

The Banks Call the Shots on Financial Reform: The Sovereign Debt Crisis is Sweeping the World with another Credit Crunch

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I was among those raving about the passage of the financial reform bill. And now I am just raving,

“Unbelievable,” said one advocate who hoped for the best but expected the worst. He was amazed it even passed. The wise men in the media immediately began making comparisons with the New Deal. The pundits praised the President and the fact that a handful of Republicans did not just say no this time.

Somehow, even the most hard-headed among us realized that something had to be done to bring Wall Street in line if only because the mood in the country on this issue is practically insurrectionary.

You would think as this big 1500 page “reform” went through—any one want to bet if its strongest provisions will survive the reconciliation process?—the banks would be quaking in their boots. After all, they funded what President Obama called “swarms” of lobbyists to kill it at birth. They denounced it with doomsday language with their rhetoric helping to drive the market down. Oh the fear! Oh, the consequences!

But then, what happened? Were bankers jumping out of windows like their predecessors had when the market crashed in '29? No way.

WSNS reported what happened: “Bank stocks soared on Friday, with the share price of JP Morgan Chase, one of the biggest finance houses, surging 5.9 percent and helping drive the Dow Jones Industrial Average up 125 points. Other bank stocks rose sharply: Bank of America up 4.7 percent, Goldman Sachs up 3.3 percent, Morgan Stanley, Wells Fargo and Citigroup. The S&P financial sector index was up 3.6 percent overall.

The Wall Street Journal reported the rise in prices under the headline, “Financial Stocks Turn Higher After Senate Passes Reform Bill.”

Sounds bad right? HaHaHa! So much for Harry Reid’s boast, “When this bill becomes law, the joyride on Wall Street will come to a screeching halt.” In fact, there is still plenty of joy in Mudville because Mighty Goldman has not yet struck out.

The bankers were encouraged by something else as well: a vow by President Obama “not to punish the banks.” A day later it was reported that AIG will not be prosecuted criminally.

Writes Daniel Gross in Newsweek: “Given what the financial sector put the nation through in the past three years, the case for punitive action was—and is—very compelling. But while there’s stuff in there that the financial sector doesn’t like, the legislation that is now headed to a House-Senate conference is, in fact, relatively tame.”

Gross’s article is headlined “reform without punishment,” The bill’s passage came two days after The Tory dominated government in Britain announced plans for a new agency to fight financial crime. Sorry, to say, the United States, under the “progressive” Obamacrats, is moving in the opposite direction. The press is even reporting that the Treasury Department (i.e.) Tim Geithner, is, along with the big banks, against the provision in the bill calling for regulation of derivatives. Watch for that to go in some new compromise.

Two other parts of the “reform,” one that survived the politicking and one that didn’t, should also concern us. First there was the provision that transferred what was first conceived as an independent consumer protection agency into The Federal Reserve Bank which has shown no concern with protecting consumers. One Financial blogger argued that big financial power vetoed any independent role. His conclusion: “The Giant Banks, Federal Reserve and Treasury Have All Blackmailed America.” Elizabeth Warren must be furious.

Baseline Scenario’s Simon Johnson tells us about what else went terribly wrong

“After 9 months of hard fighting, financial reform came down to this: [an amendment](#), proposed by Senators Jeff Merkley and Carl Levin that would have forced big banks to get rid of their speculative proprietary trading activities (i.e., a relatively strong version of the Volcker Rule.)

The amendment had picked up a great deal of support in recent weeks, partly because of unflagging support from Paul Volcker and partly because of the broader debate around the Brown-Kaufman amendment (which would have forced the biggest 6 banks to become smaller). [Brown-Kaufman failed, 33-61](#), but it demonstrated that a growing number of senators were willing to confront the power of our biggest and worst banks. Yet, at the end of the day, the Merkley-Levin amendment did not even get a vote.”

The NY Times noted that the lobbyists have not given up in using money to fight restraints on money, “Executives and political action committees from Wall Street banks, hedge funds, insurance companies and related financial sectors have showered Congressional candidates with more than \$1.7 billion in the last decade, with much of it going to the financial committees that oversee the industry’s operations.”

Leave it to former Bank regulator Bill Black to get to the heart of the problem:

“In essence, what we have here folks is a characterization of the banks and the government that has assumed the risk profile of these banks as some sort of 1,000 pound men, unable to move without assistance. They have suckered everyone else into the idea that if anything is done to move these overweight, unhealthy “persons” to health they will have a heart attack and kill us all since they sit upon the crossroads of commerce and have sold most folks the idea that they are the heart of the nation and indeed the world.

Given these “objective” circumstance the government is not only beholden to the 1,000 pound persons, but is one of them itself, will do everything to make

the rest of us carry them so as to save them the indignity of actually addressing their morbid obesity and the cycle of codependency that enables them all to remain so fat. Anyway you look at it, the too big to fails are [not needed](#) and they are dragging our economy into a black hole.”

That black hole is here. The sovereign debt crisis is sweeping the world with another credit crunch on the way. Many economists fear a rise in inflation, and the dreaded “double dip” recession that will sink us even more. Paul Krugman anticipates a ten year decline ala Japan.

The lets show the conservatives we love them “pragmatists” in Obamaville are floating schemes to privatize public housing while 32 states are in, or are fast approaching bankruptcy.

The plunder goes on, but I fear with the bill’s passage, the Democratic Party apparatchiks and the activists they orchestrate, will pat themselves on the back, and move on to the next issue, praising a “reform” that is less than half done. There are few structural changes for what is a systemic problem. The big banks are still deemed too big to jail. Another Times headline sums it up in two words: “BANKS RULE.”

Why is that? A letter writer named Shaun took a guess in a comment on an earlier piece I wrote: “Why hasn’t anyone been successfully prosecuted for committing the crime Schechter speaks of? Because it’s too big. It’s too big of a problem for those culpable and those currently in charge (Wall Street and Washington) to deal with. Officials would much rather make the crisis a blip in our economic history...

“Perhaps, more than the economic crimes Schechter speaks of, the moral failure to prosecute those guilty of monumental crimes because it’s too tough, too big, is the real crime of the century.”

Mediachannel.org’s News Dissector Danny Schechter directed PLUNDER THE CRIME OF OUR TIME, a film on the financial crisis as a crime story (plunderthe crimeofourtime.com)
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