

The Criminalization of Wall Street: Will Any Exec at Goldman Sachs Go to Jail?

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Will Goldman survive the assault? Will the threat of criminal charges being pursued against the world's leading investment bank spill over onto others on Wall Street? Is the criminalization of the crisis underway, or is all this just a maneuver?

For the last two years, I have felt lonely and isolated with my calls for a jail-out, and insistence that theft, fraud and crime are at the heart of the economic disaster that has befallen us. I have written two books documenting my contention and just released the film *Plunder The Crime of Our Time* treating the economy as crime scene.

There are a few other voices out there making a similar claim—Bill Black, the former Bank regulator, US Senator Ted Kauffman, and even billionaire investor Jim Chanos, among them. Most politicians of both parties and media pundits have dismissed the suggestion, preferring to believe that virtually everyone was to blame and, hence, no one was to blame.

Most say finance professionals considered the “smartest men in the room” only made “mistakes” because of economic trends no one could have anticipated.

Never mind the 1000 plus bankers who went to prison after the S&L crisis. That was then, and this is now, nearly ten years after the financial services industry pulled off a costly legislative coup through lobbying and campaign contributions to erode regulations and decriminalize the playing field. With a major PR campaign in a complicit media, they packaged their agendas in the language of modernization and innovation.

As their profits rose and the bubble boomed, they seemed to do no wrong until small blemishes like the Enron and Worldcom scandals tarnished their image.

Goldman was still riding high, raking in major profits and paying themselves obscenely well. CEO. That is until the SEC filed a civil complaint alleging a fraudulent transaction that deceived investors. That was followed by turbulent hearings on the Hill where Senator Levin kept repeating an internal reference to “Shitty” deals the firm is said to have pedaled and then bet against.

Goldman looked bad, especially when protesters in the back of the room dressed in old fashioned black and white prison garb protested. Part of the company's defense was that “everyone” on the Street was doing what they were doing. Hmmm.

Even after all of the drama, Goldman was still one of the biggest earners in town.

Goldman then quickly went from being Wall Street's hero to a zero, writes Larry Doyle on a

financial blog, noting “Goldman’s close, if not incestuous, relationships with Washington, many hedge funds, and major clients has positioned the firm as the centerpiece of America’s outrage toward Wall Street.”

The giant firm was now also being ridiculed, even though no charges were proven. Leslie Griffith called the confrontation on the Hill a Marie Antoinette moment on Reader Supported News because of all the onlookers who wanted to cut off their heads.

There was more as she wrote:

“A modern day financial monarchy, Goldman acts with the impunity once reserved for kings. Controlling legislators. Electing Presidents. Filling the Executive Branch with well-heeled lackeys, manipulating world markets and betting against the welfare of its own clients ... the American people. When their equivalent of “tax time” came, they squeezed the peasants for billions of bail-out bucks.

Marie would be proud.”

When Mike Taibbi compared Goldman to a “vampire squid” many rushed to their defense. But that was not happening this time. Instead the Justice Department one-upped the SEC by asking for a criminal investigation.

Just the idea of it led to a \$21 billion dollar loss in the value of Goldman’s shares. Some analysts downgraded the firm the way they downgraded Greece earlier in the week. CEO Chief Exec Lloyd C. Blankfein who said he had been “humbled” by the hearings must be pissed in just a few days, he lost \$81 million dollars on 2,023, 364 shares which were worth about \$373 million. There was little public sympathy for his fall from grace.

So what now? Will there really be a criminal prosecution or all this just smoke to create a sense of urgency for an already heavily compromised financial reform package? Will anyone go to jail? Unless there are more smoking guns and shocking revelations, some settlement of the civil charges is more likely as The Atlantic explained:

“..., the standard for a criminal case is much higher. The DOJ must present very compelling evidence that a jury would be able to understand well enough to find that, beyond doubt, Goldman and/or some of its bankers are guilty of fraud. Given that there are many people questioning whether even the civil case can succeed under a weaker standard of guilt, it’s relatively doubtful that the criminal charges would stick. Yet, the public doesn’t have all of the information, so it’s too soon to know the fate of a criminal case for sure.”

Also, it seems as if only one lower level banker, Fabrice Tourre. aka “Fab,” His defense has already been laid out in his congressional testimony. As NPR’s Planet Money noted, “Tourre’s public statements make it less likely that he could change his story later and negotiate a lesser penalty with the SEC in return for information that could be damaging to the firm or other executives, the person said.”

Now, says Doyle, there is “little doubt as to why the Goldman Sachs execs were reticent in their answering questions this past Tuesday knowing full well that a criminal investigation was potentially close to being launched.”

The criminal issue is hardly definite. As one lawyer said to Bloomberg News, "In order to proceed criminally in a case, you need to have very clear evidence of lying, cheating and stealing." Robert Hockett, a law professor at Cornell University, downplayed the crime angle. "It's really not a big deal," says Hockett, "It isn't uncommon for the SEC to refer a case to the U.S Attorney. It doesn't present a new legal development. It's a procedural development."

The bottom line: don't get your hopes up. The government has not declared war on Wall Street even after Wall Street declared war on Main Street. And the media is complicit, even blacking out a march of 15,000 workers on Wall Street.

Wall Street is hardly humble. Its arrogance was evident in an email the Financial Times says is "pinging around trading desks. It reads in part:

"We are Wall Street. It's our job to make money. Whether it's a commodity, stock, bond, or some hypothetical piece of fake paper, it doesn't matter. We would trade baseball cards if it were profitable... Go ahead and continue to take us down, but you're only going to hurt yourselves. What's going to happen when we can't find jobs on the Street anymore? Guess what: We're going to take yours.

... We aren't dinosaurs. We are smarter and more vicious than that, and we are going to survive."

The gauntlet has been thrown down.

News Dissector Danny Schechter directed Plunder The Crime Of Our Time, a new DVD that treats the financial crisis as a crime story (Plunderthecrimeofourtime.com). Comments to: Dissector@mediachannel.org

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