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Wall Street and BP: Can We "Fix" the Oil and Financial Crisis Before It's Too Late?

What's the Link Between the Two?

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Global Research, June 21, 2010
21 June 2010

Region: USA
Theme: Global Economy, Oil and Energy
In-depth Report: THE BP OIL SLICK

It seems clear that BP can't seem to fix the catastrophic gusher the press calls a "leak," and that President Obama can't fix the economy because its problems are structural and won't respond to soaring rhetoric emanating from his bully pulpit.

Meanwhile, most of the world's people really don't get the fix we are all in. I take that back; the million Americans who have just lost their benefits probably do. The deficit hawks voted that down without doing anything about the growing deficit of jobs.

43 members of the Congress and the Senate are tinkering with an increasingly diluted financial "reform bill." Lobbies like the powerful Business Roundtable have pushed the White House to weaken proposed curbs on executive compensation while former Fedhead Tim Geithner is maneuvering behind the scenes to save dangerous derivative trading from too much regulation.

It is for this reason that financial writer Ilan Moscovitz worries about a coming financial meltdown, writing, "one of the biggest contentions remains what to do about the mind-boggling, vast, and opaque derivatives market owned by the nation's too-big-to-fail megabanks. The problem is getting worse. National amounts of derivatives held by federally insured banks have risen to more than $200 trillion."

Hmm.....

And on the corporate crime front, the FBI has busted no less than one thousand plus mortgage fraudsters last week, but has yet to go after the firms that securitized these mortgages and pedaled them with inflated values, or then overleveraged their deals and insured themselves against expected defaults. Most of Wall Street's financial criminals are still at large.

Gonzalo Lira, writing from Chile, sees a link between BP's crime against the environment and Wall Street's crimes against investors, homeowners and workers:''

> "The BP oil spill is part of the same problem as the financial crisis: The BP oil spill and the banking crisis are two examples of the era we are living in, the era of corporate anarchy.

> In a nutshell, in this era of corporate anarchy, corporations do not have to abide by any rules—none at all. Legal, moral, ethical, even financial rules are irrelevant. They have all been rescinded in the pursuit of profit—literally nothing else matters.
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> As a result, corporations currently exist in a state of almost pure anarchy—but an anarchy directly related to their size: The larger the corporation, the greater its absolute freedom to do and act as it pleases."

In many ways, we have been here before in our one nation under the dollar sign. Economist Gary Gorton of Yale and the National Bureau of Economic Research explains the dark side of a capitalist system that has failed repeatedly:

> "Yes, we have been through this before, tragically many times.
>
> U.S. financial history is replete with banking crises and the predictable political responses. Most people are unaware of this history, which we are repeating…..
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> So, the panic in 2007 was not like the previous panics in American history (like the Panic of 1907, … or that of 1837, 1857, 1873 and so on) in that it was not a mass run on banks by individual depositors, but instead was a run by firms and institutional investors on financial firms. The fact that the run was not observed by regulators, politicians, the media, or ordinary Americans has made the events particularly hard to understand. It has opened the door to spurious, superficial, and politically expedient "explanations" and demagoguery."

Today's well-endowed financial institutions use advertising, PR and media influence to downplay their own responsibility. They spin the news to tell us recovery is just around the corner. Former Bank Regulator Bill Black debunks this view in an interview with Yahoo's Finance program:

"It's in the interest of the financial community to send this propaganda out," Black says. "It's remarkable not that they do it but that it still works."

In other words, this isn't the first time we've been told "the crisis is over" and that "banks are well capitalized" – and probably won't be the last.

The professor and former financial regulator foresees another wave of foreclosures and future bank losses of more than $2.5 trillion vs. the government's $599 billion estimate."

Eric Von Berg, a California Mortgage Banker, worries that no new regulations are yet in place. Contrary to many media accounts, he challenges the idea Wall Street is too complicated to be regulated.

> "Nuclear power is complicated – We regulate that. Why? Because it can blow up in OUR FACES! But finance is not that complicated. Ask a kindergartner: What is a loan? If you lend a classmate a dollar, you expect him to pay it back. What is loan underwriting? If that classmate is unlikely to pay it back, do not lend him the dollar.
>
> Explain a credit default swap to a kindergartner? You offer a quarter to the

> friend of the kid to whom you lent the dollar, if he guarantees his friend will pay you back. A derivatives market? You go to your fellow kindergartners and take bets on whether the borrower-classmate will or won't pay his debt. It is not that complicated. It should not be that hard to regulate."

The failure to regulate is not just a political failure; it's a sign of the unchecked power by an economic oligarchy that's bought up our Congress. They dominate the economy through a process called "financialization."

The President, who is clearly a corporate booster – and recipient of their largess, is now being spanked by major business media for daring to criticize BP. The usually constrained Economist labels Obama "Vladimir " (After Putin, not Lenin) for attacking economic oligarchs even though BP's stock price went up after it agreed to set up a $20 billion dollar fund to compensate victims.

I have often felt alone in suggesting there is major criminality behind the financial crisis. Now, several academics like Brown University's Ross Levine seem to toying with the idea. He writes, "the evidence indicates that regulatory agencies were aware of the growing fragility of the financial system due to their policies and yet chose not to modify those policies, suggesting that "negligent homicide" contributed to the financial system's collapse." Negligent homicide is a capital crime!

He adds, "Thus, the evidence is inconsistent with testimonies before the Financial Crisis Inquiry Commission by Robert Rubin (former Treasury secretary and former director of Citigroup), Charles O. Prince III (former CEO of Citigroup), and Alan Greenspan (former Chairman of the Fed), who claim that the crisis was an unprecedented and unpredictable accident. The crisis did not just happen. Policymakers and regulators, along with private sector coconspirators, helped cause it. …

The evidence indicates that financial sector policies during the period from 1996 through 2006 precipitated the crisis. Either by becoming willfully blind to excessive risk taking or by maintaining policies that encouraged destabilizing behaviors, policymakers and regulatory agencies contributed to the financial system's collapse. As noted by Senator Carl Levin, "The recent financial crisis was not a natural disaster; it was a manmade economic assault. It will happen again unless we change the rules."

To their frequent full-page ads, BP has now added a vague phrase of contrition.

"We may not always be perfect, but we will make this right." Really?
And who will make our economy right?

News Dissector Danny Schechter directed the film Plunder The Crime of Our Time and wrote a companion nook on the crisis as a crime story. For copies, see Plunderthecrimeofourtime.com. Comments to dissector@mediachannel.org

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