

# Shadow Banking: Going After the Banksters. Then and Now

Two Financial Investigations: One Went after The Banksters, The Other Became A Forum For Bluster

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Region: [USA](#)

Theme: [Global Economy](#)

*A Tale of Then and Now, FDR vs Obama: A Story of Shame, Co-optation, Partisan Bickering and Industry Lobbying To Undermine Financial Reform*

*2009, The Intent: Speaker Nancy Pelosi: "What I want to initiate is the equivalent of what happened in the 30's. They had something that was called the Pecora Commission. This was the commission that was formed when Franklin Roosevelt took office and they investigated what happened with the markets... We need to know. Some people can tell you one piece of it. Others can tell you another piece of it. But really it's very hard - do you understand it? — for the American people and the rest of us as we try to make policy as we go forward to see the ramifications of any of the changes we're being asked to make."*

THEN: Robert Kuttner: In 1932 through 1934 the Senate Banking Committee, led by its Chief Counsel Ferdinand Pecora, ferreted out the deeper fraud and corruption that led to the Crash of 1929 and the Great Depression. The Pecora Committee's findings helped change the political mood, and laid the groundwork for the sweeping financial reforms of Roosevelt's New Deal. Roosevelt himself often conferred with Pecora, encouraged him, and depended on Pecora's work to build the public support for reform. He appointed Pecora to one of the newly created results of his handiwork, the Securities and Exchange Commission, though Pecora was disappointed not to be its chairman.

NOW: NY Times April 6 2010 Financial Crisis Inquiry Wrestles With Setbacks

WASHINGTON — The panel established by Congress to investigate the causes of the [financial crisis](#) has been hobbled by delays and internal disagreements and a lack of focus, according to interviews with a majority of its members and government officials briefed on its work.

THEN: Wikipedia, "Following the Wall Street Crash, the U.S. economy had gone into a depression, and a large number of banks failed. The Pecora Investigation sought to uncover the causes of the financial collapse. As chief counsel, Ferdinand Pecora personally examined many high-profile witnesses, who included some of the nation's most influential bankers and [stockbrokers](#). Among these witnesses were [Richard Whitney](#), president of the [New York Stock Exchange](#), [investment bankers Otto H. Kahn](#), [Charles E. Mitchell](#), [Thomas W. Lamont](#), and [Albert H. Wiggin](#), plus celebrated [commodity](#) market speculators such as [Arthur W.](#)

[Cutten](#). Given wide media coverage, the testimony of the powerful banker [J.P. Morgan, Jr.](#) caused a public outcry after he admitted under examination that he and many of his partners had not paid any income taxes in 1931 and 1932.”

NOW: NY TIMES, 2010: “In recent months, a top investigator resigned, frustrated by delays in assembling a staff. Behind closed doors the panel’s chairman and vice chairman have had heated disagreements over whether to make public preliminary findings or revelatory documents. Entities like [Citigroup](#) and the [Treasury](#) have complained that the panel’s requests for information have been vague and voluminous.

THEN: The Nation, The original commission was created during the Great Depression as a fact-finding enterprise, to figure out how things could have gone so wrong. The hearings attracted tremendous attention and their uncovering of the self-dealing and corruption on Wall St. laid the ground work for future regulatory reforms.

NOW New York Times, The people appointed to the [Financial Crisis Inquiry Commission](#) last July, six by Democrats and four by Republicans, say they hope to publish, by the Dec. 15 deadline, a volume much like the 9/11 Commission report, which was acclaimed for its narrative sweep and became a surprise best seller. (DS: Understatement: That report raised more questions than it answered. Like the Warren Commission on which it was modeled, many Americans believe it was a cover-up.)

But that goal seems increasingly out of reach, given what the commissioners themselves acknowledge has been a haphazard approach and a lack of time and resources. Given the delays, the commission’s impact on policy could be modest; the House has already voted on a sweeping financial reform bill, and the Senate could vote on it by summer.

The commission has been set back not so much by partisan bickering but by the size of its task: examining and explaining a crisis whose complex and often technical causes continue to befuddle ordinary Americans.”

THEN: Dr. Housing Bubble: Ferdinand Pecora was appointed Chief Counsel in the last months of the Hoover administration. The banking edifice of the United States was crumbling and even the house of Morgan ([read The Lord of Money Speaks](#)) was no longer strong enough to support the economy.

This is what a [March 1933 issue](#) of TIME had to say about Mr. Pecora:

“Ferdinand Pecora, most brilliant lawyer of Italian extraction in the U. S., finished public schools at 12. At 18, after loping through his brother’s law books, he was managing clerk of a law firm. Even on the most complex cases (which he, tireless, likes best) he never needs notes, never forgets a word of testimony once it is on the record. One of his most famed convictions was that of former New York State Superintendent of Banks Frank H. Warder for his part in the failure of Manhattan’s City Trust Co. in 1929. At 47, his black eyes flash, his black hair bristles.”



NOW: FireDog Lake: "I had high hopes for the Financial Crisis Inquiry Commission, an independent panel enacted by Congress to probe the origins and reasons for the financial crisis. Phil Angelides, the chairman, was a competent state Treasurer in California with a deep knowledge of these issues, and the parallels to the Pecora Commission in the 1930s, which led to a lot of the New Deal reforms, were obvious.

But it hasn't worked out that way. In a fast-paced media environment, the FCIC has commanded almost no attention. And now they're getting the ["panel in disarray"](#) treatment from the New York Times:

WHY? NY Times: "We lost a fair amount of time on the front end," said one commissioner, Keith Hennessey, a former economic adviser to President [George W. Bush](#). "Part of it was negotiations between Angelides and Thomas on the senior staff, but I don't know why it took so long to assemble a full staff."

Commissioners also said that Mr. Angelides and Mr. Thomas recently clashed over whether to release preliminary staff reports or some of the 500,000 pages of materials that had been gathered so far. When Mr. Angelides floated the idea of releasing some of the materials to reporters, Republicans threatened to look into the panel's work if they took control of the House, a person briefed on the dispute said. A spokesman for the panel denied that the

exchange had occurred.

THEN: Washington Post: The result was a relentless investigation, 12,000 pages of transcripts that laid bare abuses on Wall Street and failures of Washington to adequately regulate the nation's financial system. Pecora's efforts provided a basis for reforms that would alter Wall Street and maintain relative stability in the banking industry until the recent crisis"

NOW: Gary Weiss, Portfolio: "Hey, the public needs ritual flagellations just as much as they did in [Salem in the 1600s](#). In its first two days of hearings in January and February, the FCIC [heard testimony](#) from the likes of Goldman Sachs' Lloyd Blankfein and John Mack of Morgan Stanley, as well as a [passel of regulators](#). It's great to see people like that squirm—great, but not enough. Indeed, those four words, the ones ending in "not enough," are a fairly good way of summing up the FCIC's work so far. [Something obvious](#) has been missing."

THEN: The Crime Of Our Time, "In the 1930's, the commission's Chief Counsel Ferdinand Pecora concluded, "Legal chicanery and pitch darkness were the banker's stoutest allies."

NOW: We still don't know who did what to us, or why not much will change. The investigation is a joke; prosecutions seem non-existent. Why?

*News Dissector **Danny Schechter's** film Plunder The Crime of Our Time has been released in DVD by Disinfo. ([www.plunderthecrimeofourtime.com](http://www.plunderthecrimeofourtime.com)) which will also publish the companion book, The Crime of Our Time. Comments to [dissector@mediachannel.org](mailto:dissector@mediachannel.org)*

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