Is This an Age of Financial Reform or Plunder without End?

Will the Financial Reforms lead to Change or just Prop up the Status Quo?

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New York, New York: It is almost axiomatic to argue that renewal comes out of chaos. And reform and change are born in crisis.

The financial meltdown of 1907 led to the formation of the Federal Reserve Bank. The Crash of '29 ushered in the New Deal, the FDIC, the SEC, and The Glass Steagall Act etc. Even the disaster at Enron permitted new statutes requiring more transparency like Sarbanes Oxley. And now this greatest of great recessions is leading to a new wave of financial regulation. The public is already said to believe recovery is just around the next corner.

So, relax we are told, read your history books and recognize that disruptions of the established order lead inexorably to the measures to fix it, to stabilize it, to restore it, to renew confidence, to get the economic engines going again. So what if it takes money? Sure it will be expensive, but what's a few trillion between friends?

President Barack Obama has already warned us that not everything will work out but promised you can trust his team will do its best. Some progressives see this crisis as a time to push a reform agenda but few organizations have engaged these issues directly.

So far, the winds of reform, however mild, are blowing, and some think, blowing up a storm. The Credit Card Bill has passed, never mind that it doesn't cap interest rates or go into effect for a year. A new financial fraud bill was passed mandating an investigation by Congress. Said Obama: "the commission was important so that we make sure a crisis like this never happens again."

So far so good, or so it appears.

Scratch deeper and you find questions and contradictions that make you wonder if any of this is really about change, or just restoring a flawed and failed system that has imploded stoking public anger.

When the music stops who will still be standing and in control?

Let's start with the Financial Crisis Commission which will emerge from a divided Congress more used to the arts of unprincipled compromise than the unfettered search for truth. As we know from the 911 Commission, bi-partisan panels don't necessarily find answers to tough questions.

Isaiah Poole contends on Our Future.org that public vigilance is the only guarantee of a process we can believe in.

”What’s also clear is that we will have to watch the watchdog. The administration could hamstring this commission with constitutional privilege claims, and Republican appointees could cripple the commission to score political points and protect its Wall Street bankrollers. Finally, a media preoccupied with what it perceives to be sexier issues and weakened in its capacity to do its own investigative journalism could allow the commission’s work to fall into obscurity, thus robbing it of its power to drive fundamental reforms. We will have to be ready to push the commission to confront the tough questions; to call out the obstructionists, regardless of who they are; and to amplify the commission’s findings as we forge new and better rules for our economy.”

And what of the economic “stabilization” measures that have poured taxpayer money into the coffers if the very institutions that wrecked the economy in the first place? Andy Kroll argues on TomDispatch.com that these measures are a swindle, restoring Wall Street and propping up a broken financial system:

“The legislation’s guidelines for crafting the rescue plan were clear: the TARP should protect home values and consumer savings, help citizens keep their homes, and create jobs. Above all, with the government poised to invest hundreds of billions of taxpayer dollars in various financial institutions, the legislation urged the bailout’s architects to maximize returns to the American people.

That $700 billion bailout has since grown into a more than $12 trillion commitment by the U.S. government and the Federal Reserve. About $1.1 trillion of that is taxpayer money — the TARP money and an additional $400 billion rescue of mortgage companies Fannie Mae and Freddie Mac. The TARP now includes 12 separate programs, and recipients range from megabanks like Citigroup and JPMorgan Chase to automakers Chrysler and General Motors.

Seven months in, the bailout’s impact is unclear. The Treasury Department has used the recent “stress test” results it applied to 19 of the nation’s largest banks to suggest that the worst might be over; yet the International Monetary Fund as well as economists like New York University professor and economist Nouriel Roubini and *New York Times* columnist Paul Krugman predict greater losses in U.S. markets, rising unemployment, and generally tougher economic times ahead.”

Media outlets, predictably, are not looking at all this too carefully, not probing who is getting what, not investigating a massive new theft that is compounding an old one. So far, Wall Street is still sitting pretty, still giving itself outsized salaries and bonuses, still enjoying its ill-got lucre.

And, according to Sam Pizzigati editor of **Too Much**, an online weekly on excess and inequality, they will come out of this just fine.

“The awesomely affluent of high finance, if current trends continue, seem almost certain to survive the mess they’ve created — with their wealth and power largely intact. And Treasury and Congress don’t appear to really mind.

…The nation’s richest 1 percent have, since the 1970s, over doubled their share of the nation’s income and wealth. Last fall, this gravy train — for the rich — derailed. America’s biggest banks collapsed. The stock market tanked. The unthinkable, a real depression, suddenly became thinkable."

When the trickle down stopped trickling, the government, and the Fed stepped in to rescue financial markets while millions lost jobs and homes.

Will the inequities, imbalances, and structural inequality be addressed? Is this a reform or a new redistribution of wealth from the needy to the greedy? History is replete with examples of well-intentioned initiatives creating undesired consequences.

What is the likely outcome? Business Journalist Gary Weiss who has written books on many Wall Street scandals has low expectations. "I'd say that we will willingly and cheerfully make the same mistakes again, because that is the way the system is setup," he told me. "The system is not designed to correct or to change in a fundamental way. Nothing that's happened, so far, none of the actions taken by the Obama administration regarding the financial crisis portends change."

History also offers us telling voices, like this painful confession by an earlier reformer, and Democratic President, Woodrow Wilson, who signed the Federal Reserve Act in l913 in essence giving private interests control over our Central Bank.

He later said with chilling candor, mark these words, "I am a most unhappy man. I have unwittingly ruined my country…the growth of the nation therefore and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world…."

Unfortunately, Woodrow Wilson's dissection became our destiny. Today members of Congress are struggling for full disclosure on how much the FED has spent in its bailouts and who got its billions.

Woodrow's truth goes marching on, its lesson ignored at our peril. What went around then is still coming around now.

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