

Kill Bill 2011: The Ongoing Sabotage of Financial Reform

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Some years back Thomas Franck nailed it in his book, “The Wrecking Crew.” It was subtitled “How Conservatives Rule” and showed how narrow self-interest and well practiced cynicism in the service of partisan warfare has crippled our political system resulting in a deep paralysis despite the threat of a collapse.

I call it sabotage, a tactic that goes way back and involves deliberate effort to insure that reforms are effectively undermined.

When the book came out, Publishers Weekly praised it and criticized it in the same breath, writing, “Frank paints a complex and conspiracy-ridden picture that illuminates the sinister and controversial practices of the Republican Party in the 20th and 21st centuries. While Frank’s assessments and interpretations of key events, players and party doctrines is accurate and justifiable, his overwhelming blame of the Republican Party as the source of everything that’s wrong with this county and as the emblem of self-destructing government denies the Democrats and the citizenry their roles in a decaying democracy”

How true! They didn’t quibble with his findings, calling them “accurate and justifiable,” but also note that political labels are often poor guides to understanding how this game operates.

That’s because politics is no longer, if it ever was, a game played just by politicians. Politics is now an industry that plays itself out in an arena of the seen and unseen.

Today, the hatchets are out to torpedo needed financial reforms in a bill that has already been neutered and nit-picked, trimmed, sliced and diced by what’s called legislative compromise.

A Congressional style Seal Team Six has been assembled and is ready to pounce against the new enemy—financial reform. There is no corporate privilege or malevolent bank practice that the lobbyists will not defend in the name of fostering economic growth.

One juicy sex scandal involving one or more pols gets more ink than all the investigations of how special interests, well paid lobbyists, billionaire funders, think-tank gun-slingers and slippery lawyers for hire operate to serve the status quo and stop even mild reforms that might cost the industries they work for money or influence. They are no reforms they won’t endlessly amend into oblivion.

First, they commission bogus and selective studies to “prove” why reforms need to be “reformed” their way. Then, with PR and complicit media, they orchestrate coverage to sell

their policies. They start with something thing small like protections for debit cards and then escalate a full-scale war.

Thanks to the Democratic majority in the Senate, an attempt to delay rules governing what banks and credit card companies can charge for retailers to process cards was voted down, with the NY Times noting that this war will continue, “Even with the defeat, the vote represented a remarkable come-from-behind lobbying campaign by banks to recover from the drubbing they took during the anti-Wall Street atmosphere that pervaded last year.”

A day later, the knives were out for the new Consumer Protection bureau with a major campaign targeting Harvard Law Professor Elizabeth Warren who first proposed the agency and was considered the most qualified to lead it. She was then demonized by the industry and the right—and now the Obama Administration seems ready to abandon her, rather than fight for her.

Four years ago, the markets melted down sparking a global crisis. The bailouts followed and a bank-led “recovery” helped many banks recover. Unemployment and foreclosures stayed high. Growth seized up. The crisis continues.

What to do?

There were several schools of thought.

The Administration locked itself into an alliance with Wall Street. They killed proposals for structural reform and restraints on private economic power. They are gambling on a turnaround—their version of faith-based politics—even as jobs are not coming back.

In short they have no answers and are not prepared to fight any messy battles with the real power structure. In the name of pragmatism, they are betrayed their own campaign compromises and tacked right to out Republican the Republicans.

They call it “triangulation.” Their critics call it a sell-out although,

what’s left of the left was quickly left out.

The Republicans retreated into simplistic ideologies, blaming everything on Democrats and government spending. They began fueling a scare about the deficit the way their predecessors raved against the Red Menace.

They have no answers either.

In the Congress, the wise men came up with a financial reform called Dodd-Frank, after stripping it of any radicalism, they offered up some pragmatic measures to increase regulation and try to force the finance industry to act responsibly with more transparency and accountability. The bill explicitly rejected proposes for any and all international standards.

Dodd-Frank passed, but then the real bargaining began on what the new rules should be. The finance industry mounted a lobbying force of 25 high-powered lawyers and consultants for every member of Congress. The deliberations moved out of public view and into the corridors and closed clubs in Washington.

The predictable result has now surfaced in the New York Times:

“Nearly one year after Congress passed financial changes to rein in the banking sector, more than two dozen of the legislation’s rules are behind schedule, and no end to the wrangling over details is in sight.

The delays come as regulators extend public comment periods on the rules, and as some on Wall Street and in Congress resist the changes. One result may be that many new safeguards do not take hold in earnest before the next election, an outcome that could open the door for newly elected officials to back away from the overhaul.

The respected blog Naked Capitalism has followed this in excruciating detail

Concluded Richard Smith, a London based capital markets IT Specialist:

“So where does that leave us with our shadow banking reforms? Well, we have a modest tweak to bank capital requirements, of unknown efficacy. The mountain has labored, and brought forth a mouse.

Or you might prefer to pursue the anaconda/rabbit imagery to a physiologically realistic conclusion.”

(Translation: The snake swallowed the rabbit.)

Yves Smith, the editor of the blog is not surprised, suggesting this was the outcome that was always intended: To kill the bill by appearing to “strengthen” it.

So where are we? Nowhere, or perhaps it’s even worse than that. Many in the public backed the reforms including protections of consumers. They think it is being enacted.

When the next market crash occurs, as many insiders fear it will, they will realize how they were played, but then it will be too late.

Are we condemned for more of this rollercoaster ride to the apocalypse?

Smith seems disgusted, pointing out that even these tepid reforms emerged from a “weak analysis of the causes of the crash, some disjointed looking proposals, some mild BS. Kind of picking at the problem, with lobbyists at the ready.

But what is the result of nine months’ thought and some horse-trading with concerned Congressmen, juggling lobbyists and angry voters? “

What, indeed! We can see where all this is headed. We will find out soon enough if the predications of a possible “great, great depression” come to pass.

The problem is that while many see, the logic of an illogical system, so intricately sabotaged from within, it is set up to make almost impossible to stop the train wreck.

On this, the press is largely missing following the semen, not the money.

The astute economics editor of the Guardian, Larry Eliot sees only one possible way to stop this disaster in the making.

“Policy, as ever, is geared towards growth because the great existential fear of the Federal Reserve, the Treasury and whoever occupies the White House is a return to the 1930s. Back then; the economic malaise could be largely attributed to deflationary economic policies that deepened the recession caused by the popping of the 1920s share market bubble. The feeble response to today’s growth medicine suggests the US is structurally far weaker than it was in the 1930s.

To tackle these weaknesses it must break finance’s stranglehold over the economy and boost ordinary families’ spending power to cut their reliance on debt.

Can we break finance’s stranglehold over the economy if these issues displace the sex scandal of the week, as the real threat to our future. Can we identify and stop the saboteurs?

We keep reading about the Arab Spring, but not the American winter.

*News Dissector **Danny Schechter** directed the film *Plunder The Crime of Our Time*, a film about the financial crisis as a crime story. (Plunderthecrimeofourtime.com) Comments to dissector@mediachannel.org*

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