

Did Wall Street go Rogue or Was it Rogue Already?

As Billions Vanish, Our Focus Should Be On Economic Crimes

By [Danny Schechter](#)

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Remember “going rogue,” how an old word became new again driving media coverage for more than a week during the campaign only to disappear from TV News? Google has 376,000 references for the term “going rogue” thanks to our echo chamber of a media system. <?xml:namespace prefix = o ns = “urn:schemas-microsoft-com:office:office” />

Examples:

[Palin’s ‘going rogue,’ McCain aide says – CNN.com.](#)

[Palin ‘going rogue’? | Freep.com | Detroit Free Press](#)

One after another, media outlets repeatedly embraced this “R” word – at a time that other “R” word, “Recession,” was not yet in vogue. Language experts jokingly debated the meaning of “going rogue.” Writing on the Language Log Blog Mark Liberman noted:

“... “go rogue” is not a new coinage. A search on Google Books suggest that it’s especially popular in science fiction and fantasy, most often applied to robots, cyborgs, or other intelligent machines such as spaceships... It’s interesting – but not surprising – that (some) political operatives think of their candidates in the way that others think of robots, animals, elves, and death-squad members: useful but dangerous creatures whose initiative needs to be carefully restrained by programming, training, or magical spells.”

Those of us who are ready to retire the “rogue” word might hold up. Loretta Napoleoni, who worked in finance for many years, has a book out that depersonalizes the idea and applies it to an industry and our economic system. Her ‘Rogue Economics,’ (Seven Stories Press) shows how, in this age of globalization, most businesses have wriggled free of what regulations there were and often operate in a shadow system where the line between

illegality and legality blurs and devious practices evade accountability and transparency.

She argues that the global subprime crisis, the swift rise of the super-rich and illegal businesses are all part of this phenomenon. In her view, the dominant market system had already gone rogue.

New examples of the Rogueism writ larger are popping up almost every day in the press even as juicy political scandals still get more ink and airtime than major rip-offs on Wall Street. Maybe we need a new video game called, 'Grand Theft Financial.'

The latest cases are staggering in their audacity in a corporate culture where an illegal act becomes a crime only when you get caught. Take Bernie Madoff, known as a pillar of the finance world, a senior luminary in the pantheon of the Wall Street elite, and a "magician." After he made \$50 billion disappear, harming some of his wealthier customers, he was arrested and confessed.

Had he "gone rogue" or was he just part of an avaricious rogue system?

The NY Times tells us: "Regulators have not yet verified the scale of the fraud. But the criminal complaint filed against Mr. Madoff on Thursday in federal court in Manhattan reports that he estimated the losses at \$50 billion. "We are alleging a massive fraud - both in terms of scope and duration," said Linda Chatman Thomsen, director of the enforcement division at the Securities and Exchange Commission.")It has now emerged that complaints with the SEC about Madoff were first filed in 2005. Nothing was done of course. Perhaps the SEC had "gone rogue.")

Underscore the words "massive fraud." The government is more concerned about protecting rich investors who were bilked than poorer homeowners victimized by deceptive subprime loans.

There is always plenty of complicity in these crimes. "Rogue" accountants are often accomplices along with "rogue" lawyers, like recent "bustee" Marc Dreier:

<blockquote>A prominent New York lawyer arrested this week on fraud charges ranks as "a Houdini of impersonation and false documents" who used guile, a box of cell phones and a series of phony Web sites and e-mail addresses to steal more than \$380 million, a federal

prosecutor said on Thursday.</blockquote>

Prominent Hedge Fund manager Michael Steinhardt is now saying there are many more “rogues” who should be behind bars. He seems to be endorsing my call for a “jailout.”

<blockquote>“NEW YORK (Reuters) – A failure to prosecute the “villains” responsible for the financial crisis that brought the United States to its knees will leave the country without the moral compass needed to avert future crises, a Wall Street luminary said.

Pioneer hedge fund manager Michael Steinhardt is angry that the bailout of America is eroding the nation’s capitalist ethos while those whose deeds crippled the U.S. economy suffer scant opprobrium, their names still untarnished.”</blockquote>

None of this is new but in an a-historical A.D.D culture, few know the long history of Wall Street’s rakes and rogues for whom corporate larceny represents business as usual.

Historian Steve Fraser takes us back to the beginning.

<blockquote>The market first crashed in 1792, soon after the nation’s birth, thanks to a merchant prince named William Duer. He was a man of wide-ranging business interests who had supported and made money off the Revolution and who then married into the upper reaches of New York society. He thought he could use his insider connections to Alexander Hamilton to make a killing by speculating in the newly issued debt of the infant government. As so many would after him, Duer overreached. Borrowing heavily to finance his illicit schemes, he went bankrupt when the bubble burst. The New York City economy crashed along with him, and Duer was nearly disemboweled by an enraged mob that chased him through the streets. He died in debtors’ prison a few years later.”</blockquote>

Crime in the market is now creating a new market— for criminal defense lawyers. A Harvard Law School blog reports:

“In an era where the financial world is rife with corporate scandal, the demand for attorneys who specialize in white-collar litigation is fast on the rise...

“The market for white-collar criminal defense is very new,” (says) Carey Dunne, a partner at Davis Polk & Wardwell and former prosecutor at the Manhattan District Attorney’s Office. “Back when I started in the mid-1980s, very few firms had a white-collar criminal practice

and there was no focus on the prosecution of corporations, mainly because the Justice Department didn't see fit to do so."

Looks like lots of opportunities for HLS-trained attorneys!"

Clearly, crime is a big business in itself, and deeply intertwined with politics. When the Illinois Governor Rod Blagojevich was not "going rogue" when caught on tape saying, "I've got this thing and it's fucking golden, and I'm not giving it up for fucking nothing," he was expressing a widely shared attitude,

Writing in the NY Observer, Steve Kornacki argues that this is "the exact same thought process - minus the profanity, at least in some instances - that goes through the mind of every politician in the United States who has a valuable appointment to hand out... how different was Blagojevich's scheming in relation to the Senate opening from the kind of horse-trading - much of it subtle and unspoken, but very, very real - that happens virtually every day in virtually every political office in America?"

And, may we add, in the offices of most banks and corporations.

The many crimes on Wall Street were enabled by an ethics free political climate that lionizes so-called free markets; it celebrates a culture built on greed and inequality. Corruption is built into our campaign finance system and the "favor bank" it spawns. Changing these practices will go beyond a stimulus package or bailout and will take organized action by an enraged public, i.e., you and me.

Look overseas at youth riots in Europe opposing police abuse and corruption with more and more folks blaming the US for screwing up their societies, even in China. ("This financial crisis in America is going to kill us. It's already taking food out of our mouths," said Wen Wenming a 42-year-old unemployed worker.)

Maybe its time to do what our ancestors did—chase the "bad rogues" out of town. Perhaps, more of us will have to "go rogue" to do it.

News Dissector Danny Schechter wrote PLUNDER: Investigating Our Economic Calamity (Cosimo Books) and is now making a film about it

<http://www.youtube.com/watch?v=1jj1kjsZg0g>. Comments to Dissector@mediachannel.org

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Articles by: **[Danny Schechter](#)**

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