

The Ascendancy of a Criminal Financial Elite

The Two Faces of a Police State: Sheltering Tax Evaders, Financial Swindlers and Money Launderers while Policing the Citizens

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Global Research, August 05, 2012

5 August 2012

Region: [USA](#)

Theme: [Global Economy](#)

“The rotten heart of finance” The Economist

“There is a degree of cynicism and greed which is really quite shocking” Lord Turner Bank of England , Financial Service Authority

Introduction

Never in the history of the United States have we witnessed crimes committed on the scale and scope of the present day by both private and state elites.

An economist of impeccable credentials, James Henry, former chief economist at the prestigious consulting firm McKinsey & Company, has researched and documented tax evasion. He found that the super-wealthy and their families have as much as \$32 trillion (USD) of hidden assets in offshore tax havens, representing up to \$280 billion in lost income tax revenue! This study excluded such non-financial assets as real estate, precious metals, jewels, yachts, race horses, luxury vehicles and so on. Of the \$32 trillion in hidden assets, \$23 trillion is held by the super-rich of North America and Europe .

A recent report by a United Nations Special Committee on Money Laundering found that US and European banks laundered over \$300 billion a year, including \$30 billion just from the Mexican drug cartels.

New reports on the multi-billion dollar financial swindles involving the major banks in the US and Europe are published each week. England 's leading banks, including Barclay's and a host of others, have been identified as having rigged the LIBOR, or inter-bank lending rate, for years in order to maximize profits. The Bank of New York, JP Morgan, HSBC, Wachovia and Citibank are among scores of banks, which have been charged with laundering drug money and other illicit funds according to investigations from the US Senate Banking Committees. Multi-national corporations receive federal bailout funds and tax exemptions and then, in violation of publicized agreements with the government, relocate plants and jobs in Asia and Mexico .

Major investment houses, like Goldman Sachs, have conned investors for years to invest in 'garbage' equities while the brokers pumped and dumped the worthless stocks. Jon Corzine, CEO of MF Global (as well as a former CEO of Goldman Sachs, former US Senator and Governor of New Jersey) claimed that he “cannot account” for \$1.6 billion in lost client investors funds from the collapse of MF Global in 2011.

Despite the growth of an enormous police state apparatus, the proliferation of investigatory agencies, Congressional hearings and over 400,000 employees at the Department of Homeland Security, not a single banker has gone to jail. In the most egregious cases, a bank like Barclay's will pay a minor fine for having facilitated tax evasion and engaging in speculative swindles. At the same time, the principle 'miscreant' in the LIBOR swindle, Chief Operating Officer (COO) of Barclay's Bank, Jerry Del Missier, will receive a severance payout of \$13 million dollars.

In contrast to the 'lax' law enforcement practiced by the burgeoning police state with regard to the swindles of the banking, corporate and billionaire elites, it has intensified political repression of citizens and immigrants who have not committed any crime against public safety and order.

Millions of immigrants have been seized from their homes and work-places, jailed, beaten and deported. Hundreds of Hispanic and Afro-American neighborhoods have been the target of police raids, shootouts and killings. In such neighborhoods, the local and federal police operate with impunity - as was illustrated by shocking videos of the police shootings and brutality against unarmed civilians in Anaheim , California . Muslims, South Asians, Arabs, Iranians and others are racially profiled, arbitrarily arrested and prosecuted for participating in charities and humanitarian foundations or simply for attending religious institutions. Over 40 million Americans engaged in lawful political activity are currently under surveillance, spied upon and frequently harassed.

The Two Faces of the US Government: Impunity and Repression

Overwhelming documentation supports the notion that the US police and judicial system has totally broken down when it comes to enforcing the law of the land regarding crimes among the financial, banking, corporate elite.

Trillion-dollar tax-evaders, billionaire financial swindlers and multi-billionaire money launderers are almost never sent to jail. While some may pay a fine, none have their illicit earnings seized even though many are repeat criminals. Recidivism among financial criminals is rife because the penalties are so light, the profit are so high and the investigations are infrequent, superficial and inconsequential. The United Nations Office on Drugs and Crime (UNODC) reported that \$1.6 trillion was laundered, mostly in Western banks, in 2009, one fifth coming directly from the drug trade. The bulk of income from the cocaine trade was generated in North America (\$35 billion), two-thirds of which were laundered in North American banks. The failure to prosecute bankers engaged in a critical link of the drug trade is not due to 'lack of information', nor is it due to the 'laxness' on the part of regulators and law enforcement. The reason is that the banks are too big to prosecute and the bankers are too rich to jail. Effective law-enforcement would lead to the prosecution of all the leading banks and bankers, which would sharply reduce profits. Jailing the top bankers would close the 'revolving door', the golden portal through which government regulators secure their own wealth and fortune by joining private investment houses after leaving 'public' service. The assets of the ten biggest banks in the US form a sizeable share of the US economy. The boards of directors of the biggest banks inter-lock with all major corporate sectors. The top and middle financial officials and their counterparts in the corporate sector, as well as their principle stockholders and bondholders, are among the country's biggest tax evaders.

