"Plunder: Investigating Our Economic Calamity and the Subprime Scandal"

Review of Danny Schechter's book

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Danny Schechter is a media activist, critic, independent filmmaker, TV producer as well as an author of 10 books and lecturer on media issues. Some call him "The News Dissector," and that's the name of his popular blog on media issues. He's also co-founder of Media Channel.org. It covers the "political, cultural and social impacts of the media," and provides information unavailable in the mainstream.

Schechter's books include Media Wars; Embedded – weapons of Mass Deception; The Death of Media; The More You Watch The Less You Know; and his newest subject of this review, Plunder. Subtitled: Investigating Our Economic Calamity and the Subprime Scandal, Schechter examines the fallout from the current economic and financial crisis. What the mainstream media (MSM) suppresses:

— decades of wealth transfers to the rich;

— the economy in recession;

— the result of multiple imploding bubbles: housing, mortgage finance, and an alphabet soup of SDOs, SIVs, SPVs, and a whole menu of levered-up, high-risk securitized assets amounting to financial alchemy; largely outright fraud;

— the risk things may worsen;

— from drowning in debt and speculative excess;

— bankrupt by some measures;

— huge amounts of corruption;

— government hiding how bad it is; complicit in it as well;

— over one million homeowners foreclosed since summer 2007;

— another million are 90 days past due on payments; foreclosures about to go out on them;

— three million more potentially in coming months with up to five million total at risk over the next few years in the worst housing crisis since the Great Depression and too little government help provided too late;

— rising unemployment;

— failing banks;

— rising inflation; and

— consumers maxed out on credit and strapped by indebtedness the way Schechter portrayed them in his 2006 film titled “In Debt We Trust.”

Schechter’s book is timely, important, and frightening. He does a masterful job deconstructing a complicated subject. One covered up in the mainstream. Its dark side papered over suppressed.

Schechter explains it fully and clearly for lay readers to understand. It’s essential they do it because it touches everyone. No one knows how bad it may get, but the current crisis has legs. The worst of it may be ahead, and before it ends millions may feel it painfully. “Plunder” provides ammunition. A blueprint of what’s unfolding. Explaining that government help won’t be forthcoming, so we’re responsible for making the best of a very bad situation.

It begins with understanding the scandalous dilemma unfolding. The complicity of government and Wall Street behind it. The dominant media promoting it. What author Kevin Phillips calls the “rise of big finance” and “global crisis of American capitalism;” “Frankenstein finance;” and a problem so potentially grave that “there may no longer be a plausible way out.”

Schechter calls it “financialization” to describe “the kind of control (a Credit and Loan Complex) exert(s) over society every bit as insidious as the Military-Industrial Complex.” Made up of Wall Street; big banks; an array of finance, credit card and related companies preying on middle-America and the poor and transferring enormous wealth to the rich. A regulatory environment allowing it. Creating an open field for fraud. Taking full advantage because so-called “watchdogs” are part of the problem. The administration and Federal Reserve as well. The entire power structure allied against working people. A shameful and potentially disastrous situation as a result.

Schechter envisions a different future and dedicates his book to one “free of debt and a world where markets serve the public interest.” Light years from what “Credit Card Nation” author Robert Manning writes in the Preface:

— industrial employment ravaged by neoliberal “free trade” and corporate outsourcing;

— malls replacing factories as the economy’s engine;

— declining wages in the face of soaring expenses;

— most families dependent on credit to survive;

— the calamitous effects of banking deregulation;

— a corrupted “symbiotic financial-industrial complex” called “financialization;”

— a new Gilded Age exalting greed;

— turning consumers into debt slaves; and

— making the country “perilously dependent” on foreign capital sources for economic security.

Schechter continues in his prologue:

— sinking markets from a “full-blown credit/debt crisis;”

— “waves of layoffs,” bankruptcies and foreclosures;

— distorted media coverage on causes and solutions;

— fear that the worst is ahead;

— the infectious effect of the spreading “subprime crisis;”

— trillions of dollars being lost;

— millions of homeowners at risk; millions of working people also;

— a Ponzi scheme writ large; the bigger they are, the harder they implode; what PIMCO’s Managing Director and economist Paul McCulley calls a “Minsky Moment” that derives from economist Hyman Minsky’s analysis; the unwinding of excess exuberance; deflating euphoria; proving market bubbles always burst, and their downward momentum is far more severe and faster than their upside; and

— a “calculated crime” putting America and the global economy at risk; Schechter says “This is an angry book (because) so many of us are in denial or unaware of the importance of economic forces in shaping our future;” he also rails at his colleagues who’ve done “such a poor job reporting on the run-up to this disaster.”

