Ex-TARP overseer denounces US government cover-up of Wall Street crimes

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In interviews prompted by the publication of his new book (*Bailout*) on the $700 billion US bank bailout scheme—the Troubled Asset Relief Program (TARP)—the former special inspector general for the program, Neil Barofsky, has denounced bank regulators and top officials in the Bush and Obama administrations for covering up Wall Street criminality both before and after the financial crash of September 2008.

In an interview last Thursday with the *Daily Ticker* blog, Barofsky accused Treasury Secretary Timothy Geithner of facilitating the banks' manipulation of Libor, the global benchmark interest rate, when he was president of the Federal Reserve Bank of New York in 2007-2008, prior to his joining the Obama administration. Recently published documents show that as early as 2007, Geithner knew that London-based Barclays Bank was submitting false information to the Libor board to conceal its financial weakness.

Geithner merely wrote to the Bank of England suggesting certain changes in the Libor rate-setting mechanism, but made no public statement and failed to notify regulators at the US Justice Department, the Commodity Futures Trading Commission and the Securities and Exchange Commission, even though major US banks were alleged to be involved in the rate-rigging fraud.

In his interview, Barofsky rejected Geithner's claims to have acted appropriately. Calling the Libor scandal a "global conspiracy to fix one of the most important interest rates in the world," the former TARP inspector general said, "[Geithner] heard this information and looked the other way. Geithner and other regulators should be held accountable, they should be fired across the board. If they knew about an ongoing fraud, and they didn't do anything about it, they don't deserve to have their jobs. I hope to see people in handcuffs."

In the same interview and others given over the past week, Barofsky has spoken in scathing terms of the domination of Washington by Wall Street and the subservience of both major parties to the financial elite. "It was shocking," he told the *Daily Ticker*, "how much control the big banks had over their own bailout and how they often would dictate terms of some of the TARP programs and the overwhelming deference shown by Treasury officials to the banks. I saw no differences in these core issues between the Bush and Obama administrations."

In an interview with CBS News' Charlie Rose on July 23, Barofsky referred to key elements of his account of TARP, including the lack of any restrictions on the banks' use of bailout funds and the fact that they were not even required to tell the government what they were doing with the taxpayer money that had been handed to them.

"When I got to Washington," he said, "I saw that it had been hijacked by a small group of very powerful Wall Street banks... It's not Democratic, it's not Republican, it's across political barriers… [Geithner] oversaw a policy that saw our largest banks, the too-big-to-fail institutions, get bigger than ever and more powerful, more politically connected."

In his book, Barofsky derides the cynicism of the claims made when President Bush, candidate Obama and congressional leaders of both parties were seeking to ram through the TARP law over massive popular opposition that the bailout would benefit Main Street as well as Wall Street. He notes, for instance, that the government's mortgage modification program—billed as a means to help millions of homeowners—has disbursed only $3 billion out of the $50 billion set aside for it.

Barofsky, who served as the Treasury Department's special inspector general for TARP until his resignation last February, is well placed to document the collusion of the government with the banks. He issued numerous reports while in his TARP post exposing the lack of any real government oversight over the taxpayer money funneled to the banks, as well as decisions ensuring that Wall Street firms such as Goldman Sachs recouped tens of billions of dollars in potential losses at the public's expense.

Deprived of any enforcement powers under the TARP law drafted by Wall Street lawyers and ratified by Congress, Barofsky was simply ignored by Geithner and the Obama administration and his reports were largely buried by the media.

Barofsky's book has received a similar response from the media, as did reports issued last year by the Financial Crisis Inquiry Commission and the Senate Permanent Subcommittee on Investigations documenting in detail fraudulent and illegal activities by the banks in the lead-up to the financial crash of 2008.

Four years after the crisis precipitated by the banks, not a single top banker has been prosecuted, let alone convicted. Meanwhile, the same bankers, and the government officials who shielded them and ensured that they grew even richer, are demanding that American workers accept the "new normal" of wages at $13 or less, along with the destruction of pensions, health care and working conditions.

For all of his exposures, Barofsky, a Democrat, fails to draw the requisite conclusions, suggesting that popular rage can "sow the seeds for the types of reform that will one day break our system free from the corrupting grasp of the megabucks."

The criminality of the financial system and the complicity of all of the official institutions are not, however, mere aberrations or blemishes on an otherwise healthy system. They are expressions of the putrefaction and failure of the capitalist system itself. Its mortal crisis is reflected above all in the ever-greater scale of social inequality.

There is no way to break the power of the financial oligarchy outside of a mass working class movement armed with a socialist program, including the seizure of the ill-gotten wealth of the financial mafia and the nationalization of the banks and major corporations under the democratic control of the working population.