The Criminalization of the US Banking System.

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Bankers and Forgiveness

When homeowners have fallen behind in their mortgage payments, whether because of a job loss or because the interest rates just shot up, the bankers have responded coldly. Led by their economic interests, they set their robo-signers working overtime on foreclosures, forcing millions of people out of their homes. Back during the height of this current economic crisis, when Congress considered passing legislation that would have allowed judges to lower home loans in order to prevent these foreclosures, the banks lobbied furiously and killed the legislation.

But when the bankers themselves commit their own transgressions — not innocent and unavoidable transgressions like not paying back a loan because you lost your job thanks to the bankers' recession — but actually breaking the law, the government not only forgives them, it virtually becomes an accomplice in their crimes.

Robo-signing, for example, is a crime. It occurred when bank employees signed thousands of documents, claiming they were accurate, without bothering to verify their claim. Yet no one went to jail.

In a recent New York Times article, Jesse Eisinger pointed out that the JPMorgan scandal has raised an array of questions:

"What did Jamie Dimon, JPMorgan's chief executive, and Doug Braunstein, the chief financial officer, know, and when did they know it? Were the bank's first-quarter earnings accurate? Were top JPMorgan officials misleading when they discussed the chief investment office's investments? … The first question on everyone's mind should be whether any existing laws were broken." (May 17, 2012).

However, Eisinger was quick to point out in relation to the last question: "That it hasn't been asked shows how little true accountability there has been since the financial crisis. No top-tier banker has gone to prison for the many bank failures, the deceptive sales practices or the misrepresentations of the books."

The laws for the 1 percent are treated by the government as if they were humble requests — nothing to be seriously enforced if the 1 percent decline to accept. The laws for the 99 percent are brutally enforced, not to mention the prevalent police brutality that occurs without any legal justification.

Back in 2011, Gretchen Morgenson and Louise Story, in another New York Times article (July 7, 2011), reported federal prosecutors adopted a gentler code for bankers:

> "Federal prosecutors officially adopted new guidelines about charging corporations with crimes — a softer approach that, longtime white-collar lawyers and former federal prosecutors say, helps explain the dearth of criminal cases despite a raft of inquiries into the financial crisis. … The guidelines left open a possibility other than guilty or not guilty, giving leniency often if companies investigated and reported their own wrongdoing. In return, the government could enter into agreements to delay or cancel the prosecution if the companies promised to change their behavior."

More recently, Gretchen Morgenson has reported that a prominent Wall Street analyst and others suspect that "insider trading can and does occur regularly at many Wall Street firms. In their view it has become institutionalized…. Those in the know can get rich before the rest of us know what happened." (The New York Times, May 20, 2012).

And this failure of the Securities and Exchange Commission (S.E.C.) to prosecute these cases comes on the heels of its spectacular failure to indict Bernard Madoff, even after being presented with overwhelming evidence of his guilt.

Although the financial industry is the recipient of the bulk of the government mercy, perhaps because it is responsible for the bulk of the crimes, the corporate world in general is a lucrative beneficiary. In the wake of the recent Wal-Mart Mexican bribery scandal, The New York Times (April 27, 2012), reported that, even though bribery of foreign officials is a crime, if past practice is any indication, no one will be prosecuted.

The prominent example of past practice mentioned in the article was Tyson Foods. After listing a series of crimes committed by Tyson executives, the article concluded:

> "It's axiomatic that people, not corporations, commit crimes. So what happened to the Tyson executives involved? Not only did the Justice Department and the Securities and Exchange Commission take no action against them, but the executives involved weren't even named." (The New York Times, April 27, 2012).

Why is the government so intent on pursuing a double standard when it comes to enforcing the law on the 1 percent and on the rest of us? In part this mundane corruption is due to the cozy relation that has been cultivated between the politicians and the corporate world. If a politician or regulator plays the game and pleases the corporations, they can look forward to a financially rewarding career in the private sector after they leave office. Politicians, for example, routinely become lobbyists.

The corruption is also due to this fact: "At least two-thirds of the U.S. senators drafting new financial regulations hold stock in banks or other companies affected by the legislation, such as Citigroup Inc. and Wells Fargo & Co., disclosure statements show." (Bloomberg, June 16, 2010).

But the final explanation is that politicians have acquired the automatic habit of prostrating themselves before those with vast sums of money. And this is one more of the many toxic byproducts of the growing inequality in wealth: a sense of community is increasingly destroyed, along with the moral values that hold it together. We are left with two opposing classes that inhabit two opposing worlds, and their clash is inevitable.

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