Schechter chronicles what happened. The threat of depression. Alerting people to the possibility. Highlighting concern about the victims. Challenging the media and chastising their ignoring and distorting the story. Telling us that “democracy must have an economic underpinning and a commitment to fairness.” Offering ways to achieve it. Explain how debt restructured the economy and created “a burden that many will never crawl out of.” Exposing “shameless profiteers” and calling for an investigation of their crimes and prosecution. Asking for debt relief for Americans. “Urging citizens to get involved and (demand) politicians respond.” Getting upset and aroused enough to act.

“It’s the Economy Stupid,” according to Schechter in his introduction, and, of course, it always is but especially when times are hard. What Senator Chris Dodd calls “a 50-state Katrina,” but these waters are rising and uncertainty remains on whether something far more calamitous is coming.

Corruption is pervasive. The public uneasy but largely uninformed. The worst of what’s going on is hidden. A vast shady network of “interconnected institutions working through highly legalized and poorly understood systems.” Moving unimaginable sums around the world in seconds. Seducing people into the most outrageous schemes involving unrepayable debt. Then having to borrow more to service amounts already unaffordable. Heading for what money manager Jeremy Grantham calls a “slow motion trainwreck”- the inevitability that bubbles always burst. His advice in the current environment. What he calls the “first truly global bubble:” hunker down and “take as little risk as possible” because “I for one am officially scared."

The Origins of the Scandal

When it began, "subprime lending" wasn't a term in common usage, let alone understood outside financial circles. One of its late 1990s originators was Obama campaign finance chairperson Penny Pritzker when she served on the Board of the failed family-owned Hinsdale, IL Superior Bank. It cost the FDIC $700 million and depositors another $65 million, while Pritzker made millions on predatory lending now called "subprime" mortgage schemes. One definition is as follows: "the practice of making loans to borrowers who do not qualify for the best market interest rates because of their deficient credit history." Another in the recent environment was to force-feed them to the largest number of homebuying prospects possible.

There's lots of them, and predatory lenders took full advantage until things erupted into scandal, and the economy headed south. Only then did regulators take notice and decide to investigate – into how "banks, credit rating firms, and lenders value and disclose complex mortgage-backed securities." Three areas specifically, according to Reuters: "the securitization process, the origination process and the retail area." Also insider trading, a common illegal practice that's rarely caught or even looked for. However, the scope of the investigation would be narrow, and its aim was "deterrence." Of what, asked Schechter, now that the horse is out of the barn, and investors and mortgage holders are left holding the bag?

When it's too late to matter, they agree, along with critics, that "inadequate disclosure (or lack of transparency) was at the root of the problem." According to a Senate report, it began in 1997 when house prices began appreciating and registered a 124% gain by 2006. Housing was driving the economy with seven million subprime mortgage loans. Business boomed. Underwriting standards deteriorated, while banks and other lenders invented new ways to make money – "fast" and easy.

In the 1980s, state usury rate ceilings were lifted, creating a whole new market for people who previously couldn't qualify. At higher interest rates, fees, and other add-ons they did. Most borrowers got so-called "2/28" and "3/27" hybrid adjustable rate mortgages (ARMs). They originated with low fixed "teaser" rates, good for a two-year period. Afterwards, they're reset semi-annually based on an interest-rate benchmark, or the current going rate. For many holders, payments soared 30% and became unaffordable, and by 2004, 90% of subprime loans were these type ARMs. It was well-known in the industry that "these borrowers (are) most likely to default or become delinquent (and) face foreclosure." The idea was to cash in and let holders take the pain.

Here's how the scheme worked. "So-called 'intermediaries,' unregulated and often unscrupulous mortgage brokers, hustled their way into the housing market" and took over. Using a range of tactics, including "deceptive advertising to block-to-block solicitations to get people to buy and sell, always promising more than they (could) deliver."

So-called "birddogs" were used to get prospects, and all kinds of practices were employed – "abusive, illegal and predatory." They pushed, "enticed…seduced (even) threatened." According to the Joint Economic Report, "For 2006, Inside Mortgage Finance estimates that 63.3% of all subprime originations came through brokers….19.4% through retail channels (and) 17.4% through correspondent lenders….broker share increas(ed steadily) from 2003 through 2006." These companies aren't regulated and pretty much operate freely. By 2005, the percent of securitized subprime mortgages reached "a peak value of more than 81%…."

