

The Banks: “Too Big To Fail” or “Too Big to Jail”

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This week the financial crisis finally went prime time in the form of a big budget HBO docudrama called “Too Big To Fail.”

It was a well-acted docudrama focused on the BIG Men and some women in the banks and in government who tried to put Humpty Dumpty back together again up on that wall to prevent a total economic collapse when panic dried up credit and financial institutions faced failure.

Based on the work of a *New York Times* reporter, it offered a skillfully-made but conventional narrative which, like most TV shows, showcase events but miss their deeper context and background.

We heard all the explanations, save one.

There was greed, ambition, ego and money lust. There were personal rivalries and ideological battles, parochial agendas and narrow self-interest. There was panic on THE Street and in the halls of mighty institutions. In many ways, the program recycled and made an official narrative compelling viewing. In the end, everyone was to blame so no one was to blame.

BUT ... what was missing was any notion of intentionality and premeditation, almost no mention of systemic fraud and **CRIME**, that one word that sums up what really happened for those millions of Americans who have lost jobs and homes. We never saw victims or felt their pain and bewilderment. We were never shown how a shadow banking system emerged or how the finance industry worked with their counterparts in finance and insurance to transfer wealth from the poor and middle class to the superrich,

When I was but a precocious lad, my elementary school encouraged students to take out a savings account at the nearby Dime Bank in the Bronx. We were each given a bankbook, and taught to put in \$.50 a week to show us how to build wealth by being thrifty. It was with a sense of pride that I watched my balance grow.

It may have been peanuts in the scheme of things, but to me, at the time, it was the way to plan for the future. What I didn't know was that few of us would be able to save in the future as the economy moved from production to consumption and we would end up in debt,

At the same time, in those year I watched TV shows glamorize the bank robbing antics of a man named Willie Sutton, who also staged jail breaks wearing masks and costumes. When he was asked why he robbed banks, he responded famously, “That’s where the money is.”

And it still is, except in our era, it is the banks that are robbing us.

That's because what's now called the "Financial Services Sector" has gone from about 30 percent of our economy to over 60 percent. Through a process called Financialization, they have transformed how all business is done.

Making money from money soon began to surpass making money from making things.

Private equity, credit swaps, derivative deals and collateralized debt obligations soon drove the economy. Markets became captives of high performance trading by powerful computers.

When Wall Street became the defacto capital of the country, the bankers accrued more power than the politicians who they bought up with impunity. Their lobbying power deregulated the economy and decriminalized their activities. They killed many of the reforms enacted during the New Deal designed to protect the public. They built a shadow (and shadowy) banking system beyond the reach of the law.

And now, here we are, in 2011, five years after the meltdown of 2007, four years after the crash of 2008 and the passage of the TARP bailout that pumped money into the treasuries at taxpayer expense. Since then, there has been a steady parade of scandals and the disclosures that have come out since. Every week, more banks close and/or consolidate, and run into problems with regulators.


Take "my" old bank in the Bronx. It has been through as many changes as I have been. A website on bank histories runs it down:

Dime Savings Bank of New York, The 04/12/1859 NYS Chartered Dime Savings Bank of Brooklyn 09/10/1930 Acquire By Merger Navy Savings Bank 06/30/1970 Name Change To Dime Savings Bank of New York, The 09/30/1979 Acquire By Merger Mechanics Exchange Savings Bank 07/01/1980 Acquire By Merger First Federal S & L Assoc. of Port Washington 08/01/1981 Acquire By Merger Union Savings Bank of New York 06/23/1983 Convert Federal Dime Savings Bank of NY, FSB 01/07/2002 Purchased By Washington Mutual Inc. 01/07/2002 Name Change To Washington Mutual Bank

And then, of course, some years later, Washington Mutual itself, went bust and was bought up for a song by JP Morgan Chase. Here are some of the latest headlines about the bank now known as WAMU:

WaMu agrees on post-bankruptcy control — report - Reuters WaMu, Shareholders, Biggest Creditors Said to Settle ... - Bloomberg WaMu shareholders are offered \$25M-plus to drop claims

On the day I wrote this commentary, the New York Times reported: "The nation's biggest banks and mortgage lenders have steadily amassed real estate empires, acquiring a glut of foreclosed homes that threatens to deepen the housing slump and create a further drag on the economic recovery."



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All told, they own more than 872,000 homes as a result of the groundswell in foreclosures, almost twice as many as when the financial crisis began in 2007, according to RealtyTrack.

And to whom does the Times turn for expertise on the subject, but a key former operative at Washington Mutual who was with the bank in the go- go era of shoveling out subprime mortgages? Now he gives advice on risk management:

"These shops are under siege; it's just a tsunami of stuff coming in," said Taj Bindra, who oversaw Washington Mutual's servicing unit from 2004 to 2006, and now advises financial institutions on risk management. "Lenders have a strong incentive to clear out inventory in a controlled and timely manner, but if you had problems on the front end of the foreclosure process, it should be no surprise you are having problems on the back end."

What were people's homes are now "inventory" to be stockpiled, even though it has a negative cumulative effect on economic recovery of the housing market.

The banks that are increasingly despised and blamed for their role in engineering the financial disaster, are now trying to play nice to change their negative image.

Explains the Times, "Conscious of their image, many lenders have recently started telling real estate agents to be more lenient to renters who happen to live in a foreclosed home and give them extra time to move out before changing the locks.

"'Wells Fargo has sent me back knocking on doors two or three times, offering to give renters money if they cooperate with us,' said Claude A. Worrell, a longtime real estate agent from Minneapolis who specializes in selling bank-owned property. 'It's a lot different than it used to be.'

So, they are still foreclosing, but with a smile. Is it a 'lot different than it used to be'?

Just last month, Huffington Post reported, "Top executives at Washington Mutual actively boosted sales of high-risk, toxic mortgages in the two years prior to the bank's collapse in 2008, according to emails published in a wide-ranging Senate report that contradicts previous public testimony about the meltdown.

The voluminous, 639-page report on the financial crisis from the Senate Permanent Subcommittee on Investigations singles out Washington Mutual for its decision to champion its subprime lending business, even as executives privately acknowledged that a housing bubble was about to burst."

The truth is that most of the bigger banks have emerged from the financial crisis stronger than ever, with executives cashing in with higher salaries and bigger bonuses. That old saying about criminals who “laughed all the way to the bank” has to be revised because in this case they never left the bank.

More shocking has been the largely passive response by our government and prosecutors. At last the Attorney General of New York is said to be investigating but none of the big bankers have yet gone to jail or suffered for the scams and frauds they committed.

So what can we the people do? We can do nothing and watch more of what’s left of our wealth vanish, or we can join others in demanding a “jailout,” not a bailout.

A well-known international banker was just jailed for a high-profile alleged sex crime but none have been prosecuted for well documented financial crimes.

Where are the political leaders and activist groups willing to “fight the power” and demand accountability and transparency on Wall Street?

Why are so many of us banking on the very people and institutions responsible for the crisis for a financial recovery to bring back jobs and a modicum of justice?

And why didn’t I learn about these dangers when I first discovered the wonderful world of banking? Isn’t that what schools are for?

News Dissector Danny Schechter directed the film Plunder The Crime of Our Time (Plunderthecrimeofourtime.com) and wrote a companion book on the financial crisis as a crime story.

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