Countdown to Financial Collapse: The Economic Recovery is Not Recovering

By Danny Schechter
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Financial journalist Charles Gasparino whose career trajectory took him from Newsweek to CNBC to Fox News was on with Bill O' Reilly doing what the host of the factless Factor likes to do the most: promote Fox News. In the course of their self-promotional banter, Gasparino let sip an unverifiable story about a meeting of top CEOs speculating about whether President Obama really is a secret Socialist.

Stories like this, invented or not, freak a White House ever eager to reassure the business world of their loyalties. That is no doubt why Robert Gibbs, the President's Press Secretary took a whack at the "professional left," a statement he later said had been "inartful" but did not withdraw.

Writing on OpEd News, Kevin Gosztola was not surprised:

> "While circumstantial, the best evidence for why Gibbs would feel like uttering the aforementioned remarks is the shift of money from Wall Street to Republicans ahead of the election… The Democrats earned 57 percent of campaign contributions from securities and investment industries.
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> The situation compels the Obama Administration, especially White House press secretary Gibbs, to whip the left and the sections that are most listened to by voters into line not only because money from business interests needs to swing back the other way but because disappointed and disillusioned voters will likely stay home, not donate to Democratic Party campaigns, not make phone calls, and refuse to go door-to-door canvassing prior to Election Day if they do not fall in line."

According to a preliminary analysis, the Center for Responsive Politics reports that "individuals and political action committees linked to the financial and real estate sectors swung hard to the Republicans with their giving since last year….

In March 2009, 70 percent of money from the sector went to the governing party, but by this summer, 68 percent was going to the opposition, as Democrats fought to pass some version of a financial overhaul."

The motivation for Gibbs' remarks may or may not be tied to signaling Wall Street but the deeper truth is that everyone, right and left alike, seem frustrated and at the same time powerless to check the continuing economic decline.

The private sector is not creating jobs. The GOP is blocking the government from doing more stimulus programs while the system seems to be unraveling. All the talk of cutting deficits by conservatives or ending tax cuts by liberals will not give the economy the boost it needs. There is a paralysis of analysis and a stalemate.

The markets were more freaked by the recent pessimism oozing from the Fed than any partisan punditry. The slowdown they are worried about has already doomed any heavily-hyped "recovery."

And the public knows it, according to the recent polls.

What's worse is the tea leaves offer few signs of a turnaround any time soon even if General Motors is selling more cars—many, may we be reminded, in China. (The GM CEO who last week took a nasty ingrate smack at GM being perceived as "Government Motors," demanding the government sell all of its shares, has just announced he is leaving! I wonder why?)

The Carlysle Group is taking over while the automaker launches a new program of subprime lending, the very predatory dealmaking that got them in trouble in the first place.

Does anyone ever learn from history, or care about how communities are being destroyed as a financial crisis becomes a social crisis at the grass roots level?

Check out what happened at that mall in Atlanta where thousands of people nearly rioted to get on a public housing waiting list. The Congress returned from its recess to pass new monies to keep teachers teaching and cops patrolling. They did so by slashing food stamps so the unemployed and poor –some 41 people who rely on them—will have to cut back further.

What a trade-off.

As for insuring the stability of an increasingly volatile system, will the new financial reforms make any difference? It doesn't look like it. The New York Times reported, "As Wall Street scrambles to find the best and most profitable way to operate under the new financial reform law, Goldman Sachs Group Inc. — the firm that was expected to suffer the most under the legislation — could emerge practically unscathed…

"…we think we are well positioned to be a market leader under the new rules," said Jack McCabe, co-head of Goldman's derivatives clearing service business.

Richard Bove, a bank analyst at Rochdale Securities, said he had changed his view of the law's effect on Goldman.

"I thought this company was going to be really harmed by this bill; now I've figured out that it's not going to happen," he said. "They should win big here."

That's Goldman's reason to celebrate its "big win" What about the others? The truth is we will not know for a awhile, for a long while, for many, many years. So much for any sense of urgency even after former Fed Head Paul Volcker said we are running out of time.

Bloomberg News explained why,

> "Many of the measures ordered by Congress and global regulators, aimed at cushioning the financial system in future crises, are years away from being implemented. The Basel Committee on Banking Supervision plans to give the world's banks until 2018 to comply with limits on how much they can borrow. Parts of the Volcker rule, a provision of the new Dodd-Frank Act that would force firms to cut stakes in in-house hedge funds and private-equity units, may not go into effect for a dozen years…

"Based on our experience of government's ability to execute these things effectively and in a timely way, we are almost uncovered now from any future financial risk for at least another 8 or 10 years, and that's a little scary," said Roy Smith, finance professor at New York University's Stern School of Business and a former banker at Goldman Sachs Group Inc

Economist Nouriel Roubini, one of the first to forecast our crisis, worries that major economies in Europe are at risk and could fall. At the same time I am reading articles that contend, "The US is more bankrupt than Greece." Another reports the IMF saying the US is bankrupt but most Americans don't know it.

What else don't we know?

At the same time, the folks who brought us this crisis are still riding high, making multi-million dollar "settlements' to cover up fraudulent practices. In recent weeks, Goldman Sachs, Countrywide and, now, Wells Fargo have just done that in part to avoid prosecutions.

Their CEOs are going on vacation to spend their ill-gotten gains, not to jail to pay for their crimes. And the "professional left"—whatever that is supposed to be—is more pissed at Robert Gibbs blathering at that podium than the banksters maneuvering behind the scenes.

Can anyone tell me what's wrong with this picture?

Just one footnote: In this week of growing economic despair, an 81 year old senior citizen named Bernard Stone stood outside the unemployment office in Harlem with a flyer of his own making calling on President Obama to issue an executive order closing all American-owned factories outsourcing jobs. If they don't do it, their executives should, he suggests, lose their citizenship and be deported to the countries to which they exported American jobs.

"The hundred or so people who read my leaflet liked that part," he told me.

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