

War is Good For Wall Street

By [Washington's Blog](#)

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Region: [USA](#)

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[Well, There's Your Problem Right There ... Insider Trading Rules Don't Apply To Congress](#)



Well, there's your problem right there ...

I've repeatedly [pointed out](#) that Wall Street executives are incentivized to lie, cheat and steal. So - of course - they will continue to lie, cheat and steal.

I've [repeatedly noted](#) that Wall Street owns the politicians:

- Lobbyists from the financial industry have paid hundreds of millions to Congress and the Obama administration. They have bought virtually all of the key congress members and senators on committees overseeing finances and banking. The Congress people who receive the most money from lobbyists are the most opposed to regulation. See [this](#), [this](#), [this](#), [this](#), [this](#), [this](#), and [this](#).
- Obama [received](#) more donations from Goldman Sachs and the rest of the financial industry than almost anyone else
- Summers and the rest of Obama's [economic team](#) have made

many millions – even in the first few months of being appointed, or right beforehand – from the financial industry

- [Two powerful congressmen](#) said that banks run Congress
- [Two leading IMF officials, the former Vice President of the Dallas Federal Reserve](#), and the [the head of the Federal Reserve Bank of Kansas City](#) have all said that the United States is controlled by an oligarchy

The [chairman of the Department of Economics at George Mason University](#) (Donald J. Boudreaux) says that it is inaccurate to call politicians prostitutes. Specifically, he says that they are more correct to call them “pimps”, since they are pimping out the American people to the financial giants:

Real whores, after all, personally supply the services their customers seek. Prostitutes do not steal; their customers pay them voluntarily. And their customers pay only with money belonging to these customers.

In contrast, members of Congress routinely truck and barter with other people’s property...

Members of Congress are less like whores than they are like pimps for persons unwillingly conscripted to perform unpleasant services.

Politicians force taxpayers to pony it up — just as the services rendered for a pimp’s customers are rendered not by that pimp personally, but by the ladies under his charge. The pimp pockets the bulk of each payment; he’s pleased with the transaction. His customer gets serviced well in return; he’s pleased with the transaction. The only loser is the prostitute forced to share her precious assets with strangers whom she doesn’t particularly care for and who care nothing for her.

Also like the ladies under pimps’ power, taxpayers who resist being exploited risk serious consequences to their persons and pocketbooks. Uncle Sam doesn’t treat kindly taxpayers who try to avoid the obligations that he assigns to them. Government is a great deal more powerful, and often nastier, than is the typical taxpayer. Practically speaking, the taxpayer has little choice but to perform as government demands.

So to call politicians “whores” is to unduly insult women who either choose or who are forced into the profession of prostitution. These women aggress against no one; like all other respectable human beings, they do their best to get by as well as they can without violating other people’s rights.

The real villains in the prostitution arena are those pimps who coerce women into satisfying the lusts of strangers. Such pimps pocket most of the gains earned by the toil and risks involuntarily imposed upon the prostitutes they control. No one thinks this arrangement is fair or justified. No one gives pimps the title of “Honorable.” Decent people don’t care what pimps think or

suppose that pimps have any special insights into what is good or bad for the women under their command. Decent people don't pretend that pimps act chiefly for the benefit of their prostitutes. Decent people believe that pimps should be in prison.

Yet Americans continue to imagine that the typical representative or senator is an upstanding citizen, a human being worthy of being feted and listened to as if he or she possesses some unusually high moral or intellectual stature.

It's closer to the truth to see politicians as pimps who force ordinary men and women to pony up freedoms and assets for the benefit of clients we call "special-interest groups."

But it's not only that the politicians have been bought and paid for. They - like Wall Street titans - are incentivized to lie, cheat and steal.

Specifically, Congress members and Senators can trade on inside information.

As Forbes' blogger Kyle Smith notes [notes](#):

One thing you can do as a member [of the House or Senate] is study pending legislation and regulatory changes, call up your broker and instruct him to trade on that nonpublic information. Do this as often as you want; you will suffer no penalty. There is no limit to how much money you can earn on insider trading in the House or Senate. Lawmakers and their staffers are specifically exempted.

As you might expect, those who work in the hallowed halls are not shy about availing themselves of the opportunity. A [Wall Street Journal analysis](#) published more than six months ago that has thus far provoked no particular sense of shame on Capitol Hill found that at least 72 Congressional aides in both parties had recently traded shares of companies that their bosses helped regulate. In 2009, while Senate Banking Committee member Mike Crapo, a Republican from Idaho, was involved in discussing "stress tests" on banks such as [Bank of America](#), his aide Karen Brown traded the company's stock on several occasions in the weeks before May 7, 2009 — when BofA surged thanks to a press release on its stress-test result, assuring Ms. Brown a nifty profit.

Asked by the Wall Street Journal to explain, Sen. Crapo's office said the trades weren't really made by Karen Brown but by her husband, who had no knowledge of what was going on in the banking committee. Would you go to your compliance officer, much less the SEC, with that line? True, these folks do need a good laugh now and again, and the SEC has to be in a jolly mood after the jury in the Galleon case all but repeated the verdict from [The Producers](#): "We find the defendants incredibly guilty."

Last week a [study of some 16,000 stock transactions](#) carried out by House members was published in the journal Business and Politics. This detailed analysis showed that the investment portfolios of House members beat the market by about six points a year. (Democrats did especially well, outperforming by some nine points a year, while Republicans topped the average investor by [only two percent annually](#).) Senators apparently do even better: "their portfolios show some of the highest excess returns ever recorded over a long period of time, significantly outperforming even hedge fund managers," noted the journal, citing a previously published study.

So Congress members make money if they bail out the big banks which they have invested in.

One of the main reasons that Congress members have approved [worldwide, perpetual war](#) is because they benefit from it. The big defense contractors are [huge campaign donors](#).

And – as Mish [explains](#) – politicians trade on inside information concerning the defense industry:

I found a Washington Post article written December 19, 2010 entitled [Senate panel ban seen as double standard](#)

The Senate Armed Services Committee prohibits its staff and presidential appointees requiring Senate confirmation from owning stocks or bonds in 48,096 companies that have Defense Department contracts. But the senators who sit on the influential panel are allowed to own any assets they want.

And they have owned millions in interests in these firms.

The committee's prohibition is designed to prevent high-ranking Pentagon officials from using inside information to enrich themselves or members of their immediate family.

But panel members have access to much of the same inside information, because they receive classified briefings from high-ranking defense officials about policy, contracts and plans for combat strategies and weapons systems.

The prohibition is representative of how members of [Congress set strict rules](#) on investing for others in sensitive posts in the corporate world and government [while allowing themselves to manage their finances](#) however they please.

Nineteen of the 28 senators on the Senate Armed Services Committee held assets in companies that do business with the Pentagon between 2004 and last year, according to an analysis of financial disclosure forms by The Washington Post. Those holdings were worth a total of \$3.8 million to \$10.2 million.

[Ethics laws](#) allow senators to hold stocks in industries they oversee. They also may push and vote for programs that could improve the bottom lines of companies in which they own stock. They are precluded, however, from taking official actions that could boost their personal wealth if they are the sole beneficiaries.

Gordon Adams, who oversaw military spending as a top official at the Office of Management and Budget in the 1990s, said committee members and staffers have virtually unfettered access to the highest-ranking officials at the Pentagon, which, with an annual budget of nearly \$700 billion, is the largest part of the government.

"You get a great deal of information about the Pentagon's

intentions for the future,” said Adams, a foreign policy professor at American University. “As a member, you have vastly more information than the average Wall Street adviser or investor.”

War is good for big defense contractors. When new wars are launched, the defense contractors (and their recipients/investors in D.C.) make a killing.

Don't expect the politicians to fix the problem. They're part of the problem:

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