The bankers rule: Jamie Dimon at the US Senate

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An extraordinary event occurred on Wednesday in the august chamber where the US Senate Banking Committee meets.

In a magnificent ceremony lasting two-and-a-quarter hours, JPMorgan Chase Chairman and Chief Executive Officer Jamie Dimon sat on a throne constructed with "all the pomp of Oriental greatness," while the various senators passed one by one, bending their knees, placing their hands within his, taking an oath of fealty, and rendering to him "the homage which had been previously agreed on." *

Well, this isn't quite what happened, but it may as well have.

Dimon is the head of the biggest US bank by assets ($2.3 trillion) and one of the planet's largest publicly traded companies. He was called to testify Wednesday at a hearing of the US Banking, Housing and Urban Affairs Committee, theoretically to respond to questions about the recent revelation that his bank lost billions in speculative trades.

That fiasco created a certain disquiet in official US circles, coming only a few years after the crashing of the economy as a result of the reckless practices of giant financial institutions. After the 2008 crisis, the public was informed, new regulations were in place, oversight was tougher and, generally, things had been "fixed."

JPMorgan's loss of as much as $8 billion brought home the falsity of those claims. The banks are bigger than ever, the bankers richer and more powerful, and the speculation as rife and reckless as prior to September 2008. Further and greater catastrophes are being prepared.

Dimon presides over what is essentially a criminal enterprise. JPMorgan Chase and other financial institutions have operated a glorified Ponzi scheme for years, profiting from one speculative bubble after another. In the case of the housing boom, Dimon's bank, along with the others, deliberately pushed lucrative subprime mortgages on millions of families, raking in massive amounts of money.

As the housing bubble began to burst, JPMorgan and other Wall Street banks bet against the mortgage-backed securities they were continuing to market, generating billions of dollars more. Last year, Dimon's bank paid a $153 million fine—a slap on the wrist—to settle a suit brought by the Securities and Exchange Commission charging that JPMorgan misled investors in 2007 about securities whose value it knew would fall. The bank did not tell prospective investors the product had been partly designed by a hedge fund that stood to profit from a loss in value.

After the September 2008 meltdown, JPMorgan Chase was handed $25 billion in public money with virtually no strings attached. The government had already subsidized its purchase of the failing investment bank Bear Stearns in March, and following the collapse of Lehman Brothers in September it essentially paid JPMorgan to take over Washington Mutual, the largest savings and loan bank in the US. In addition, the Federal Reserve funneled billions in low-cost loans to Dimon's firm.

In general, JPMorgan received a massive helping hand from the federal government and, without their having any say in the matter, the taxpayers to keep its operations afloat.

Dimon and other bank executives have played a significant part in the massive decline in US household income over the past four years. How many foreclosures, bankruptcies, layoffs, family breakups and suicides are the CEO of JPMorgan Chase and his fellow bank executives responsible for? How much homelessness, poverty and accumulated social misery?

By rights, Dimon should be contemplating how much jail time he will face. Instead, he walks around a free man, living a life of opulence, having received $26 million in compensation in 2011 alone.

The assembled senators treated Dimon with reverence and awe. For the most part they provided him with a platform to denounce bank regulations, defend the "great American business machine," and argue that the US had to "get its fiscal act in order," i.e., that social programs had to be gutted to safeguard the wealth of the financial aristocracy.

Dimon's arrogance and his barely concealed contempt for the hearing were never dented. No mystery there, since almost all of the senators on the committee are, for all intents and purposes, on his payroll.

JPMorgan is the biggest campaign contributor to the committee chairman, Sen. Tim Johnson (Democrat from South Dakota), and the second biggest donor to the top Republican on the committee, Richard Shelby of Alabama. The two senators have received more than $216,000 from JPMorgan Chase employees since 1990.

In 2012, Dimon has personally contributed to Johnson and Shelby as well as committee members Bob Corker, Republican from Tennessee, and Mark Warner, a Virginia Democrat. Only six of the 22 members of the committee *have not* received money from JPMorgan Chase or its employees in recent election cycles, and two of those are retiring and no longer collecting campaign funds.

Thus, it was without any trace of rhetorical flourish that columnist Dana Milbank of the *Washington Post* observed that the senators "acted as though they were wholly owned subsidiaries of JPMorgan."

The exchanges between Dimon and the senators had an unintentionally farcical character. Each committee member in turn profusely thanked the CEO for attending the hearing, as though he were doing them a great favor by appearing, an impression he did nothing to dispel.

The Democrats and Republicans on the committee performed their customary roles. The Democrats feigned a degree of shock over the bank's losses and asked questions, to which they already knew the answers, about details of the debacle. They halfheartedly suggested that a modicum of oversight of the banking industry might be a good idea.

As Johnson asked disingenuously in his opening statement, "So what went wrong? For a bank renowned for its risk management, where were the risk controls? How can a bank take on 'far too much risk' if the point of the trades was to reduce risk in the first place? Or was the goal really to make money?"

The head of the Banking Committee asks such a question with a straight face. What a charade!

The Republicans on the committee crudely and stupidly spoke for greed, wealth and the "free enterprise system." Sen. Mike Johanns of Nebraska worriedly asked how many regulators were presently at work overseeing JPMorgan Chase's activities. "Hundreds," Dimon replied. Johanns wondered out loud if such a level of government interference would not lead banks to leave the US for happier havens. Dimon allowed as how "It's easier to be overseas."

Johanns could not keep his adulation for Dimon and JPMorgan to himself. "You're just huge," he gushed at one point. Corker of Tennessee praised Dimon as "one of the best CEOs in the country." Sen. Jim DeMint, a Republican from South Carolina, argued that the committee could "hardly sit in judgment of your losing $2 billion… You're a very big bank, the biggest in the world."

Democrats, as Milbank noted, "joined the sycophancy sweepstakes." Sen. Robert Menendez of New Jersey referred to Dimon's bank as "one of the nation's finest," whatever that might mean. Even those, like Jack Reed of Rhode Island and Jeff Merkley of Oregon, who mildly ruffled Dimon's feathers, ended up kowtowing to him in disgraceful style.

No one asked Dimon a single probing question or demanded that he account for the devastation the banks have wrought. The event was ritualized, scripted political theater, and bad theater at that.

The political situation in the US is a peculiar one. Wide layers of the population hate the banks, hate Wall Street, hate corporate executives and hate the politicians. The current political set-up is impervious to these sentiments and proceeds with "business as usual," oblivious to mass hardship and suffering, as if the social disaster for millions had no consequences.

A recent review in the *New York Times* by a Reuters finance blogger—of books by Paul Krugman of the *Times* and Timothy Noah of the *New Republic*—concluded, "This is now a country run by the rich, for the rich. And nothing in either of these books gives me reason to believe that there's any hope of changing that." The working class will have the last word on that.

* With apologies to Walter Scott's *Count Robert of Paris*.