Government of, by, and for the banks

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Five years since the 2008 financial meltdown, the speculation and fraud that caused the crash are back in full force in the United States. Flush with the $85 billion in cash printed up and handed to the banks every month by the Federal Reserve, business at the Wall Street casino is booming. Stock values are at record levels and so are bank profits, amidst declining wages and mass poverty.

Under these conditions, the banks have been pushing to rip up even the very modest restrictions on financial speculation, while broadening the scope of government bailout laws. The aim is simple: to give banks the maximum ability to speculate without constraint, while getting the maximum possible government assistance if and when the bubble collapses.

So close is the bankers' grip on the reins of government that, no longer content to let their bought-and-paid-for politicians write laws, the banks have taken to doing the work themselves.

This was the case with a bill that passed the House Financial Services Committee this month, HR 992, which significantly expands the number of financial institutions eligible for coverage by the Federal Deposit Insurance Corporation (FDIC). The bill, which passed with majority support by both Democrats and Republicans, amends an earlier law that prevented financial institutions that trade swaps—a set of dangerous and largely unregulated derivatives—from coverage by the FDIC.

The *New York Times* reported Friday that, according to emails the newspaper examined, 70 out of the bill's 85 lines were based on the recommendations of Citigroup, one of the largest US banks. Two paragraphs were inserted nearly word-for-word from an email written to lawmakers by the bank.

The bill restricts provisions in the Dodd–Frank Wall Street Reform and Consumer Protection Act, signed on July 21, 2010. This law was largely a publicity measure by the Obama administration, made to appear as a crackdown on financial speculation while in reality allowing the banks to go on with business as usual.

Instead of creating regulations, the Dodd-Frank bill merely mandated that a series of regulations be implemented at some point in the future by regulators. Nearly three years after the bill's passage, the vast majority of these regulations have not been implemented.

Out of 135 bank regulatory rules mandated by the Dodd-Frank bill, only 40 have been put into effect. The act's much-vaunted mandate for the creation of a "Volcker rule," preventing deposit-taking institutions from carrying out financial speculation, remains a dead letter.

Moreover, many of the provisions of the Dodd-Frank bill, toothless as they were, are being scaled back by subsequent acts of Congress, such as HR 992, described above.

Even those regulations that have been implemented have been even further weakened by regulators to comply with the demands of the banks. Last week, the Commodity Futures Trading Commission voted to implement regulations on derivatives—speculative financial products based on other asset values—that were significantly weakened from those that were proposed under Dodd-Frank.

The Commission had initially proposed that the purchasers of derivatives be required to contact five banks when seeking to set the price of a contract. Under the new law, purchasers are only required to contact two banks, further tightening the monopoly of a handful of institutions that dominate the largely unregulated multitrillion-dollar derivatives market.

The bill likewise originally proposed that derivatives be traded on electronic exchanges similar to stock markets, so that buyers would have a better understanding of prices across the market, making price gouging by issuers more difficult. But the final rules allow for much of derivatives trading to take place over the phone, making it nearly impossible to regulate.

Despite a mountain of evidence—including a voluminous 2011 report by the Senate Permanent Subcommittee on Investigations—that the 2008 financial crash was directly linked to rampant lawbreaking by Wall Street, not a single executive at a major bank has been criminally prosecuted, much less gone to jail.

The Wall Street giants emerged from the financial crisis larger and more powerful than ever, and, as shown by government inquiries into JPMorgan's $6 billion trading loss last year, their activities are just as speculative and parasitic as before the crash.

These factors, combined with the vast amounts of money being pumped into the financial markets by central banks make a new financial crash all but inevitable.

Throughout all this, the role of the government has been to cover up and facilitate the banks' crimes, seeking to create the appearance of regulation, while allowing Wall Street to operate with impunity.

The main nexus between the banks and government is the Obama administration itself, which, with every new appointment, becomes ever more a government of, by, and for the financial oligarchy.

In January Obama appointed as treasury secretary Jacob Lew, who earned millions of dollars as the chief operating officer of Citigroup's Alternative Investments unit, which made bets against the housing market as it collapsed.

This month Obama appointed Penny Pritzker, a hotel heiress and private equity firm operator, as commerce secretary. With a net worth of $1.85 billion, Pritzker is the wealthiest person in US history to serve in the president's cabinet.

These developments demonstrate the impossibility of reining in the financial criminals within the confines of the present political system. The government and both parties serve as little more than errand boys for the bankers, who exercise a dictatorship over political life in the United States.