

Schumer vs. Blagojevich: No match when it comes to corruption

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Amidst the media show of handwringing and shock over the tape-recorded discussions of extortion and influence-peddling by Illinois Governor Rod Blagojevich, we wrote last week: "Conversations similar in substance, if not style, to those made public in the Blagojevich probe will be taking place today in government offices and political headquarters in every state and throughout Washington DC."

This judgment is confirmed by a front-page article in the *New York Times* Sunday profiling the fundraising prowess of Senator Charles Schumer. It begins with an account of a meeting in late September with a small group of financiers in Manhattan, who coughed up \$135,000 for the Democratic Party after a Schumer appeal that emphasized the Democrats' commitment to defend Wall Street in the deepening financial crisis.

According to the *Times*: "Senator Schumer plays an unrivaled role in Washington as beneficiary, advocate and overseer of an industry that is his hometown's most important business"—i.e., the bankers who have plunged the US and world economy into the greatest crisis since the Great Depression.

The close ties between Schumer and Wall Street have produced a flood of cash into the coffers of the Democratic Party, accounting for much of the party's gains in the last two congressional elections. The *Times* notes: "Mr. Schumer led the Democratic Senatorial Campaign Committee for the last four years, raising a record \$240 million while increasing donations from Wall Street by 50 percent. That money helped the Democrats gain power in Congress, elevated Mr. Schumer's standing in his party and increased the industry's clout in the capital."

Schumer is "an exceptional fund raiser," described as a "jackhammer" by an associate. The *Times* account

continues: "Donors describe the Schumer pitch as unusually aggressive: He calls repeatedly to suggest breakfast or dinner, coffee or cocktails. He enlists intermediaries to invite prospects to events and recruits several senators to tag along. And he presses for the maximum contribution—'I need you to max out,' he is known to say—then follows up by asking that a donor's spouse and four or five friends write checks, too."

Schumer is a member of both the Banking and Finance committees in the Senate, where his accomplishments on behalf of his Wall Street patrons, detailed in the newspaper account, include:

- Protecting Wall Street from government oversight and regulation
- Saving financial institutions billions of dollars in taxes
- Limiting efforts to regulate the credit-rating agencies which gave a green light to speculative securities linked to subprime mortgages
- Backing the Gramm-Leach-Bliley Act of 1999, which deregulated financial institutions, ending the distinction between commercial and investment banks
- Limiting consumers' rights to sue financial institutions
- Sponsoring legislation to cut by \$14 billion the fees paid by Wall Street to finance federal oversight agencies
- Allowing banks to reduce their capital reserves
- Blocking regulations to make corporate balance sheets more transparent
- Blocking new taxes on the earnings of hedge fund billionaires, who currently pay a lower income tax rate than janitors or secretaries.

Schumer is linked to the new generation that rose to power on Wall Street in the speculative boom of the 1990s. As the *Times* notes: "Mr. Schumer became a

magnet for campaign donations from wealthy industry executives, including Jamie Dimon, now the chief executive of JPMorgan Chase; John J. Mack, the chief executive at Morgan Stanley; and Charles O. Prince III, the former chief executive of Citigroup."

These financial institutions have absorbed the lion's share of the Treasury bailout of Wall Street which Schumer, the congressional Democrats, and Democratic President-elect Barack Obama all supported. Even after the debacle brought on by the speculative frenzy, the senator from New York is still an advocate of a light rein on Wall Street, telling an audience of financial industry bigwigs last month, "You must be sure that regulation does not snuff out the entrepreneurial vigor and financial innovation that drives economic growth and makes financial institutions successful and profitable."

Two things differentiate Schumer from Blagojevich. The first is that, unlike the Illinois governor, the New York senator raised money for many of his party's candidates, not just himself. In the inimitable words of Hyman Roth in *The Godfather, Part Two*, "He always made money for his partners."

Then there is the sheer scale of Schumer's operation, which has raked in over \$120 million from Wall Street in recent years. Blagojevich is distinguished not so much by his much-publicized use of four-letter words as by the penny-ante character of his financial aspirations. To the Illinois governor, a \$150,000-a-year sinecure for his wife was truly a bonanza. For the New York senator, that is mere petty cash.



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