Fears of A Second Financial Crash Are Real

Congress Lacks "Appetite" for Action

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What will it take? What are they waiting for? What part of the reality of a systemic crisis that will get worse don't they get?

How is it possible that after near three years of economic turmoil, with possibly hundreds of TRILLIONs down the rabbit hole—not that anyone is counting or apparently can count—that the geniuses who run our economy still don't "get" that the sh*t has already hit the fan? How many more jobs and homes have to be lost?

Michael Moore is not the only one predicting a second crash. Paul Krugman is all out words excoriating the Administration for its tepidness. Nouriel Roubini, who forecast the first meltdown, now says we are in serious danger of a "double-dip," a lethal combo of rising inflation and deeper recession.

Woe to us if we can't see the handwriting on so many walls.

The people in the know know that nothing has been fixed, know that all the stimuli have barely stimulated, that the new jobs bill will never generate the number of jobs that are needed, and that the banks have obscenely been raking in oodles of money thanks to all the financing taxpayers pumped into their coffers.

Even as the Obamaites finally get around to proposing a measure to break up the big banks and erode the notion of financial institutions being too big to fail, we have the New York Times telling us that Congress does not have the "appetite"—that's the word they use—to tackle even modest financial reforms.

The "appetite" is missing. In the real world of appetites, food companies are recalling unsafe products every day because the food we eat is subjected to federal inspections. Not so for financial products.

The reason? Politics of course, but also the jillions that the financial services industry has "invested" in bill killing, compromise-making, and just plain corrupting the legislative process.

This past week, the Roosevelt Institute sponsored a conference over at the Time Warner Center called Make Markets Be Markets (Makemarketsbemarkets.org) , published a book of essays and heard from a who's who in the world of influential economists and analysts who gave high powered presentations, one after another, each more lucid than the next.

There was enough brainpower in the room to save the economy but, alas, no one seems to be listening. Some business media was there collecting sound bites but the urgency of the warnings did not transcend the limits of the bubble of financial journalism.

For a long time, I wined about being ignored in not getting heard on the economic collapse, which of course, I am, but here were people with Nobel Prizes and PhDs and track records of making millions also being dissed and pissed.

Setting the stage was Joe Stiglitz who won a Nobel Prize for his work, and who left the World Bank with disgust over what they do. Stiglitz should be in Obama's cabinet. Instead he is one of its critics.

The presentations started off with Simon Johnson, the former chief economist the IMF taking about the DOOM CYCLE—how we are just going around in cycles without really addressing the system nature of the crisis. He writes in the NY Times and on BaselineScenario.com which you should read every day. He calls the cycle "unsustainable and crazy" and says that "the destructive power of the down-cycle will overwhelm the restorative ability of government like it did in 1929-31."

Translation: Here we go again.

And then there was the super-articulate Raj Date who says we have to get rid of Frannie Mae and Freddy Mac before they get rid of our housing market. His analysis was detailed and textured. His conclusion simple: "they must be eliminated." What is the Obama Administration doing about this? Nada.

It got better when the only woman on the panel, Harvard's Elizabeth Warren mesmerized the room. She has become a TV fixture because of how charming, honest and forthright she has been in defending consumers from the rip offs that we are all menaced by. She is the chairperson of the House oversight committee on TARP and a leading advocate of an independent consumer protection agency. She is now watching as Senator Dodd and some of his GOP cronies try to bury it in the Federal Reserve Bank, a move that many of the conference criticized in light of the Fed's history of doing so little to protect the rights of consumers.

After all the speakers presented their arguments, there were comments by George Soros, who also criticized the economics profession for missing the crisis, and businessman Jim Chanos who finally brought the discussion around to the presence of massive fraud and criminality in our financial markets. I spoke to that issue which I have just written a book on and made a film about when I got a chance to ask a question.

All too quietly, Wall Street firms are being sued for their many transgressions. A study by Gary Null found that over $430 billion has been paid to victimized parties by Wall Street firms in over 1500 cases.

Some examples:

* Bank of America has spent $14.9 billion to settle 15 cases alleging various charges such as securities violations and mismanagement;

* Citigroup has spent over $13.9 billion to settle 12 cases alleging various charges including abusive lending practices and involvement in fraudulent activities;

* Merrill Lynch has spent $12.2 billion to settle cases involving various allegations including negligence and mismanagement of funds;

* Morgan Stanley has spent over $5 billion to settle 11 cases involving various allegations including failure to disclose material information to customers;

* Wachovia has spent over $9.5 billion to resolve allegations including misleading investors and conflicts of interest;

UBS has spent $19.5 billion to settle 6 cases with various charges including misleading investors.

So much information is now out there but to what effect? What more do we need to know?

There is a time for research and a time for advocacy, a time to try to lobby in the suites and a time for marching in the streets. Students on US campuses and workers in Greece have been battling the effects of the crisis.

It is now time to go after the causes.

The public is open to acting. The most recent Zogby poll reports:

"# 32% of U.S. adults say they have "considered moving some or all of (their) banking from a large national bank to a community bank or credit union because (they) are unhappy with the policies or behavior of large national banks."

14% have moved some of their banking in the past year from a large national bank to a community bank or credit union.

9% of all U.S. adults have moved some of their business from large national banks as a protest.

People are pissed, far angrier than the media lets on. The lines are being drawn. That hard rain is going to fall.

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