Senate to Vote on Financial Reform: Is it too Little, too Late to Keep the Economic System from Crashing Again?

Is Anyone Really Capable Of Fixing Our Many Deeper Crises?

By Danny Schechter
Global Research, July 15, 2010
14 July 2010

Region: USA
Theme: Global Economy, Law and Justice

Progress is, as we have seen, "stalled" in Haiti six months after an earthquake that struck with the impact of a nuclear bomb. A country, we are told, that is trapped in its past actually may exemplify a more frightening future—a world whose institutions, agencies, governments and corporations are sinking in a swamp of their own making, unable and perhaps unwilling to repair catastrophic crises that are morphing into each other,

In Haiti, only 2% of pledged aid arrived, a sign not only of ineptitude and hypocrisy, but of deeper financial shortages in many countries that are cutting back across the world. Haitians are living and dying in filth with the real threat of coming hurricanes poised to wash them all away, an outcome that some say is what the elite there wants to do with the country's growing impoverished population.

The rubble there is a metaphor for all conflicts that can't be resolved, and all the problems that are not being addressed. Call it apocalypse now but don't call it over. Haiti is not the only country with tent cities. They have popped up in California and some are now called "Obamavilles."

Here in the US, the financial "reform" bill is expected to pass now that Massachusetts Republican Scott Brown has signed on. His vote is probably the most expensive in history costing some $19 billion in lost revenues that the Congress had hoped to pass on to the banks to pay for the calamity they caused. Democrats had to drop the provision to get his vote.

The Boston Globe reported on how financial interests prevailed.

> "He signed onto the legislation only after winning several changes that benefited Boston-based State Street Corp. and Springfield-based MassMutual. He also used his leverage as a key swing vote to force top House and Senate lawmakers, including House Financial Services Committee chairman Barney Frank, to change how the bill is financed.
>
> Although Democrats embraced Brown's support of the financial regulation bill, they have so far not been able to win his support on legislation that would extend unemployment checks for millions of Americans and hundreds of thousands of Massachusetts residents."

Even as the vote is due this week, the financial lobby still has its scalpels out weakening it further. Yves Smith of the excellent Naked Capitalism blog notes, “When I was in the UK earlier this year, I saw a very senior financial regulator speak. In the Q&A session, someone asked him to comment on US financial reform. His reply was tantamount to “Wake me when it’s over,” and it was clear his expectations were low.

One source of frustration is that the legislative battle over reform, which went through elephantine labor to produce, at best, a mouse, has gotten most of the media attention, while important fights on the regulatory front are largely hidden from view.” She is referring to the way the industry is hard at work softening the impact of expected rules and regulations to be adopted by the regulatory agencies the bill creates.

It was not reassuring to read that former Goldman Sachs CEO Hank Paulson, Bush’s Treasury Secretary and bailout engineer, likes the bill that President Obama who backed his TARP initiative, is now pushing for passage.

This will take time. Crains New York points out that the implementation of the bill will be stalled until “ federal authorities complete an estimated 150 studies required by the reform bill and draft what Barclays Capital estimates could be 20,000 pages of new rules, with 13 new agencies to be created. This is all expected to take at least two years.”

So much for the urgency we keep hearing about on why we need to rush to re-regulate Wall Street lest a new crash occur, one that seems likelier by the day. The “rubble” from the last crash has still not been moved even as corporate profits are up and as Bob Herbert writes in the New York Times, Wall Street “parties on.”

Financial reformers like Mary Bottari of Banksters USA is happy with the provision for a new consumer protection agency, explaining, “The Bureau has independent regulatory and enforcement authority over a wide array of consumer financial products such as credit cards, mortgages, and even payday loans. Unfortunately, auto dealers escaped its jurisdiction and the institution will be housed at the Federal Reserve.”

You have to be worried about that connect ion to the Fed not only because it failed to protect consumers when they needed that protection the most, Fed head Bernanke has been reduced to begging banks to start lending again to small business. The fact that they aren’t suggests that all the noise about easing the credit crunch has been bogus. The banksters continue to do what’s in their interest, the public interest be dammed. In Europe, new rules limit banker bonuses; here, they are free to continue to be obscenely rewarded.

At the same time, international summits have failed miserably to come with an agreement on any plan, just as there is still no plan to rebuild Haiti. As Larry Chin writes,

> “Having seen the results that the G20 achieved prior to the Toronto Summit, in the height of the global crisis (from late 2008 to mid 2009), do we need to be alarmed that in Toronto, the basic outcome was that the G20 members ‘agreed to disagree’ on bank taxes and on exit strategies from their domestic fiscal stimulus packages?”

Now the IMF is pressuring the US not about financial reform but cutting social security. Notes economist Dean Baker:

> “The IMF both bears much of the blame for the imbalances in the world economy and then for failing to clearly sound the alarms about the dangers of the bubble. While the IMF has no problem warning about retired workers getting too much in Social Security benefits, it apparently could not find its voice when the issue was the junk securities from Goldman Sachs or Citigroup that helped to fuel the housing bubble.”

It’s hard to believe that after all the speechifying and anguish, proposed “reforms” will not change much. The only hope is on two other fronts: the courts and the streets.

On the legal front, class action lawsuits are being filed by investors and homeowners. (We need suits like that by citizens.) Some federal agencies are sending out subpoenas to issuers of mortgage-backed securities and other entities in an effort to probe whether the firms misled Fannie Mae and Freddie Mac, two of the biggest investors in privately issued bonds.

Others like ripped off customers at the Washington Mutual Bank (WaMu) have set up websites to organize and press for compensation. Groups like The Center for Responsible Lending are going after money-grubbing payday lenders while The Neighborhood Assistance Corporation of America (NACA) is returning to Washington to serve homeowners threatened with foreclosure.

On the activist front, a new effort called ONE NATION hopes to organize a coalition to fight for jobs. The UAW is joining up with Jesse Jackson’s Rainbow Push to stage a march for jobs and economic reconstruction in Detroit on August 28, the anniversary of the big l963 March on Washington.

A New Way Forward, the group pushing for real financial reform will be launching a new website to help us keep track of what’s happening on the financial front, They also issued an action alert urging pressure on Bank of America to speak out on extending benefits to the unemployed, The want the bank to lean on John McCain, a politician they helped fund.

Jobs With Justice sums up the challenge, “Let’s be real: The Dodd-Frank bill, already passed by the US House, is not the end of the struggle. The big banks are still too big. They still need to be broken up and reined in further, and Dodd-Frank will not end the foreclosure crisis nor put workers and communities in charge of corporate/bank decisions. The struggle between people and Wall Street must continue.”

News Dissector Danny Schechter directed Plunder The Crime of Our Time and wrote the companion book treating the financial crisis as a crime story (Plunderthecrimeofourtime.com) Comments to dissector@mediachannel.org

c

The original source of this article is Global Research
Copyright © Danny Schechter, Global Research, 2010

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: Danny Schechter

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca