

Why the Bush Administration “Watergated” Eliot Spitzer

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The spectacular and highly bizarre release of secret FBI wiretap data to the New York Times exposing the tryst of New York state Governor, Eliot Spitzer, the now-infamous “No.9,” with a luxury call-girl, had less to do with the Bush Administration’s pursuit of high moral standards for public servants. Spitzer was likely the target of a White House and Wall Street dirty tricks operation to silence one of its most dangerous and vocal critics of their handling the current financial market crisis.

A useful rule of thumb in evaluating spectacular scandals around prominent public figures is to ask what and who might want to eliminate that person. In the case of Governor Eliot Spitzer, a Democrat, it is clear that the spectacular “leak” of government FBI wiretap records showing that Spitzer paid a high-cost prostitute \$4,300 for what amounted to about an hour’s personal entertainment, was politically motivated. The press has almost solely focused on the salacious aspects of the affair, not least the hefty fee Spitzer apparently paid. Why the scandal breaks now is the more interesting question.

Spitzer became Governor of New York following a high-profile record as a relentless State Attorney General going after financial crimes such as the Enron fraud and corruption by Wall Street investment banks during the 2002 dot.com bubble era. The powerful former head of the large AIG insurance group, Hank Greenburg was among his detractors. He made powerful enemies by all accounts. He was bitterly hated on Wall Street. He had made his political career on being ruthless against financial corruption. Most recently, from his position as Governor of the nation’s second largest state, and home to its financial industry, Spitzer had begun making high profile attacks on the complicity of the Bush Administration in covertly arranging bailout of its Wall Street financial friends at the expense of ordinary homeowners and citizens, paid all with taxpayer funds.

Curiously, Spitzer, who had been elected governor in 2006 defeating a Republican by winning nearly 70 percent of the vote, has been not charged in any crime. However, the day the scandal broke New York Assembly Republicans immediately announced plans to impeach Spitzer or put him on public trial were he to refuse resignation. Spitzer could be asked to testify in any trial involving the Emperors Club prostitution ring. But so far he hasn’t been charged with a crime. Prostitution is illegal in most US states, but clients of prostitutes are almost never charged, nor are their names usually leaked in a case in process. The Spitzer case is in the hands of Washington and not state authorities, underscoring the clear political nature of the Spitzer “Watergate.”

The *New York Times* said Spitzer was an individual identified as Client 9 in court papers filed

last week. Client 9 arranged to meet with “Kristen,” a prostitute who officially charged \$1,000 an hour, on February 13 in a Washington hotel. Whatever transpired, Spitzer paid her \$4,300, according to the official documents. The case is clearly political when compared with more egregious recent cases involving Republicans. Republican Mark Foley was exposed propositioning male interns in Congress and Rudolph Giuliani was discovered cheating on his wife, but no or few Republican calls for resignations were heard.

Why the attack now?

Spitzer had become increasingly public in his blaming the Bush Administration for the nation’s current financial and economic disaster. He testified in Washington in mid-February before the US House of Representatives Financial Services subcommittee on the problems in New York-based specialized insurance companies, known as “monoline” insurers. In a national CNBC TV interview the same day, he laid blame for the crisis and its broader economic fallout on the Bush Administration.

Spitzer recalled that several years ago the US Office of the Comptroller of the Currency went to court and blocked New York State efforts to investigate the mortgage activities of national banks. Spitzer argued the OCC did not put a stop to questionable loan marketing practices or uphold higher underwriting standards.

“This could have been avoided if the OCC had done its job,” Spitzer said in the interview. “The OCC did nothing. The Bush Administration let the housing bubble inflate and now that it’s deflating we’re dealing with the consequences. The real failure, the genesis, the germ that has spread was the subprime scandal,” Spitzer said. Fraudulent marketing and very low “teaser” mortgage rates that later ballooned higher, were practices that should have been stopped, he argued. “When mortgages are being marketed, there is a marketplace obligation to ensure the borrower can afford to pay back the debt,” he said.

That TV interview was only one instance of Spitzer laying blame on the Bush Republicans. On February 14, Spitzer published a signed article in the influential Washington Post titled, *“Predatory Lenders’ Partner in Crime: How the Bush Administration Stopped the States From Stepping In to Help Consumers.”*

That article, laying clear blame on the Administration for the development of the sub-prime crisis, appeared the day after his ill-fated tryst with the prostitute at the Mayflower Hotel. Just a coincidence? Spitzer wrote, “In 2003, during the height of the predatory lending crisis, the OCC invoked a clause from the 1863 National Bank Act pre-empting all state predatory lending laws, thereby rendering them inoperative. The OCC also promulgated new rules that prevented states from enforcing any of their own consumer protection laws against national banks.”

In his article Spitzer charged, “Not only did the Bush administration do nothing to protect consumers, it embarked on an aggressive and unprecedented campaign to prevent states from protecting their residents from the very problems to which the federal government was turning a blind eye.” Bush, said Spitzer right in the headline, was the “Predator Lenders’ Partner in Crime.” The President, said Spitzer, was a fugitive from justice. And Spitzer was in Washington to launch a campaign to take on the Bush regime and the biggest financial powers on the planet. Spitzer wrote, “When history tells the story of the sub-prime lending

crisis and recounts its devastating effects on the lives of so many innocent homeowners the Bush administration will not be judged favourably."

With that article, some Washington insiders believe, Spitzer signed his own political death warrant.

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