

# Break up the Banks and Combat Financial Crime

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The President has spoken, but the system is still broken. The SEC has come down on Goldman Sachs but the company is now mounting a no-expense spared defense.. Shocking disclosures of greed and fraud continue to trickle out from the Mammon factory and Babylonian leviathan that is Wall Street.

What is, and isn't, being done by "da people" to fight back?

The major issue on the agenda for activists is not just the Administration's tepid financial reform package due for a Senate vote this week but supporting new legislation to break up the banks, a proposal that challenges the "TOO BIG TO FAIL" understanding between government and the banks. Thousands of activists are calling on their representatives to back the bill, and MoveOn.org is planning ads.

There is an ad already out there to fight fraud.  
<http://www.youtube.com/watch?v=tgE8HtK8bhQ> Check it out.

If you support this call, [http://act.boldprogressives.org/cms/sign/petition\\_breakup/](http://act.boldprogressives.org/cms/sign/petition_breakup/) sign this petition on the A New Way Forward website.

Tell Congress: Break Up the Big Banks Now  
<http://www.democrats.com/break-up-the-banks-now>

Democrats.com Offers This Appeal.

[http://www.huffingtonpost.com/peter-dreier/showdown-on-wall-street-a\\_b\\_549607.html](http://www.huffingtonpost.com/peter-dreier/showdown-on-wall-street-a_b_549607.html)

Protest Plans: A Movement Is Starting to Move

Writing in the New York Times Sunday, business columnist Gretchen Morgenstern says there can be no real reform without breaking up the big banks:

"Unfortunately, the leading proposals would do little to cure the epidemic unleashed on American taxpayers by the lords of finance and their bailout partners. The central problem is that neither the Senate nor House bills would chop down big banks to a more manageable and less threatening size. The bills also don't eliminate the prospect of future bailouts of interconnected and powerful companies.

Too big to fail is alive and well, alas. Indeed, several aspects of the legislative proposals sanction and codify the special status conferred on institutions that are seen as systemically important. Instead of reducing the number of behemoth firms assigned this special status, the bills would encourage smaller

companies to grow large and dangerous so that they, too, could have a seat at the bailout buffet.”

Economist Simon Johnson fears the proposal to break up the banks, a real reform act, will go down:

“Bank size is suddenly the issue of the day – with politicians lining up to oppose any meaningful restriction on the size of our largest banks. Their reasoning is varied and all quite flawed, particularly when they insist there must be no Senate floor debate [on the Brown-Kaufman amendment](#).

[Senator Dick Durbin may be right to say](#) that the Brown-Kaufman (SAFE BANKING ACT) amendment is “a bridge too far” and will not pass in this legislative cycle – presumably this sounds like a tactical political assessment. Surely in that case he would not oppose bringing it to the floor of the Senate and allowing that body to prove him right (or wrong).”

Senator Dodd says size is NOT the issue and opposes the new bill to downsize the biggest banks.

## **WHO IS REGULATING WHOM?**

Senator Bernie Sanders says the industry regulates the Congress, not the other way around.

Once again, the political system seems to be in the bag for banking interests. Could it be all the money they give politicians or their 1500 strong lobbying army that patrols the offices of every member on the Hill?

I write about this in a new report on the financial crisis as a crime story on <http://www.thenation.com/doc/20100510/schechter> The Nation.

“There was extensive collusion between the financial services industry and politicians of both parties

Cutbacks in government monitoring of financial practices became the norm, with fines and “settlements” in (with some exceptions) replacing vigilant oversight and the prosecution of wrongdoers at the federal and state level. Fraudsters were primarily punished with fines businesses paid as a cost of doing business.”

## **OUR OLIGARCHY**

A week ago, Simon Johnson was on with Bill Moyers and spoke of the big banks as an “AMERICAN OLIGARCHY.”

“It’s a very simple, straightforward idea from Aristotle. It’s political power

based on economic power. And it's the rise of the banks in economic terms, which we document at length, that it'd turn into political power. And they then feed that back into more deregulation, more opportunities to go out and take reckless risks and- and capture huge amounts of money.

**Bill Moyers:** And you say that these this oligarchy consists of six megabanks. What are the six banks?

**James Kwak:** They are Goldman Sachs, Morgan Stanley, JPMorgan Chase, Citigroup, Bank of America, and Wells Fargo.

**Bill Moyers:** And you write that they control 60 percent of our gross national product?

**James Kwak:** They have assets equivalent to 60 percent of our gross national product. And to put this in perspective, in the mid-1990s, these six banks or their predecessors, since there have been a lot of mergers, had less than 20 percent. Their assets were less than 20 percent of the gross national product."