Housing sales were on a roll, and so was Wall Street, quick to see a lucrative new income stream and ready to cash in. "Now they could make fees originating loans and even more money selling the paper into (the) secondary market, where mortgages could be securitized and sold again for even more money as investments."

The Finmanac financial blog explained its origination:

— when Solomon Brothers launched Mortgage-Based Securities (MBS) in the 1980s – "bonds with bundles of mortgages, bought from bank lenders, as collateral;"

— they used a "special purpose vehicle known as Collateralized Mortgage Obligation (CMO);"

— monthly installments were used to pay interest; and

— others were quick to cash in on the scheme.

The secondary market became a marriage between "the most reputable financial organizations and the sleaziest grass-roots operators. As is often the case, sleaze moved upwards" because the potential profits were huge but so are the risks.

"Since anyone can originate a loan and sell it to the Investment Banks (to package and sell as MBS), it tempts originators (to write) risky loans (without) worry(ing) about payback(s):"

— slicing MBS into tranches by risk profile handles the problem;

— so does having different maturity dates;

— they're rated by S & P, Fitch and other agencies for legitimacy;

— hedge and some pension funds bought the most risky paper;

— risks were discounted because the potential returns were huge as long as economic conditions stayed sound and/or markets continued to rise; and

— it always helps to have friendly Fed chairmen like Alan Greenspan fueling bubbles.

At the height of the 2000 one he said: "Lofty equity prices have reduced the cost of capital. The result has been a veritable explosion of (high-tech) spending (and) I see nothing to suggest that these opportunities will peter out anytime soon." A week later the Nasdaq peaked. Dropped 78% to its bottom. The S & P 500 49%, and retail investors lost out while Greenspan was busy engineering another bubble now unwinding at the cost of trillions of dollars, millions of people hurt, and the "Maestro" assuming none of the blame.

Economist Anna Schwartz said otherwise and called the Federal Reserve the main cause of today's trouble. She told The Sunday Telegraph: "There never would have been a sub-prime mortgage crisis if the Fed had been alert. This is something Alan Greenspan must answer for." The US Treasury also as one of its senior officials warned subprime lenders about it but was ignored. Even worse, despite state efforts to ban predatory practices, the Bush administration blocked attempts to curtail them and bears major responsibility.

Schechter refers to “an unholy trinity of private players, Wall street firms, and non-regulating regulators” who saw a way to profit hugely. Do it with shady practices, and thus partner in a “criminal conspiracy” to rip off millions of working Americans. “It was the largest robbery in history – not a bank heist but a heist by banks.”

The Real Capital of America (and the World)

Wall Street, of course – a city with “a history of causing disasters from its earliest days.” Succeeding ones keep getting bigger, but unaffected most often are the powerful banks and investment houses. “Masters of the universe,” according to author Tom Wolfe. Well insulated in their luxury board rooms with power, incomes and privileges afforded royalty. Treated like them also in a culture that “rewards clever and devious strategies” within or outside the law. No one is guilty unless caught. Rarely ever does it happen, and when it does the penalties are inconsequential compared to enormous ill-gotten gains. Incentive enough for players to invent new schemes, and they do.

This time, however, they may have been too smart by half. They overreached and are themselves hurt by the fallout. Some won’t survive. Bear Stearns and Lehman Brothers already. Others barely hanging on. Merrill Lynch forced to sell out cheap to Bank of America. The Fed bailing out AIG, and it’s anyone’s guess who or what’s next or if the worst is yet to come. When trouble first surfaced, “only a handful of writers and analysts” understood what was going on – chickens coming home to roost, “a crime in progress, a white collar crime wave” involving trillions of dollars, from working people to the rich. The Wall Street crowd. Mortgage brokers, banks and investment houses, rating agencies and appraisers who overvalued homes for higher fees. Well-designed schemes to let the devil take the hindmost, and they are but so are the perpetrators. Schechter is right calling this “a big story – one of the biggest” and from which “consumers and citizens” have to learn how to cope. It won’t be easy.

The Unspoken Context

Crime writ large, and in early 2008 the FBI announced 14 unnamed mortgage companies were being investigated. Ones engaged in predatory lending. That may have deliberately steered customers to more expensive loans and concealed hidden payments and fees. In some cases unfairly jacked up for even higher profits. Targeting the most vulnerable. A 2008 Inner City Press/Fair Finance Watch study confirmed these practices. It called mortgage brokers “the wild, wild west of Capitalism.”

Shadowy operators using aggressive, unethical marketing in ghetto and low-income neighborhoods. Making phone solicitations. Door-to-door canvassing. Posing as debt consolidation experts with home improvement schemes and foreclosure “rescue” services. Merchants of sleaze cornering victims and entrapping them in unrepayable debt. Criminal fraud involving respectable bankers as well. Willing to engage in dirty practices because the profits were so tempting and the market so huge. Too big to pass up so it wasn’t.

From 2004 to 2006, Collateralized Debt Obligations (CDOs) mushroomed from $157 billion to $559 billion, and 10 investment banks underwrote 70% of $486 billion in 2006 securitizations. Players made millions and top executives far more. A gravy train, and collectively in 2006, at the cycle’s peak, the big banks earned $130 billion. It looked like more ahead, and their schemes were perfectly legal in an unregulated environment permitting them. They still are short of future regulatory reform that may or may not come but never will be close to what's needed. Not when both parties embrace a pro-corporate agenda and won't allow it.

The Charleston Observer published a flow chart on how predatory lending typically works:

— low income, minority and the elderly are targets;

— loan originators contact and high-pressure them to sign up;

— brokers arrange loans between targets and lenders;

— appraisers inflate property values for higher fees and new business;

— lenders may "bundle" new loans to sell off to other institutions; and

— Wall Street sits atop this enormous pyramid; in the "catbird seat;" orchestrating the process; and redistributing millions of loan bundles into pools to back up investments worldwide.

Borrowers have no idea how they're being used and set up to be scammed by future mortgage resets. Unaffordable so that millions will lose everything in foreclosure. "Where are the prosecutors," asks Schechter? A Congressional probe. Indictments to go after the guilty. Faint hope along with any chance for redress for victims. No chance either for most people to understand an "opaque and unregulated global financial system" with obscure terminology, according to economist Nouriel Roubini. A highly levered "financial monster that eventually leads to uncertainty, panic, market seizure, liquidity crunch, systemic risk and economic hard landing."

In spring 2006, over a year before things began unravelling, Schechter wrote about inadequate and deceptive media coverage in an article titled "Investigating the Nation's Exploding Credit Squeeze." He examined losers and winners and suggested concrete approaches for responsible reporting:

— doing it regularly and truthfully about a serious growing problem;

— identifying the key corporate institutions involved;

— spotlighting how special interests and lobbyists influence Congress for favorable policies and deregulation;

— credit card companies also and how their ad dollars affect media coverage of their practices;

— predatory lending methods in poor neighborhoods; crimes committed against vulnerable working people;

— what people can do to fight back; and

— getting people involved at state and local levels; enlisting attorney generals to file class action lawsuits; and pressuring key legislators.

Strong material but the response was “tepid” as well as to a follow-up email campaign with tens of thousands of requests for more media coverage of a vital national issue – well before the crisis hit and a public spotlight might have cooled it. Big Media prefer a sanitized world of market “ups and downs” and one-sided Wall Street and Washington views – unrelated to the real world, what affects most people, and it got Schechter to ask: “where’s the outrage?”

Chronicling the Implosion, 2007

In his blogs, newsletters, and articles, Schechter “tracked the evolution of the crisis by week” – a story still evolving about “an economy that is….still unraveling,” It began in July 2007 when Dusseldorf-based IKB surprised markets with a profit warning. It set off sharp falls in other German bank shares, and ended up with IKB needing $11.8 billion in bailout aid to survive. Cracks also began showing up in the multi-trillion dollar US securitization markets. They created a crisis for two Bear Stearns (BS) hedge funds. Like IKB, they were heavily into subprime mortgages, highly levered, and it forced BS to sell out to JP Morgan Chase for pennies on the dollar.

Things then began spreading, and it was soon apparent the trouble was systemic, growing, and could touch down wherever outsized risks were taken. According to Business Week, what began as subprime now affected other kinds of debt as well and far more seriously than originally thought. Involving “real money” and danger, “the kind that terrifies bankers and the elite.”

The Dow Average topped out in early October and headed down while government jawboning and Fed interest rate cuts and huge liquidity injections didn’t help. They still haven’t as markets remain volatile, and no one for sure knows what’s coming. So jitters remain high and with good reason. The economy is far from healthy. Contagion is spreading offshore. Unemployment is rising. So are foreclosures. Inflation also, and hundreds of billions of bailout dollars haven’t helped.

