural and systemic problems that worry economists and governments worldwide.

What they see are 800 insolvent banks, industries shrinking, state and local governments on the verge of bankruptcy and escalating debt. They see China rising and the West sinking.

A million foreclosures are expected this year while in the know advocates like Paul Krugman warn of stagnation and a creeping depression. Others say a double dip recession is already here. Shrill partisan voices make it hard for the public to focus on any solutions. So there is no jobs bill despite a bill seeking Local Jobs For America,

So far, only a few brave voices are calling for major cutbacks in defense or inflated intelligence spending as the wars we cannot win continue to drain us like those knives that leave a thousand cuts.

Many banks are falsifying their earnings but still considered too big to fail.

My view they are not too big to jail, yet there is no public pressure from progressives for the prosecution of Wall Street criminals as I call for in my film PLUNDER.

So, by all means, let's be grateful for small victories, but we can't substitute symbolic steps with a real recovery that, every day, looks further and further away,

News Dissector Danny Schechter directed Plunder the Crime Of Our Time a DVD arguing that sees the financial crisis as a crime story. It is screening at the NetRoots Conference in Vegas. Comments to dissector@mediachannel.org

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