Obama's Financial Reform Proposal: A Stealth Scheme for Global Monetary Control

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When politicians plan reform, it's wise to be skeptical and hold on to your wallets. So fixing the economy by bailing out Wall Street is wrecking it, and Obama's proposed health care reform taxes more, provides less, places profits above human need, avoids the most vital solutions, and leaves a broken system in place.

Now there's "Financial Regulatory Reform, A New Foundation: Rebuilding Financial Supervision and Regulation" – announced June 17 with Obama saying he'll send Congress a plan to create new government agencies, give the private banking cartel Federal Reserve more power, and address five major problems needing regulatory and legislative measures to fix.

Addressing business executives in the White House East Room, he said:

"A culture of irresponsibility took root from Wall Street to Washington to Main Street" with no mention that months of it worsened on his watch. "A regulatory regime basically crafted in the wake of a 20th century economic crisis – the Great Depression – was overwhelmed by the speed, scope and sophistication of a 21st century global economy." In fact, 30 years of deregulation since the late 1970s, not technology, caused speculative excesses, market bubbles, and inevitable collapses that always follow.

Of course, these problems are endemic under a system that's crisis-prone, unstable, anarchic, ungovernable, and self-destructive through repeated cycles of booms creating bubbles, then busts, followed by recessions or depressions with today's collapse grave enough for Michel Chossudovky to call it "far more serious than the Great Depression (because all) major sectors of the global economy are affected."

Proposed Financial Reforms

An 89-page Treasury Department pdf is available online for those inclined to read it. Along with an introduction and summary of recommendations, its five major objectives are to:

I. "Promote Robust Supervision and Regulation of Financial Markets

II. Establish Comprehensive Regulation of Financial Markets

III. Protect Consumers and Investors from Financial Abuse

IV. Provide the Government with the Tools it Needs to Manage Financial Crises (and)

V. Raise International Regulatory Standards and Improve International Cooperation"

The introduction cites "the most severe financial crisis since the Great Depression," admits that its "roots….go back decades (and states that) the government could have done more to prevent many of" them. Proposed reforms include:

— a new regulatory "Financial Services Oversight Council;"

— more power to the Fed over "all firms that could pose a threat to financial stability, even those that do not own banks" such as insurance companies;

— stronger capital standards for all financial firms;

— a new "National Bank Supervisor" over all federally chartered banks;

— registering hedge fund advisors;

— new regulation of securitization and derivatives markets;

— increased market transparency and the effectiveness of credit ratings agencies;

— originators of loans packaged into securities to retain some of the credit risk;

— broker and loan originator compensation changes away from income up front to spreading it out over time and making it dependent on the performance of loans they make;

— a new "Consumer Financial Protection Agency" to safeguard them from potentially harmful complex financial products, including securities, mortgages and credit cards;

— "stronger regulations to improve the transparency, fairness, and appropriateness of consumer and investor products and services;"

— new ways to "resolve nonbank financial institutions whose failure could have serious systemic effects;"

— changing the Fed's "emergency lending authority to improve accountability;"

— establishing "wind down" authority to take over large financial firms like AIG, Fannie and Freddie; and

— international reforms, including greater oversight of global financial markets and more control through a process whereby G-20 countries cooperate in regulating transnational companies. This looks like the most insidious, outlandish, and dangerous provision. More on it below and its likely importance.

The report suggests other proposals may follow and that "More can and should be done in the future." So what to make of it all given that it's still a plan, congressional and other critics are attacking some of its provisions, whatever emerges is still a ways off, and large banks, insurers and other influential financial firms have final say on new laws and regulations affecting them, so likely changes coming may further taint an already deeply corrupted system.

America has a legacy of failed public agencies as well as regulatory and legislative reform –

for lack of teeth, oversight, and most important because financial and other industries end up self-regulating, consolidating, and growing more powerful at the expense of the public interest. Giving the Federal Reserve more power lets banking giants make their own rules, decide how and whether to enforce them, and thus mainly operate as they wish because no one in Washington dares challenge them.

Michael Hudson agrees in his new article titled: “Instead of Real Financial Reform, Obama’s Plan capitulates to Wall Street.” He explains that supposed reforms promote “Wall Street’s ‘product,’ debt creation, at the expense of the economy at large, and lets financial chieftains continue to self-regulate the debt industry – and by the way, to keep all their gains from the past decade’s worth of fraudulent lending, scot-free….(He) achieved what no Republican could have: rescuing the Bush administration’s pro-creditor policies that fostered the Bubble Economy in the first place.”

The plan is laden with a “false diagnosis” and “fatal flaws,” so clearly what’s proposed are “wrong-headed cures (but hardly) by accident.” If it’s largely accepted as is, Wall Street will get precisely what it wants – a veneer of regulatory cover to keep wrecking the economy and stealing the public blind.

Simon Johnson is also critical. He’s a former IMF chief economist, now teaching at MIT’s Sloan School of Management. After reviewing Obama’s plan, he expressed great skepticism. Even though large banks and other financial institutions caused the global crisis, no wrongdoing on their part is cited nor are punitive measures proposed. He states:

“There appears to be no mention that corporate governance within these large banks failed totally. How on earth can you expect these banks to operate in a responsible manner unless and until you address the reckless manner in which they (a) compensate themselves, (b) destroy shareholder value, and (c) treat boards of directors as toothless wonders? The profound silence on this point from the administration – including some of our finest economic, financial, and legal thinkers – is breathtaking….”

“Based on what we see so far, there is little reason to be encouraged. The reform process appears to have been captured at any early stage – by design the lobbyists were let into the executive branch’s (planning process), so we don’t even get to have a transparent debate or to hear specious arguments about why we really need big banks.”

