Financial Crisis: The Downrising against the Banks

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Even as calls for an UPRISING against the practices of the big banks are being made, something else has begun to happen: a DOWNRISING has begun with members of the industry, prominent financial media outlets, and government officials beginning to turn against the banks they have been supporting.

Call it an EVOLUTION from above as opposed to an uprising or activism from below.

The ideological consensus that the banks must be saved and enabled to prosper is cracking. When former chairmen of the Federal Reserve Bank Alan Greenspan and Arthur Volker unite across party lines to call for a break-up of big banks, you know cracks in elite opinion are registering on a Richter scale.

President Obama who engorged his campaign with the bundling of donations from the financial industry seems to have had enough too.

In response to the public furor over a new round of outsized bonuses and compensation from companies that are only in business because of government loans, the New York Times reports: "the Obama administration will order the companies that received the most aid to deeply slash the compensation to their highest paid executives." He condemned Wall Street execs earlier this week at a fundraiser for "reckless speculation and deceptive practices and short sightedness and self-interestedness from a few."

This means that event pro-bank advisors like Tim Geithner and Larry Summers may have feel betrayed. It is happening against the background of what Reuters calls, "The watering down of U.S. financial regulation reform in Congress." This has left consumer advocates wondering what will be left of the Obama administration's plan once lawmakers are done compromising it to nothingness.

This is leading to a new pushback from on high. The influential blog Baseline Scenario explains,

> "Just when our biggest banks thought they were out of the woods and into the money, the official consensus in their favor begins to crack. The Obama administration's publicly stated view – from the highest level in the White House – remains that the banks cannot or should not be broken up. Their argument is that the big banks can be regulated into permanently low risk behavior.

In contrast, … Paul Volcker argues that attempts to regulate these banks will fail:

> “The only viable solution, in the Volcker view, is to break up the giants. JPMorgan Chase would have to give up the trading operations acquired from Bear Stearns. Bank of America and Merrill Lynch would go back to being separate companies. Goldman Sachs could no longer be a bank holding company.”.

The Financial Times in London is now carrying articles arguing that Goldman should be allowed to fail too even as the Bank’s Vice Chairman told a London conference that “that inequality created by bankers’ huge salaries is a price worth paying for greater prosperity.”

Mervyn King, the governor of the Bank of England is now lashing out at the big banks too, saying, “Never in the field of financial endeavour has so much money been owed by so few to so many. And, one might add, so far with little real reform,” he said in a speech this week. “The belief that appropriate regulation can ensure that speculative activities do not result in failures is a delusion”.

Says Simon Johnson, the former IMF official turned bank critic,

“The big banks will push back, of course. But Mervyn King’s words mark the beginning of a new stage of real reform; the consensus starts to crack.”

Why is this happening? Undountely it is because there has been a big gap between what the upper crust in the financial world has been telling us publicly to bolster our confidence while they privately conceal what they really believe.

Many economists see the problems getting worse with fears of a a series of new asset price bubbles and a rerun of the financial crisis.

More dire analysis now coming to the surface. The centrist website Market Watch’s Paul Farell reports on the thinking of Hong Kong’s respected contrarian economist Mark Faber.

Listen to this. It is not coming from some leftist gone rogue. “”The future will be a total disaster, with a collapse of our capitalistic system as we know it today.”

No, not just another meltdown, another bear market recession like the one recently triggered by Wall Street’s “too-greedy-to-fail” banks. Faber is warning that the entire system of capitalism will collapse. Get it? The engine driving the great “American Economic Empire” for 233 years will collapse, a total disaster, a destiny we created.”

A total disaster? If so, why is that? It follows what Carl Herman of the LA County Non Partisan Examiner “the largest transfer or wealth to any financial/political elite in global history.”

What this has done has eroded what has always been at the heart of American economic progress: The Middle Class. It is being destroyed. Says Elizabeth Warren, ““I Believe the Middle Class is Under Terrific Assault…The Middle class became the turkey at the Thanksgiving dinner” of the financial elite.”

Gobble, Gobble. No wonder, even usually staid financial analysts are sounding like me and Michael Moore. Here’s John Bougearel, Director of Futures and Equity Research at Structural Logic not known as a rabble rouser.

What is he saying? I will put it in bold.

"Call it for what it is. It has more names than Satan. Call it plundering. Call it pillaging. Call it extortion, Call it fraud. Call it racketeering. Call it the financial raping of the middle class. Call it criminal. Consider the following. Middle class never consented to this financial rape."

Now the question is: Who are WE gonna call? The Ghostbusters are no longer in business. Perhaps its time to call on ourselves to get active and get busy to add our own pitchforks to this parade against the plutocracy,

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