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Wall Street Financial Fraud: US to drop criminal probe of MF Global

By Barry Grey
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The *New York Times* published a front-page article on August 16 reporting that the US Justice Department is preparing to end a ten-month criminal investigation into the collapse of the Wall Street brokerage firm MF Global without charging the company or any of its employees.

This is despite what the *Times* called the "disappearance" of some $1 billion in customer money that emerged when the firm filed for Chapter 11 bankruptcy protection last October 31. MF Global raided clients' accounts in an attempt to meet margin calls in the days leading up to its collapse. The newspaper reports that $175 million of this stolen money went to JPMorgan Chase.

The failure of the firm, on the other hand, left "farmers and other customers out millions," according to the *Times* report.

Nevertheless, the company and its former chairman and CEO Jon Corzine are likely to be given a free pass by the government. The *Times* cited "people involved in the case who spoke on condition of anonymity," making clear that news of the government whitewash had been deliberately leaked, presumably in an effort to prepare public opinion and dampen popular outrage.

The *Times* is no doubt also motivated by concerns over the impact on the Obama reelection campaign of yet another official cover-up of Wall Street criminality, given that Corzine is a former Democratic senator and governor of New Jersey and a top fundraiser for the Obama campaign. He hosted Obama's first reelection fund-raising event at his Fifth Avenue apartment overlooking Central Park in Manhattan.

Failure to prosecute the multi-millionaire Goldman Sachs CEO (1994-1999)-turned Democratic office-holder will create difficulties for a campaign based—absurdly and cynically—on casting Obama as a quasi-populist alternative to his pro-Wall Street opponent.

Exactly one week before the appearance of the *Times* article on MF Global, the Justice Department announced it was ending a criminal investigation into securities fraud by Goldman Sachs and would not bring charges against the bank or any of its employees. In doing so, it spurned the recommendations of the Senate Permanent Subcommittee on Investigations, which released a voluminous report last year documenting in detail how Goldman fraudulently offloaded toxic mortgage holdings onto investors and failed to tell them it was betting that the investments it was marketing would fail.

That same day, August 9, Goldman reported that the Securities and Exchange Commission (SEC) had ended a separate probe of a sub-prime mortgage deal stemming from 2006 and had decided to take no action. (See: "A law unto themselves," http://www.wsws.org/articles/2012/aug2012/pers-a15.shtml).

In the figure of Corzine, key aspects of the criminalization of the US ruling elite and the thoroughgoing corruption of its political system, including the incestuous ties between Wall Street and the Democratic Party, come together. Corzine embodies the financial parasites at the top 0.01 percent of the income scale whose swindling precipitated the global economic crisis and who have, with the assistance of the Obama administration, further enriched themselves from the social catastrophe they produced.

In his career, he personifies the revolving door between the boardroom and government office and the domination of the political system and both major parties by Wall Street. After being forced out of Goldman Sachs in 1999, Corzine used $62 million of the $400 million fortune he had accumulated to get himself elected US senator from New Jersey.

In 2005, he used another $38 million of his own money to win the state house in New Jersey. As governor, he imposed brutal cuts in health care, pensions, higher education and aid to the cities, as well as slashing 5,000 state jobs. As a result, he lost his reelection bid in 2009 to Republican Chris Christie.

In March of 2010 he became chairman and CEO of MF Global. He began making enormous bets with borrowed funds that the sovereign debt of countries such as Spain and Italy would not collapse, including a single bet of $6.3 billion—six times MF Global's capital. When the firm reported a second quarter 2011 loss of nearly $190 million due to the worsening of the European debt crisis, investor confidence in the company collapsed.

Nevertheless, in the 18 months he headed the firm before running it into the ground, Corzine took in $14.25 million in total compensation. The August 16 *New York Times* article reports that Corzine is now considering launching a hedge fund.

The refusal of the government to prosecute MF Global or Goldman Sachs and their respective executives is anything but an aberration. Nearly four years since the Wall Street crash of September 2008, not a single high-ranking banker has been criminally prosecuted, let alone jailed.

Federal regulators have refused even to hold civil trials for bankers up to their necks in corrupt and illegal practices. Instead, the government has arranged one settlement after another in which financial firms and executives paid token fines and in return were let off without admitting guilt.

The Obama administration has brokered the following major settlements:

* In July 2010, Goldman Sachs agreed to pay $550 million in a settlement with the SEC on charges of misleading buyers of mortgage-related investments.

* In October 2010, Countrywide Financial CEO Angelo Mozilo agreed to pay $67.5 million to settle an SEC investigation into fraud and insider trading practices in the sub-prime mortgage market.

* In March 2011, the Justice Department dropped a criminal probe of Mozilo without laying

any charges.

* In June 2011, JPMorgan Chase paid $153.6 million to settle a civil fraud case with the SEC.

* In July 2011, Citigroup settled a civil fraud case with the SEC for $75 million.

* In February 2012, the Obama administration brokered a settlement with Bank of America, JPMorgan Chase, Citigroup, Wells Fargo and Ally Financial over rampant fraud and forgery in the processing of foreclosure documents. The banks were penalized a combined $25 billion—only $5 billion of it in cash—in return for the quashing of 49 state investigations with the potential for tens of billions in fines. The settlement enabled the banks to accelerate their foreclosing of homeowners.

The record speaks for itself. The American financial aristocracy is above the law. It lies, steals, cheats and destroys livelihoods with impunity, protected by its bribed political representatives. It has turned the economy into its personal gambling casino, secure in the knowledge that its losses will be covered by public funds.

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