None of this should have happened, and warning signs should have been heeded early on. Schechter chronicled it daily as events unfolded and explained that things were pretty bad and getting worse. Bankers were debating how to handle record losses. Desperation and even panic began surfacing. And America’s debt crunch became a personal crisis for millions.

His book reviewed events as they unfolded:

— jawboning after Wall Street and bankers began reacting and “blaming everybody but themselves;”

— pundits then “calling for higher standards of transparency;”

— bailouts involving real money in the hundreds of billions; first the Fed, then major central banks around the world;

— the result: very little; continued panic; more lending companies imploded; 247 up to April 2008;

— then interest rate cuts and still no relief; mortgage rates rose as banks are reluctant to lend and want higher returns when they do; after the government’s Fannie and Freddie takeover, 30-year fixed-rates fell from 6.26% to 5.88%, but with the economy weak and consumers strapped it's not clear how much this will help, at least in the short term;

— multi-billions in writedowns continue, likely more coming ahead, and "bear in mind," Schechter observes: "the banks created these problems by lowering their standards and working in collusion with the alchemists at the rating agencies that turned their junk into gold." And government regulators looked the other way and let it happen.

Throughout the crisis, real analysis and understanding was missing – like the 50 million "Missing Americans" Bill Moyers profiled on PBS. The ones Michael Harrington called "The Other America" in which he documented the country's poverty and influenced policy debate in Washington as a result. Today's victims are largely above the poverty line but just barely with two wage-earners and one or both having multiple (low-paying) jobs. They became predatory lending targets, but practically nothing is being done to help them. Billions for the perpetrators. Lip service only for the vulnerable.

What Happens Now?

Crucial to understand is that the current economic crisis "is an outgrowth of the very corporatist policies that will haunt this country for decades." Plus our costly wars. "Obscenely high levels of corruption," and many other characteristics of a nation off its moorings and in trouble. This one in "the quicksand of debt and delusion." Proving unfettered capitalism doesn't work. At a time Business Week magazine suggested "an irresistible force (is) meet(ing) an immovable object." The force is the economy and object an unrepayable wall of debt.

Despite billions of Fed-injected liquidity, the crisis persists and may be worsening. No one knows for sure or how or when it will end. Trillions have been lost. More still to come. Serious talk about a depression. The middle class is shrinking. People are entrapped by debt. Worldwide respect for the country plummeted, and 81% of the public believes things are headed in the wrong direction. Banks are failing. Real estate hit the wall, and in February the Economist magazine wrote that "The world had a weekend to save it from collapsing."

Contagion is spreading everywhere affecting Wall Street, large and smaller banks, investment firms, insurance companies, hedge funds, non-bank lenders, and the greater economy dependent on them. Experts believe fixing things could take years and would require a vast overhaul of a clearly failed system. Establishing workable regulation. Reinstating Glass-Steagall to separate commercial from investment banks. Curbing speculation, and ending the whole range of predatory lending practices. Under a two-party duopoly, chances for that are practically nil.

Debt As A Global Issue

For better or worse, a global economic system interlocks nations and markets. When the US catches cold, pneumonia threatens the world, and it shows in what the Vigilant Investor website reported: that in one week months back the Fed, ECB, and Japanese and Australian central banks injected $458 billion into the markets "to allow the big players to avoid selling off otherwise healthy assets to cover for heavy losses related to the unfolding housing debacle in the US, led over the cliff by subprimes." And in America, the combination of credit card and other debt remains a ticking time bomb some see as another eventual bubble to burst.

They're worried about what author Kevin Phillips calls "a house of cards" built on "reckless finance." And longtime Wall Street economist Henry Kaufman blames years of irresponsible federal banking for "allowing the expansion of credit in huge magnitudes" and calling today's crisis a "global calamity." Former Fed director of monetary affairs and its policy-making panel secretary, Vincent Reinhart, compares today to "the great contraction" of the 1930s and "the great inflation of the 1970s."

Little of this gets media attention or is addressed in political discourse. Never mind huge structural problems, an economy in crisis, millions in duress, and barely a sign of remedial help coming for the vulnerable. As conditions worsen "when will the American people realize how badly they have been had and turn on the plunderers," asks Schechter? The politicians and regulators also who allowed it.

How did it happen:

— "warnings were ignored;" for example from Bruce Marks, the Neighborhood Assistance Corporation of America (NACA) CEO; in 2000, he testified before Congress and warned about Fannie Mae and Freddie Mac engaging in predatory subprime lending; all for naught;

— "the (Alan Greenspan) Fed encourag(ing) the securitization of mortgages calling it 'financial innovation;' " and

— "Wall Street firms ignor(ing) worries (from) their own risk managers (and engaging in) shadowy underground banking….They made a fortune – until they didn't."

