

JPMorgan and the criminalization of the US ruling class

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18 March 2013

Barely a week after Attorney General Eric Holder admitted to a Senate committee that the Obama administration considered the major Wall Street banks too powerful to prosecute, i.e., that they were above the law, the Senate Permanent Subcommittee on Investigations released a 300-page report documenting rampant fraud and law-breaking by JPMorgan Chase, the largest bank in the US and the world's biggest dealer in derivatives.

The report, issued last Thursday, documents systematic deception in connection with over \$6.2 billion in losses from high-risk trades in financial derivatives in 2012.

It states: "The Subcommittee's investigation has determined that, over the course of the first quarter of 2012, JPMorgan Chase's Chief Investment Office used its Synthetic Credit Portfolio (SCP) to engage in high risk derivatives trading; mismarked the SCP book to hide hundreds of millions of dollars of losses; disregarded multiple internal indicators of increasing risk; manipulated models; dodged OCC [Office of the Comptroller of the Currency] oversight; and misinformed investors, regulators, and the public about the nature of its risky derivatives trading."

The report notes that in April of last year, when CEO Jamie Dimon was telling investors that concern over credit default swap bets by the bank's London-based Chief Investment Office was a "complete tempest in a teapot," Dimon "was already in possession of information about the...complex and sizeable portfolio, its sustained losses for three straight months, the exponential increase in those losses during March, and the difficulty of exiting the...positions."

This lie came during a conference call on the day JPMorgan submitted its first-quarter earnings report to the Securities and Exchange Commission (SEC). In

that report, the bank utilized fraudulent accounting methods to avoid reporting what it knew at the time to be at least \$1 billion in losses from bad gambling bets suffered by its Synthetic Credit Portfolio.

One month later, Dimon suddenly announced that his bank had lost some \$2 billion on its so-called "London whale" derivatives trades. That loss has since ballooned to \$6.2 billion. The money JPMorgan used to speculate on the credit status of various entities included the federally insured deposits of tens of thousands of customers.

Submitting false reports to federal regulators, deceiving investors and the public, and concealing losses are crimes punishable by fines and jail time. Yet there have been no indictments of the bank, Dimon or any other top JPMorgan executives, let alone convictions or punishment.

This comes as no surprise to anyone who is familiar with the incestuous relationship between the banks and their nominal federal regulators, and the record of the Obama administration in shielding the Wall Street mafia from being held accountable for its crimes.

Despite its own devastating findings, the Senate committee, headed by Michigan Democrat Carl Levin, is an integral part of the institutional collusion and cover-up that allow the financial elite to continue expanding its already obscene wealth by plundering society. Last Friday, the day after the committee issued its report, it held a hearing on the "London whale" scandal at which it took testimony from former and current JPMorgan executives and OCC officials.

Noticeably absent was Dimon, whom the committee did not call to testify—an unmistakable signal that the multimillionaire banker has nothing to fear. He has, after all, friends in high places.

Known as Obama's "favorite banker," he was

repeatedly invited to the White House during Obama's first term. Only days after Dimon's May 10, 2012 announcement of previously concealed trading losses, Obama rushed to personally vouch for Dimon and his bank. He publicly declared that Dimon was "one of the smartest bankers we've got" and that JPMorgan was "one of the best managed banks there is."

JPMorgan is not the exception, however, it is the rule. Two years ago, Levin's committee issued a 630-page report documenting the illegal activities of major Wall Street banks in the run-up to the financial meltdown of September 2008. The report spelled out as well the complicity of federal regulatory agencies and the credit rating firms.

Levin said at the time that his investigation had found "a financial snake pit rife with greed, conflicts of interest and wrongdoing." In the interim, one bank scandal has unfolded after another, from the subprime racket, to the home foreclosure fraud, to the Libor rate-rigging conspiracy, to the banks' money laundering for the Mexican drug cartels. The same types of speculation that turned the world economy into a giant gambling casino for the financial elite continue unabated.

Yet not a single bank or top banker has been indicted, let alone tried, convicted and sent to jail. On the contrary, the financial malefactors have been rewarded with ever greater public funds to subsidize record profits, executive bonuses and stock prices. Over and above the trillions handed out to JPMorgan and the other big banks in bailout cash, cheap loans and asset guarantees—with no strings attached—the Federal Reserve is pumping \$85 billion every month in virtually free money into the financial system.

This bank bonanza by itself is greater than the annual federal deficit of the United States. Meanwhile, the Obama administration and state and local governments demand ever more savage cuts in social programs, jobs, wages, health care and pensions.

The criminality on Wall Street and in Washington is not some excrescence or aberration. It is integral to the functioning of the capitalist profit system.

The types of activities exposed in the report on JPMorgan are representative of the daily operations of the major banks and hedge funds. This is the face of American capitalism in its decline and dotage, marked by the decay of industry and the productive forces, and

the ever-greater role played by parasitic and socially destructive forms of financial manipulation. The political corollary of this process is the pauperization of the working class and dismantling of its democratic rights.

Decades of industrial decay and political reaction have given rise to the unbridled rule of a financial aristocracy, which, like the aristocracies of old, is a law unto itself. It controls, in part through direct bribery, both parties and the entire political system. It is not subject to the rules that bind mere mortals.

This system cannot be reformed. It must be overthrown by the collective and politically conscious action of the working class. The *World Socialist Web Site* and the Socialist Equality Party propose:

- The expropriation of the wealth of the financial aristocracy and the utilization of the trillions thus obtained to address pressing social needs for decent-paying jobs, education, health care, housing and pensions.

- The criminal prosecution of the bankers and financiers whose illegal activities have caused incalculable social misery and suffering.

- The taxation of all incomes over \$1 million at a rate of 90 percent.

- The nationalization of the banks and major corporations, with compensation for small shareholders, and their transformation into public utilities run democratically to meet social needs, not private profit.

To implement this socialist and revolutionary program, a new leadership must be built to arm the coming mass struggles of the working class with a thoroughly worked-out program and strategy for workers' power. We urge all those who agree with these demands to contact and join the Socialist Equality Party.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact