Wall Street's Mercenaries Ride Donkeys

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Robert Scheer's new book "The Great American Stickup: How Reagan Republicans and Clinton Democrats Enriched Wall Street While Mugging Main Street," is not yet another account of how we got robbed or "why the economy imploded for dummies." If you're like me, you just didn't need another lesson in how swapped collateralized debt obligation derivative tranches didn't really make the pie higher. Scheer's book is something else: a straightforward broad-view account of the past thirty years focused on who did the robbing.

Here's the short answer that Scheer provides: Reagan announced the robbery but couldn't pull it off. Clinton robbed us blind. Bush Jr. and Obama drove the get-away car, with Obama disguised as a security guard.

I'm simplifying to make the point that Scheer's account, like most accounts of U.S. politics, is slanted toward presidentialism. When Scheer gets into the details, a picture that brings Congress into focus makes more sense of the history. Reagan didn't repeal the Glass-Steagall Act of 1933, which Scheer points out saved Wall Street from itself for several decades, because presidents don't legislate, Congress does. Or at least it used to. Congress refused to go along with Reagan but was glad to go along with Clinton. The partnership of President Clinton and the Republican Congress took us to the Bush-Obama era in which there really isn't much need to note Congress's existence anymore.

Scheer writes that Robert Reich told him in 2009 that "Clinton made a deal with [Alan] Greenspan in the first year of his administration that if the Fed kept interest rates low, the president would reciprocate with financial market deregulation." Clinton had a Republican Congress to work with, and Senator Phil Gramm leading the push for the Gramm-Leach-Bliley Act of 1999, but he also had Robert Rubin, Lawrence Summers, Alan Greenspan, Timothy Geithner, and the whole gang that would resurface in the Obama White House with greater power, more developed greed and arrogance, and not the slightest shame over having created the mess they would pretend to remedy.

Joining the Clinton-Gramm effort to enact the deregulation and merger-friendly policies mainstreamed by Reagan were a civil rights leader and a corporation itself built on pure corruption: Jesse Jackson and Enron. Pushing back unsuccessfully were a consumer advocate and a community organization: Ralph Nader and ACORN. Scheer quotes from ACORN statements that we put out when I worked there that show that the very low-income people the corporate media would blame for Wall Street's collapse had opposed the mergers and deregulation that caused it. Scheer also gives good credit to Brooksley Born, chair of the Commodity Futures Trading Commission, who gave the right warnings but was not heeded. Scheer makes sure, in contrast, that Fannie Mae and Freddie Mac, and those who ran them, come in for their full share of blame.

Not only have presidents consolidated more power during this process of Wall Street looting main street, but CEOs have acquired greater power over the presidents. When Citicorp and Travelers Group merged into the too-big-to-fail Citigroup, new partners Sanford Weil and John Reed, discussed their coming public announcement the night before. Weil suggested to Reed that they call up President Clinton to tip him off. Reed didn't see the point. But Weil quickly got the president in on a conference call, afterwards explaining to Reed, "We just made the president of the United States an insider."

Candidate Barack Obama campaigned for the restoration of Glass-Steagall, and then put in place all the same people who'd destroyed it. He'd been made an insider. The day after a special election in Massachusetts to replace Senator Ted Kennedy, President Obama briefly pulled out his old rhetoric. Wall Street immediately shifted its "donations" from Democrats to Republicans, and that settled that. Obama pushed corporatized "health insurance reform," which distracted from his absolute subservience to Wall Street on matters financial. He drew on the "expertise" of those who'd created and collapsed these mega-corporations in building on President George W. Bush's accountability-free bailouts at public expense. It was the same pattern Obama followed in every department: Where he didn't leave Bush's people in charge he brought back Clinton's. Anything to be an insider.

The curious thing about a story that puts Clinton at the center of banking deregulation is that a similar tale could be told about trade regulation or media regulation or welfare or even war making. Scheer ends his story with these words:

"The dispiriting lesson of both the Clinton and the Obama White Houses is that the Democrats proved to be as eager to please Wall Street as their Republican rivals. The influence of big corporate money far overwhelms that of labor, environmental, consumer, or grassroots organizations, making a mockery of the American ideal of self-government when it comes to reining in the antics of the largest conglomerates of wealth.

"It is a depressing message on which to conclude a book, I know, but hopefully an aroused public tired of getting ripped off by the apologists will someday act to force change and prove my gloomy prognosis wrong. Otherwise, we are destined for even greater trouble."

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