Johnson (like Hudson) added that financial giants are pleased with Obama’s plan, and why not. They or their lobbyists wrote it. On June 16, even The New York Times suggested it in Stephen Labaton’s article headlined: “Obama Sought a Range of Views on Finance Rules.” Over several weeks, “executives from an array of industries caught up in the financial crisis came to Washington….to make their case for how the new regulatory landscape should look. They came from big banks and small ones, insurance companies, stock exchanges, hedge funds and mutual funds” as well as consumer groups and labor for appearance sake only.

“Now lobbyists….will head to Congress to try to influence the final product” with no doubt they will so once again consumer interests will be shortchanged – perhaps globally given events reported earlier this year and discussed below.

Steps Toward Global Money and Banking Control

In her April 18, 2009 article titled “The Tower of Basel: Do We Really Want the Bank for

International Settlements Issuing Our Global Currency," Ellen Brown quoted Ambrose Evans-Pritchard in the London Telegraph (April 7) saying:

On April 2, "A single clause in Point 19 of the communique issued by the G-20 leaders amounts to a revolution in the global financial order."

"We have agreed to support a general SDR allocation which will inject $250 (billion) into the world economy and increase global liquidity…SDRs are Special Drawing Rights, a synthetic paper currency issued by the International Monetary Fund that has lain dormant for half a century."

"In effect, the G-20 leaders have activated the IMF's power to create money and begin global 'quantitative easing.' In doing so, they are putting a de facto world currency into play. It is outside the control of any sovereign body."

Brown agrees and highlighted the article's subtitle: "The world is a step closer to a global currency, backed by a global central bank, running monetary policy for all humanity." What might it be, she asked? The Bank of International Settlements (BIS) – the secretive 55-member nation, central bank of central bankers. Based in Basel, Switzerland, it's run by the monetary authorities of six dominant nations – America, Germany, Switzerland, Italy, Japan and Britain.

Objective V in Obama's financial reform plan addresses "Rais(ing) International Standards and Improving International Cooperation" by promoting global control in a single paragraph:

"The United States is playing a strong leadership role in efforts to coordinate international policy through the G-20, the Financial Stability Board, and the Basel Committee on Banking Supervision. We will use our leadership position in the international community to promote (an) initiative compatible with the domestic regulatory reforms described in this report."

Near the end of the plan, it recommends "Strengthen(ing) the Financial Stability Board….complet(ing) its restructuring and institutionaliz(ing) its new mandate to promote global financial stability by September 2009." It also urges "work(ing) with the Bank for International Settlements (BIS) and standard setters to develop macroprudential tools" with Obama asking other nations to follow America's lead.

What is the FSB, and why is it important?

The Financial Stability Forum (FSF) Becomes the Financial Stability Board (FSB)

Founded at a Bonn, Germany meeting in 1999 when Bundesbank president, Hans Tietmeyer, recommend it to G-7 finance ministers and central bank governors, the FSF consists of central bankers and finance ministers of about a dozen key nations working together for their mutual self-interest.

A decade later at the G-20's April 2 London Summit, these nations agreed to let a new Financial Stability Board (FSB) regulate their economies henceforth as stated in a concluding communique:

"In particular we agree:

— to establish a new Financial Stability Board (FSB) with a strengthened mandate, as a successor to the Financial Stability Forum (FSF), including all G-20 countries, FSF members, Spain, and the European Commission;

— that the FSB should collaborate with the IMF to provide early warning of macroeconomic and financial risks and the actions needed to address them; (and)

— to extend regulation and oversight to all systemically important financial institutions, instruments and markets."

The G-20's same day's press release headlined: "Financial Stability Forum re-established as the Financial Stability Board (with an) expanded membership (and) a broadened mandate to promote financial stability."

It "consists of a Chairperson, a Steering Committee, the Plenary with member countries, SSBs (standard setting bodies) and international financial institutions, and a Secretariat. The Chair oversees the Steering Committee, the Plenary and the Secretariat. The FSB Plenary is the decision making organ of the FSB." It has a "full-time Secretary General and an enlarged Secretariat based in Basel (to) support the FSB." Membership also obligates countries to "implement international financial standards (including 12 International Standards and Codes)…." with no elaboration about them except in broad terms left for outsiders to imagine what's meant.

Plenary members include G-20 nations, Spain and the European Commission – represented by their central bankers, immediate deputies, heads of their main regulatory agency, deputy finance ministers, SSB chairs, central bank committees, and representatives of the IMF, World Bank, BIS and OECD – together the world's monetary movers and shakers.

The FSB appears to be a step closer toward global monetary control under the direction of the G-7 dominated BIS, IMF and other international lending agencies. Given its inclusion in Obama's financial reform proposal makes the entire package suspect and perhaps just cover for the above-outlined sinister scheme – as well as letting Wall Street be self-regulating.

In her June 21 article titled "Big Brother in Basel: Have We Traded Our National Sovereignty for Financial Stability," Ellen Brown cites Internet rumors "that the new agency benignly called the Financial Stability Board (FSB) is the latest sinister development in the covert consolidation of global financial power in a few private hands," – namely dominant G-7 central bankers controlling the BIS, IMF, and other international lending agencies.

So far, there's still time to prevent it provided enough concerned people know the danger, spread the word to others, and urge them to pass it on. Otherwise, holding on to your wallets won't matter because everything in them will be emptied the result of (banker-controlled) regulatory bodies pulling off the greatest ever financial heist – a global coup d'etat. The time to stop it is now and expose Obama as a frontman for grand theft and power.

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