Hundreds of small players have been indicted but only a few symbolic "truly fat cats" and none of the fattest. The way it always is.

Last Words

Capitalism is characterized by economic ups and downs, speculative frenzies, and panics. But, as Schechter observes, "Few have posed such a serious threat to the entire financial system, (yet most media) coverage has been relegated to not widely read business sections (and) the fortunes of CEOs and business enterprises, not citizens, consumers and most of all homeowners" who've lost or may lose their homes and livelihoods.

Even worse, "many newspapers and TV outlets were complicit." They got huge amounts of ad revenue (often deceptive) from "shady mortgage lenders and credit card companies that encouraged readers and viewers to accept more debt. Some major newspapers are connected with local real estate syndicates and get kickbacks from sales tied to their extensive advertising of homes for sale." Worse still is that coverage (once it began) "may have missed the truly criminal aspects of this crisis" even though there's plenty of evidence around and the FBI is currently investigating 14 mortgage companies.

Overall reporting largely supports business and hesitates being critical. It builds confidence instead, stays upbeat, generates more heat than light, and engages in what Schechter calls "Investotainment" as their specialty. Well layered with deception and boosterism as well.

They ignored victims dating back to the 1990s and even warnings from people like David Walker, the Comptroller of the Currency (OCC) and Government Accounting Office (GEO) head. For years, he was a voice in the wilderness about our growing debt burden that could lead to a sudden collapse and threaten national security. The National Association of Business Economists as well saying: “The combined threat of subprime loan defaults and excessive indebtedness has supplanted terrorism and the Middle East as the biggest short-term threat to the US economy.”

And John Kenneth Galbraith in his 1961 classic, “The Great Crash 1929,” now prophetic: “The fact was that American enterprise in the twenties had opened its hospitable arms to an exceptional number of promoters, grafters, swindlers, impostors, and frauds. This, in the long history of such activities, was a kind of flood tide of corporate larceny.”

Writer Mike Whitney updates it in one of his commentaries saying: “The financial system has been handed over to scam-artists and fraudsters who’ve created a multi-trillion dollar inverted pyramid of shaky, hyper-inflated, subprime slop that they’ve sold around the world, with the tacit support of the ratings agencies and the US political establishment.”

The story has legs. Banks are in serious trouble. By mid-summer, seven had failed, others since, and many dozens more are at risk. Worldwide as well as contagion spreads everywhere. Huge write-downs have been taken. Unknown amounts more may follow. The Fed has injected over $900 billion to stabilize things with little idea if it will. Then add in lost homes, lender foreclosure costs, falling property prices, equity losses, multiple deflating bubbles, and hundreds of billions for wars and debt service, and the picture is grim, frightening, and according to some experts in the early innings.

Consider a recent “truly stunning but not widely reported” Bank of America study on current “Credit Crisis” losses – $7.7 trillion dollars in equity value globally since the October market peak. Affecting nations everywhere, B of A called it “one of the most vicious (crises) in financial history.” Investor George Soros calls it a “systemic crisis,” the result of “easy credit, financial innovation and contagion.” And economist Ludwig von Misses once said: “There is no means of avoiding the final collapse of a boom brought on by credit expansion. The question is only whether the crisis should come sooner as a result of a voluntary abandonment of further credit expansion, or later as a final and total catastrophe of the currency system involved.”

Schechter concludes by adding: “Bubbles are rarely foreseen (or want to be seen), as investors scramble into opportunities delivering high returns….self-interest and money-making are the real drivers in the world of finance.” They also drive politics, and now at a time of crisis, it’s “hard to believe that as the house of cards comes tumbling down, there seems to be a trifecta of failure. The government is unwilling to act decisively. The Congress prevaricates. And the media (engages in) boosterism” and keeps the public uninformed “at the very time when exposure might have stopped these practices before they became too deep and/or expensive to ‘fix.’ “

Little wonder 81% of the public believes the country is headed in the wrong direction. George Bush’s approval rating fluctuates from the low to high 20s. And the July Rasmussen Reports gave Congress its lowest ever rating at 9% with only 2% of respondents calling its performance excellent. Imagine future poll numbers if the economy crashes, millions more become unemployed, lose their homes, and hundreds of billions keep being spent on fruitless wars by whomever becomes president and whichever party controls Washington. Imagine also how people affected will respond or should.

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