

Obama's phony banking "reform"

Barry Grey
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Debate on the Senate version of the Obama administration's bank regulatory overhaul is expected to begin shortly. The House of Representatives passed its banking bill last December.

Neither bill does anything to curb the power of the banks or limit their parasitic and socially destructive activities. What the media is calling the "most sweeping overhaul" of the banking system since the Great Depression in reality sanctions the ever greater monopolization of the financial system by a handful of Wall Street giants, imposes no limits on executive pay, and allows the banks and hedge funds to continue gambling on exotic and largely unregulated securities, such as collateralized debt obligations and credit default swaps.

The so-called bank "reform" is an exercise in mass deception—an attempt to placate popular hostility to the banks and provide the government with political cover while it continues to do the bidding of Wall Street.

The bills have been drawn up in the closest consultation with bankers and bank lobbyists. This collusion has been widely reported in the press and presented as a perfectly normal and acceptable fact of political life. The front-page lead article in Monday's *Wall Street Journal* describes the intensive lobbying being carried out by billionaire investor Warren Buffett to alter the Senate bill's provisions on derivatives.

Buffett, an Obama supporter, wants to exempt existing derivatives deals from collateral requirements in the current language of the bill—a change that would save him billions on his \$63 billion derivatives portfolio. Both senators from his home state of Nebraska, one Democrat and one Republican, are championing his cause.

This is just one example of the web of corruption and bribery that extends from Wall Street to the White House and Capitol Hill. The banks have thus far spent \$455 million lobbying Congress on the overhaul and

handed out \$34 million in 2010 election campaign donations, most of it to Democrats.

The circle of corruption includes the ratings companies such as Moody's and Standard & Poor's, which blessed toxic subprime mortgage-backed securities with triple-A ratings in return for fees from the banks they were rating, and government regulators who move seamlessly from regulatory offices to lucrative posts at the banks they were supposedly overseeing.

The colossuses of Wall Street amass their huge profits by means of fraud and swindling. Over the past few weeks systematic accounting fraud at Lehman Brothers has been exposed and the Securities and Exchange Commission has indicted Goldman Sachs for defrauding its clients in the run-up to the subprime mortgage crash. This is only the tip of the iceberg.

Obama's so-called reform will do nothing to hold accountable the criminals at the head of the banks and hedge funds or break up the financial behemoths that exert a stranglehold on the economy. Instead, it will set up a mechanism to institutionalize government rescue operations of big financial firms to protect the interests of bank executives, shareholders and creditors, ultimately at public expense.

The lawless and reckless actions of Wall Street CEOs have had devastating consequences for tens of millions of people in the US and around the world. The wreckage left in the wake of the financial tsunami of 2008 is registered in millions of lost jobs, home foreclosures, utility shutoffs, and rising hunger, disease and poverty.

With the help of trillions of dollars in taxpayer bailouts, the bankers are making more money today than ever, even as schools are closed, libraries disappear and museums and opera houses are shuttered. There is, the people are told, "no money" for jobs or basic social services.

There is plenty of money. The problem is that it is concentrated in the hands of a financial aristocracy. The immense concentration of wealth among these individuals is not only morally repugnant, it is a menace to society. It is the result of the plundering of the social wealth to feed criminal appetites, at the direct cost of the productive forces.

During the rise of American capitalism as an industrial power, the vast fortunes of the corporate elite, while achieved through ruthless exploitation of the working class, were associated with the expansion of industry and the production of useful products. That is not the case with today's financial elite. Its wealth is amassed on the basis of financial manipulation and outright fraud, linked to the destruction of the social infrastructure and industry.

The Socialist Equality Party advocates a policy that proceeds from the needs of the people and society as a whole, not the personal fortunes of the bankers and big investors. We call for:

- The criminal prosecution of bankers and speculators whose illegal actions contributed to the deepest economic crisis since the Great Depression. They must be held legally accountable and given appropriate sentences to prevent a recurrence of such practices.
- The expropriation of the wealth of the top bankers, hedge fund managers, traders and speculators. This would immediately free up several trillion dollars, money that could go to a public works program to provide jobs and rebuild the social infrastructure—schools, housing, clinics, libraries, cultural facilities, the energy system. This money could also be used to help provide relief to the victims of the economic crisis—to maintain full wages for those laid off, put a stop to foreclosures and utility shutoffs, provide full medical coverage.
- The nationalization of the banks and major financial institutions and their transformation into public utilities under the democratic control of the working population. This is a prerequisite for the rational and planned development of the economy and the allocation of resources to rebuild the social infrastructure, end poverty, raise living standards and overcome social inequality.

Only such a socialist program can break the grip of the financial aristocracy and liberate the productive forces for the benefit of society as a whole. It can be

achieved only through the independent political mobilization of the working class against Obama, the two parties and big business, and the capitalist system that they defend.

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