JPMorgan Chase on Capitol Hill

By Stephen Lendman
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On June 13, JPMorgan Chase CEO Jamie Dimon testified before the Senate Banking Committee. He discussed his firm's recent trading loss and industry practices.

It was more of a homecoming than grilling. Washington is Wall Street occupied territory. Foxes guard the hen house. Regulators don't regulate. Oversight is absent.

Investigations rarely happen. Those conducted are whitewashed. Criminal fraud is institutionalized. It's encouraged, not curbed.

Congress, the administration, SEC, and credit rating agencies are incestuously involved with giant banks and other major financial institutions. Whatever they want, they get.

Wall Street never had it so good. Senators didn't lay a glove on Dimon. His grand theft business model wasn't explained.

Former bank regulator/financial fraud expert Bill Black's book titled "The Best Way to Rob A Bank Is To Own One" told all.

He coined the term "control fraud." It lets corporate officials commit grand theft. Finance capital never had it so good. Trillions of dollars are stolen. Nothing intervenes to stop it.

On May 10, Dimon announced a $2 billion trading loss. Some estimates place it multiples higher. Trading is a euphemism for speculation. Stakes are high enough to cause crises.

Morgan is the tip of the iceberg. Other banks are deeply troubled. They'll come out in future announcements. Cursory explanations only will be provided. What Morgan bet and lost on wasn't explained.

European securities speculation looks likely. Its big trader is called the London Whale. Wstern media reports said little.

Troubled Eurozone economies face deepening depressions. Bank problems accompany them. Investing in their sovereign and/or private debt entails great risks.

Dimon attributed the loss to credit default swaps derivatives trading. They're the most widely traded derivative. They're unregulated insurance bets between two parties on whether or not a company's bonds may default.

Ellen Brown once asked:

What if "the smartest guys in the room designed their credit default swaps (but) forgot to ask one thing – what if the parties on the other side of the bet don't have the money to pay up?"

When crises erupt, they don't. Turmoil hits markets. Lack of oversight makes it inevitable. Bankers get bailouts. Who said crime doesn't pay? Ordinary people are hardest hit.

JP Morgan's loss relates directly to European finance capital's crisis. It also shows how its banks and America's are interconnected. Trouble on one side of the Atlantic assures it on the other. Contagion then spreads globally.

In 2008, speculative excess brought down investment and commercial banks, insurers, and shadow banks. They're still troubled. So isn't Western finance capital.

JP Morgan was considered America's most stable. Its troubles reveal an entirely different picture. Bill Black thinks it may be "the new Fannie Mae."

In 2008, its sub prime portfolio blew up. It unraveled piece by piece. It's nationalized so taxpayers pay the tab. It remains sick on life support.

Earlier problems aren't resolved. Nothing's been done to fix things. Speculative excesses continue. Some analysts think it's worse than ever. Massive balance sheet losses remain. Bailouts conceal them. Trillions of dollars given banks bought time, nothing else.

Phony stress tests conceal the gravity of today's crisis. Mark-to-mark accounting was suspended. False reporting followed. Morgan's loss was inevitable. It signals much more to come.

Senators didn't hold Dimon's feet to the fire. The nationally televised hearing was more love fest than grilling. Why not when 16 of the committee's 22 members get Morgan campaign cash. If they're friendly, plenty more will follow.

Anti-foreclosure protesters delayed Dimon's testimony. He looked unperturbed. One shouted "Stop foreclosures." Another said "Jamie Dimon's a crook."

They were hustled out of the Senate chamber handcuffed. Expect charges to follow. At the same time, Dimon's free to keep stealing and let taxpayers pay the tab if too great to cover losses mount.

On June 12, Bloomberg headlined "House of Dimon Marred by CEO Complacency Over Unit's Risk," saying:

Dimon treated the chief investment office (CIO) differently from other JPM departments. Rigorous scrutiny and transparency were absent. Concerns were raised. He ignored them. Why worry when big money is being made.

What Dimon knew and when he didn't say. He's known as a hands-on boss. He overseas a vast financial empire. With over $2.3 trillion in assets, JPM became the largest US bank last year.

According to former Federal Reserve Bank of Minneapolis CEO Gary Stern:

Institutions like JPM "are too big to manage because even the bank that was considered to be the best-managed turns out to have had a significant glitch."

Bloomberg called "(r)isk management at (JPM's) CIO (a) world of its own."

"This year its traders valued some of their positions at prices that differed from the investment bank, people familiar with the situation have said."

> "One trader built up positions in credit derivatives so large and market-moving he became known as the London Whale."
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> "It was those bets on credit-default swaps known as the Markit CDX North America Investment Grade Series 9 that backfired and forced JPMorgan to disclose the trading loss."

When risks got out of hand, board members lacked experience to police it. No one on JPM's risk policy committee worked as a banker. At issue is how could Wall Street's "best run bank" operate this way? Answers weren't forthcoming.

in 2005, Bloomberg reported on JPM's risk model after it acquired Bank One. Dimon became CEO. He created the CIO. It speculates on high-risk assets like credit default swaps and similar investments.

Dimon encouraged it. Again, why worry when things go well. Former North America CIO head David Olsen said he was told when hired:

> "We want to ramp up the ability to generate profits for the firm. This is Jamie's new vision for the company."

Until things cratered, profits and assets surged. High-risk bets paid off. Sub prime ones did handsomely.

"In addition to making speculative bets, the CIO took on a bigger role after the financial crisis, hedging JPMorgan's potential losses on loans and corporate bonds by taking positions in credit derivatives."</blockquote>

Insiders said transparency was sorely lacking. According to "Black Swan" author Nassim Taleb:

JPM's "risk management is as amateurish as you can get on Wall Street." The firm "is vastly more fragile today than it was five years ago, and the system is more fragile today with more too-big-to-fail banks with proven incompetence at their management level."

When Dimon announced $2 billion in trading losses last month, the CIO unit had over $100 billion in asset-backed "structured vehicles," as well as another $100 billion in credit default swaps.

These type bets contributed heavily to plunging markets in 2008. Accounting manipulation conceals their severity. The worst is yet to come out.

JPM's CIO operates like a high-risk hedge fund. Taleb believes it incurs 10 – 15 times more risk. Loosing a big bet assures trouble. Lose several or more and company solvency is threatened. Other Wall Street giants are tarnished by the same brush.

Systemically destructive strategies work as planned when things go well. Otherwise taxpayers get the bill. It's a win-win scheme. Senate banking committee members did nothing to expose it.

Money power runs America. Dimon sits at its helm. Yesterday looked more like a coronation than crucifixion. It's why Wall Street gets away with grand theft.

Stephen Lendman lives in Chicago and can be reached at lendmanstephen@sbcglobal.net.

His new book is titled "How Wall Street Fleeces America: Privatized Banking, Government Collusion and Class War"

http://www.claritypress.com/Lendman.html

Visit his blog site at sjlendman.blogspot.com and listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network Thursdays at 10AM US Central time and Saturdays and Sundays at noon. All programs are archived for easy listening.

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Articles by: **Stephen Lendman**

About the author:

Stephen Lendman lives in Chicago. He can be reached at lendmanstephen@sbcglobal.net. His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III." http://www.claritypress.com/LendmanIII.html Visit his blog site at sjlendman.blogspot.com. Listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network. It airs three times weekly: live on Sundays at 1PM Central time plus two prerecorded archived programs.