Press reports document criminality of US financial elite

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Fallout from the Madoff scandal continues to batter investors, banks and private charities in the US, Europe and Japan. The massive fraud carried out by a prominent Wall Street insider, Bernard Madoff, the former head of the Nasdaq stock exchange, has exposed clients to as much as $50 billion in losses.

Recent press reports make clear that the Madoff affair is not an aberration. It is indicative of pervasive fraud and criminality in the highest echelons of the financial establishment, aided and abetted by government regulatory agencies.

On Monday, *Truthout*, an independent internet news service, published an interview with former Securities and Exchange Commission (SEC) investigative attorney Gary Aguirre. The SEC is the federal regulatory agency tasked with enforcing securities law and regulating stock exchanges and the securities industry.

As an attorney for the SEC, Aguirre launched an investigation several years ago into insider trading by the hedge fund Pequot Capital Management. Aguirre sought to subpoena one of Wall Street's most formidable figures, John Mack, then CEO of Credit Suisse and now the head of Morgan Stanley. But Aguirre "was told that Mack had ‘juice' (meaning he had access to senior-level SEC officers) and that he had heavy political connections to the Bush White House," according to *San Diego Magazine*. "In the middle of June 2005, his superiors told him to take a week's vacation. ... Before the week was up, he was unceremoniously fired, and the investigation was scuttled."

According to the *Truthout* account, the internal SEC watchdog found that Aguirre's supervisors acted improperly in firing Aguirre and shutting down the investigation, and recommended punishment against four SEC officials. But SEC Chairman Christopher Cox "refused to hold them accountable."

Aguirre told *Truthout* that the SEC "has been reluctant to apply the securities laws to the big players, to Wall Street's elite." Instead, it is "focused on the small players."

Commenting on the revolving door between government regulatory agencies and Wall Street, he noted that then-SEC Associate Director Paul Berger, who fired him and derailed the investigation he was conducting, subsequently took a job with the well-connected New York corporate law firm Debevoise & Plimpton.

The sums of personal wealth generated through such financial skullduggery, under the protective arm of the government, are staggering. An Associated Press report published Sunday reveals that financial institutions which have to date received a total of $188 billion in taxpayer money through the $700 billion Troubled Assets Relief Program (TARP) paid their CEOs nearly $1.6 billion last year, or $2.6 million on average. In addition to TARP funds, the banks have been handed trillions in direct loans through the Federal Reserve.

Among the executives remunerated in the millions, even as many of their companies began to report losses from the subprime mortgage collapse, were:

* John Thain, CEO of Merrill Lynch, who was awarded $83 million. His firm, now merged into Bank of America, received $10 billion in TARP money.

* Lloyd Blankfein of Goldman Sachs, who took home $54 million. Goldman Sachs spread around $242 million to its top five executives. It has received $10 billion in TARP funds.

* Richard D. Fairbank, the head of Capital One Financial Corp., who was paid $17 million. Capital One was given $3.56 billion in TARP money.

* Bank of New York Mellon CEO Robert P. Kelly, who was paid $8.6 million. His firm received $3 billion from TARP.

Another Associated Press article, published Monday, documents the refusal of the banks to reveal what they have done with the billions in taxpayer funds they have received. The AP put questionnaires to 21 banks that each received more than $1 billion in the government bailout, posing four questions: "How much has been spent? What was it spent on? How much is being held in savings, and what's the plan for the rest?"

According to the AP, not a single bank provided specific answers. A representative of JPMorgan Chase, which has received $25 billion in TARP funds, said merely, "We have not disclosed that to the public. We're declining to." Comerica, which got $2.25 billion in TARP funds, said flatly "We're not sharing any other details." A Bank of New York Mellon spokesman said, "We're choosing not to disclose that," adding, "I just would prefer if you wouldn't say that we're not going to discuss those details."

The arrogance and contemptuousness of the banks recalls nothing so much as the First Estate of pre-revolutionary France's Ancien Regime. It reflects the attitude of a financial aristocracy that operates with complete impunity and has no intention of giving up any of its spoils.

These are people who have enriched themselves through the most reckless forms of speculation and outright swindling, in the process running their own companies and the entire US and world economy into the ground. Now, literally hundreds of millions of people in America and beyond are paying for the avarice and incompetence of the US financial elite in the loss of their jobs and in wage cuts, foreclosures and the gutting of pensions and savings.

These events shed light on the reality of class relations in the US. They provide insight into the immense power exercised by a semi-criminal financial elite over the government. Indeed, they reveal the government and all of the official political institutions—the White House, Congress, the judiciary, both political parties—to be the facilitators of Wall Street's plundering of society.

It should be recalled that the Democrats, including Barack Obama, led the charge in September and early October to pass the bill enabling the Bush administration to transfer hundreds of billions of dollars in public funds to the banks without any restrictions or requirements on how the money was to be used. Since the passage of TARP, which was pushed as an emergency measure to head off a recession, more than a million jobs in the US have been wiped out, while the banks have refused to use their taxpayer windfalls to ease the credit freeze and provide new loans.

But when it comes to the jobs and living standards of auto workers, both political parties unite to demand "transparency" and "accountability" for, by comparison, a pittance in loans to the auto companies, using these buzz words as a cover for the impoverishment of the auto workers and the launching of a nationwide assault on the working class.

The removal of all restrictions on the banks and the transformation of government regulators into direct and open accomplices of financial fraud is the outcome of decades of deregulation, carried out by Democratic as well as Republican administrations. It is one of the forms taken by the decay and putrescence of American capitalism, which has responded to an objective and historic crisis of profitability in basic production by dismantling vast sections of US industry and generating unprecedented levels of personal wealth for the ruling elite through previously unknown levels of financial parasitism.

In a fundamental sense, the entire economy has become a gigantic Ponzi scheme. Now the vast edifice of paper values is collapsing, posing either a revolutionary transformation of economic life on socialist foundations, or the ruination of the working class and broad sections of the middle class.

The ill-gotten gains of the financial aristocracy must be confiscated and used to provide for the needs of the people. No rational and humane solution to the deepening economic crisis is possible without the working class politically settling accounts with the present-day "Ancien Regime" of Wall Street swindlers and their political accomplices.

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The authors also recommend:

The Madoff Scandal

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