While the Security and Exchange Commission, the Treasury Department and the Senate Banking Committee all make a public pretense of investigating high financial crimes, their real function is to protect these institutions from any efforts to transform their structure, operations and role in the US economy. The fines, which were recently levied, are high by previous standards but still only amount to, at most, a couple of weeks' profits.

The lack of 'judicial will', the breakdown of the entire regulatory system and the flaunting of financial power is manifested in the 'golden parachutes' routinely awarded to criminal CEOs following their exposure and 'resignation'. This is due to the enormous political power the financial elite exercise over the state, judiciary and the economy.

Political Power and the Demise of 'Law and Order'

With regard to financial crimes, the doctrine guiding state policy is 'too rich for jail, too big to fail', which translates into multi-trillion dollar treasury bailouts of bankrupt kleptocratic financial institutions and a high level of state tolerance for billionaire tax-evaders, swindlers and money launderers. Because of the total breakdown of law enforcement toward financial crimes, there are high levels of repeat offenders in what one British financial official describes as 'cynical (and cyclical) greed'.

The current 'banner' under which the financial elite have seized total control over the state, the budget and the economy has been 'change'. This refers to the deregulation of the financial system, the massive expansion of tax loopholes, the free flight of profits to overseas tax havens and the dramatic shift of 'law enforcement' from prosecuting the banks laundering the illicit earnings of drug and criminal cartels to pursuing so-called 'terrorist states'. The 'state of law' has become a lawless state. Financial 'changes' have permitted and even promoted repeated swindles, which have defrauded millions and impoverished hundreds of millions. There are 20 million mortgage holders who have lost their homes or have been unable to maintain payments; tens of millions of middle class and working class taxpayers who were forced to pay higher taxes and lose vital social services because of upper class and corporate tax evasion. The laundering of billions of dollars in drug cartel and criminal wealth by the biggest banks has led to the deterioration of neighborhoods and rising crime, which has destabilized middle and working class family life.

Conclusion

The ascendancy of a criminal financial elite and its complicit, accommodating state has led to the breakdown of law and order, the degradation and discrediting of the entire regulatory network and judicial system. This has led to a national system of 'unequal injustice' where critical citizens are prosecuted for exercising their constitutional rights while criminal elites operate with impunity. The harshest enforcement of police state fiats are applied against hundreds of thousands of immigrants, Muslims and human rights activists, while financial swindlers are courted at Presidential campaign fund raisers.

It is not surprising today that many workers and middle class citizens consider themselves to be 'conservative' and 'against change'. Indeed, the majority wants to 'conserve' Social Security, public education, pensions, job stability, and federal medical plans, such as MEDICARE and MEDICAID against 'radical' elite advocates of 'change' who want to privatize Social Security and education, end MEDICARE, and slash MEDICAID. Workers and the middle class demand stability of jobs and neighborhoods and stable prices against run-away inflation of medical care and education. Wage and salaried citizens support law and order,

especially when it means the prosecution of billionaire tax evaders, criminal money-laundering bankers and swindlers, who, at most, pay a minor fine, issue an excuse or 'apology' and then proceed to repeat their swindles.

The radical 'changes' promoted by the elite, have devastated life for millions of Americans in every region, occupation and age group. They have destabilized family life by undermining job security while undermining neighborhoods by laundering drug profits. Above all they have totally perverted the entire system of justice where the 'criminals are made respectable and the respectable treated as criminals'.

The first defense of the majority is to resist 'elite change' and to conserve the remnants of the welfare state. The goal of 'conservative' resistance will be to transform the entire corrupt legal system of 'functional criminality' into a system of 'equality before the law'. That will require a fundamental shift in political power, at the local and regional level, from the bankers' boardrooms to neighborhood and workplace councils, from compliant elite-appointed judges and regulators to real representatives elected by the majority groaning under our current system of injustice.

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