Obama's financial reform bill: Wall Street breathes a "sigh of relief"

David Walsh
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No facts actually "speak for themselves," but some are certainly more eloquent than others. This item from the Associated Press May 21, for example: "Financial stocks climbed Friday, a day after the Senate's passage of a financial reform bill lifted one cloud of uncertainty that had been hanging over the industry."

The American public, or its less skeptical elements, in any case, might have been forgiven for believing, based on the media's coverage, that something substantial had taken place with the passage of financial reform legislation in both houses of the US Congress. (A House-Senate panel will work out a final version of the bill over the next several weeks, no doubt further removing items Wall Street finds objectionable.)

Typical headlines read: "Facing down Wall Street," "Ending Wall St.'s joyride," "Fixing the financial flaws," "Senate passes sweeping reform of big banks, credit ratings," "Milestone reached in finance reform as Senate passes bill," etc.

The pronouncements by Democratic Party politicians were equally grandiose, and hollow. Massachusetts Senator and former presidential candidate John Kerry declared last Thursday, "Greed on Wall Street left American taxpayers with jobs destroyed and life savings drained, and then to keep the economy from going off the cliff, the taxpayers were forced to bail out the big banks and big interests that made the mess. It was imperative to restore responsibility and accountability, and today's vote is a critical step in that effort."

What accountability is Kerry talking about? No firms will be broken up or taken over, no banking or Wall Street executives face the hint of a criminal investigation, much less jail time. When it comes to the billionaires whose thievery has driven the country into the ground, the watchword is "Let's move on."

Kerry is spouting nonsense he and other Democrats hope will placate an angry population. No one in Washington, or on Wall Street, believes it for a minute. The levelheaded men and women who trade in financial shares offered their verdict on Friday. As one commentator noted, "Many financial ETFs [Exchange-traded funds] saw their shares surge higher as news of the bill was announced." These included iShares Dow Jones U.S. Financial Services Index Fund, Merrill Lynch Regional Bank HOLDRS, and iShares S&P Global Financials Sector Index Fund, all of which were up more than 2 percent.

AP provided further specifics, "JP Morgan Chase & Co. shares jumped $2.02, or 5.4 percent, to $39.85, in afternoon trading, while Bank of America Corp. rose 59 cents, or 3.8 percent, to $15.89. Citigroup Inc.'s stock added 12 cents, or 3.3 percent, to $3.75. Shares of former investment banks got a boost as well. Morgan Stanley shares rose $1.27, or 5 percent, to $26.91, and Goldman Sachs climbed $6.15, or 4.5 percent, to $142.25."

If the big banks and financial institutions are on the verge of being "reined in," no one is telling them about it. Naturally, Wall Street would prefer to have no regulations imposed on it at all. A close second best, however, is a set of toothless measures such as Obama's, essentially amounting to more paperwork. Ingenious lawyers and financial experts are already figuring out the best means of navigating through and around the "tough" new regulations. We predict they will find the work relatively unchallenging.

A *New York Times* piece summed up the mood in the financial industry, "As Reform Takes Shape, Some Relief on Wall St." The *Times* piece notes, "Wall Street's initial verdict seems to be that it could have been much more draconian. 'If you talk to anyone privately, there's a sigh of relief,' said one veteran investment banker who insisted on anonymity because of the delicacy of the issue. 'It'll crimp the profit pool initially by 15 or 20 percent and increase oversight and compliance costs, but there's no breakup of any institution or onerous new taxes.'"

The *Times* continued, "Big banks and brokerage firms, experts said, will adjust to the changes, creating new revenue streams to make up for reduced profits, and find ways to work around the new regulations. In other words, the industry's landscape may not be facing an earthquake, after all."

No one the slightest bit familiar with the American political landscape and the events since September 2008 will be shocked by this. The Obama administration, like its predecessor, has intervened in the economic crisis with one central goal in mind: protecting the profits and interests of the large banks and Wall Street firms. Trillions have been made available to the latter, even as millions of people saw their jobs disappear, their homes repossessed or plummet in value, and vital social programs eviscerated.

The politicians of both major parties rest comfortably inside the pockets of the great and not-so-great financial institutions. OpenSecrets.org explains, "Despite the sub-prime mortgage crisis and eventual Wall Street collapse that occurred during the 2008 election cycle, banks still managed to give federal candidates and parties more than $37 million in that period." Barack Obama, Hillary Clinton, and US Senators Kerry, Christopher Dodd, Charles Schumer and Richard Shelby have been among the commercial banks' most favored recipients of campaign contributions in recent years.

Only a very naïve individual, a political idiot, or an editor of the *Nation* magazine could imagine that, under these conditions, the American ruling elite would turn on its friends on Wall Street and do *anything* to impede their money-making, or their capacity to precipitate further and greater financial disasters.

More or less simultaneously with the passage of the "sweeping" financial reform bill came the news that Obama's Justice Department has decided not to press charges against a former executive of American International Group Inc., whose dealings in mortgage-related securities nearly bankrupted the company and helped lead to a government bailout worth $180 billion.

Austerity for the population, which has been "living beyond its means," which must "tighten its belt" … while the looters in expensive suits go about their business.

A growing sense of this reality is generating enormous public outrage against big business, which cannot find any expression in the current political set-up, owned and operated by the corporate-financial aristocracy. As Bloomberg noted recently, based on the results of its own polling, "Wall Street Despised in Poll Showing Most Want Regulation." According to a recent Harris poll, only 8 percent of the population expressed "a great deal of confidence" in Wall Street, a degree of disaffection only matched by the population's mistrust and dislike of Congress.

The public's instincts are correct, but a campaign to genuinely "overhaul" the financial system will only take place on the basis of a total break with the existing political system.

The only progressive alternative is a broad-based socialist movement developing in the working class and among young people. Such a movement would rally support behind the demand for criminal investigations of those responsible for the financial collapse, the recovery of the trillions stolen by American corporate interests, an end to foreclosures and repossessions, billions for jobs, education and health care, and the nationalization of the giant banks and Wall Street firms.

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