There is a long history and more to this, as William Shanley explains:

"Before today's monster banks, Rothschild, Morgan, National City worked together to package loans. There is a long history to document this, ...

Remember, according to (Former Wall Street Trader and financial journalist) Max Keiser, WTO agreements prevent any member from re-regulating banks. According to Max, that's why the Volker plan was doomed, as he predicted.

He says the USA will end up like a gulag casino.

The global plan is to transcend national sovereignty through regional entities like the EU and NAFTA, etc., and then have the IMF become the global bank"

## **TOO BIG TO JAIL?**

At the same time, there is the issue that I and others have been raising. You can sum it up as "TOO BIG TO JAIL," calling for an aggressive investigation into the INTENTIONALITY of fraudulent practices by the banksters.

This is an issue that President Obama DID NOT RAISE in his speech in New York. (Many commentators say the speech was on Wall Street but it was more like in the East Village, at Cooper Union, the Art, Architecture and Technology School, one time home of the LEFT Forum. A lot was LEFT OUT of the speech. Perhaps that's why Bill Maher called Obama the only MODERATE REPUBLICAN in America on his HBO program on Monday night.

Former Bank Regulator William K Black discussed the speech on Bill Moyer's next to last program on PBS on Friday night, (Bill told viewers he was retiring voluntarily at age 76 and was not forced off the air. But what about NOW, the series that he created. Why is that being shut down???)

PBS is moving right. A new PBS Friday night political talk show moves to the Center with Jon

Meacham, the editor of Newsweek which just ran a cover story on how America is bouncing back. Cue the drum and bugle corps.

Back to Black. Moyers asked the man who helped send 1000 bankers to jail after the S&L crisis what was missing in that eloquent Obamaoration,

**WILLIAM K. BLACK:** It's a good speech. He's a very good spokesman for his causes. I don't think substantively the measures are going to prevent a future crisis. And I was disappointed that he wasn't willing to be blunt. He used a number of euphemisms, but he was unwilling to use the F word.

**BILL MOYERS:** The F word?

**WILLIAM K. BLACK** The F word's fraud in this. And it's the word that explains why we have these recurrent, intensifying crisis.

**BILL MOYERS:** How is that? What do you mean when you say fraud is at the center of it?

**WILLIAM K. BLACK** Well, first, when you deregulate or never regulate, mortgage bankers were never regulated, you effectively have decriminalized that industry, because only the regulators can serve as the sherpas, that the FBI and the prosecutors need to be able to understand and prosecute these kind of complex frauds. They can do one or two or maybe three on their own, but when an entire industry is beset by wide scale fraud, you have to have the regulators. And the regulators were the problem. They became a self-fulfilling prophecy of failure, because they, President Bush appointed people who hated regulation. I call them the anti-regulators. And that's what they were..

I go into more detail about Black's argument in my book **The Crime Of Our Time**, including his use of a new word in the debate; "CRIMINOGENIC."

**BILL MOYERS:** I read an essay last night where you describe what you call a criminogenic environment. What is a criminogenic environment?

**WILLIAM K. BLACK** A criminogenic environment is a steal from pathology, a pathogenic environment, an environment that spreads disease. In this case, it's an environment that spreads fraud. And there are two key elements. One we talked about. If you don't regulate, you create a criminogenic environment because you can get away with the frauds. The second is compensation. And that has two elements. One is the executive compensation that people have talked about that creates the perverse incentives. But the second is for these professionals. And for the lower level employees, to give the bonuses. And it creates what we call a Gresham's dynamic. And that just means cheaters prosper. And when cheaters prosper, markets become perverse and they drive honesty out of the market.

And so there's an analysis missing in most media. The question: will it lead to more paralysis or will the millions angry with what Wall Street has wrought finally begin to act?

*News Dissector* **Danny Schechter** made the film/dvd *Plunder The Crime of Our Time* and wrote the companion book, *The Crime Of Our Time, on the crisis as a crime story.* ([plunderthecrimeofourtime.com](http://plunderthecrimeofourtime.com)) Feedback to [dissedctor@mediachannel.org](mailto:dissedctor@mediachannel.org)

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