Obama picks Wall Street insider to head main regulatory agency

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In a further demonstration of his subservience to Wall Street interests, President-elect Barack Obama announced the appointment of a longtime representative of the investment banks and brokerage houses as chairwoman of the Securities and Exchange Commission.

At the press conference Thursday, Obama declared that his selection of Mary Schapiro to head the main regulatory agency for the US financial securities industry was an appropriate response to the deepening Wall Street collapse and such scandals as the $50 billion fraud perpetrated by money manager Bernard Madoff.

Obama also appointed a former Clinton administration official, Gary Gensler, to head the Commodity Futures Trading Commission (CFTC), which oversees trading in one of the main arenas of financial speculation, including oil, gold and other precious metals, copper and agricultural products. Gensler is yet another of the former executives at Goldman Sachs investment bank who monopolize most top financial and regulatory positions in Washington.

Obama presented the appointment of Schapiro as a demonstration that his administration would “crack down on the culture of greed and scheming” that led to the current financial collapse and a $700 billion bailout of the banking system.

The Madoff scandal “has reminded us yet again of how badly reform is needed,” he said. “There needs to be a shift in ethics on Wall Street.” Regulators and congressional committees “have been asleep at the switch,” Obama added. He did not explain how appointing a highly paid dispenser of sedatives about the value of self-regulation would solve this problem.

Mary Schapiro has spent the last 12 years as an advocate of Wall Street policing itself, most recently as head of the Financial Industry Regulatory Authority (FINRA), which is not a federal agency but a private entity created by the financial industry to forestall actual government regulation.

Schapiro was first appointed as a member of the SEC by Republican Ronald Reagan in 1988, continuing in that position throughout the first Bush administration and for two years under Democrat Bill Clinton. In 1994, Clinton promoted her, naming her as the chairwoman of the CFTC.

In 1996, Schapiro left the government to work for the National Association of Securities Dealers. After the NASD merged with the internal regulatory authority of the New York Stock Exchange, creating FINRA, she headed the combined organization. She is a trusted figure in corporate America, serving on the board of directors of Duke Energy and Kraft Foods.

Media coverage of the appointment included obligatory quotes and sound-bites from leading Democrats and stock exchange figures hailing Schapiro as an advocate of tough regulation and as someone who would “reinvigorate the SEC.”

New York Senator Charles Schumer, a frequent point man for Wall Street interests, described her as “the kind of strong and experienced regulator that we very much need in these times. I believe her nomination could be approved quickly and without controversy in the

Senate."

But according to one press account, the number of cases handled by FINRA actually declined after Schapiro took charge in 2006. And in 2001, Schapiro appointed Mark Madoff, son of Bernard Madoff and a top officer in his firm, to the board of the National Adjudicatory Council, an internal appeal committee for FINRA.

There is little doubt where Schapiro's interests lie. She made $2.1 million in 2007, and her total income from the securities industry over the past 12 years has likely topped $20 million. That sum is more than 100 times the $158,500 yearly salary she will draw as head of the SEC.

But Schapiro can look forward to recouping the lost income from her hardship duty at the SEC when she returns to Wall Street a few years hence.