

# The Crime of Our Time: Was the Economic Collapse “Indeed, Criminal?”

A Review of Danny Schechter's Book

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Danny Schechter is a media activist, critic, independent filmmaker, and 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 the co-founder of [Media Channel.org](#) that covers the “political, cultural and social impacts of the media,” and provides information unavailable in the mainstream.

Schechter’s books include *The More You Watch The Less You Know*, *Plunder: Investigating Our Economic Calamity and the Subprime Scandal*, and his newest and subject of this review, *The Crime of Our Time: Was the Economic Collapse “Indeed, Criminal?”*

As a form of economic terrorism, indeed so says Schechter and many others. Ellen Brown, author of *Web of Debt*, writes: Schechter “establishes the crime’s elements, identifies the players, and exposes the weapons that have turned free markets into vehicles for mass manipulation and control.”

More still, according to former high-level government and Wall Street insider Catherine Austin Fitts in describing a “financial coup d’etat” that includes inflating multiple market bubbles, pump and dump schemes, naked short selling, precious metals price suppression, and active market intervention by Washington and the Fed that lets powerful insiders game the system, commit massive fraud, and be able to transfer trillions of public wealth to themselves, then get open-ended bailouts when the inevitable crisis surfaces.

In his last book, *Plunder*, Schechter deconstructed one element of the economy’s financialization – the outlandish amounts subprime lending, instrumental in inflating the housing bubble and the economic crisis that followed.

*The Crime of Our Time* is his latest attempt to explain “the financial collapse as a crime story (and) the high status white-collar crooks” who wreak havoc on “the lives of hundreds of millions worldwide.” He quotes from author and labor activist Jonathan Tasini in his new book, *The Audacity of Greed*, saying:

“Over the past quarter century, we have lived through the greatest looting of wealth in human history.” While an elite few profited hugely, “the vast majority of citizens have lived through a period of falling wages, disappearing pensions, and dwindling bank accounts, all of which led to the personal debt crisis that lies at the root of the current financial meltdown.”

The fallout cost millions of Americans their jobs, homes, savings, and futures, the result of a Washington - Wall Street criminal cabal and their scandalous conspiracy against the US public. In the Crime of Our Time, Schechter, once again, does a superb job explaining it astutely, thoroughly, and clearly.

## Introduction - Our Time and Financial Crime

### (1) In Wall Street We Trust

Once again, the major media betrayed the public by cheerleading the inflating market bubbles, ignoring the cause and Wall Street/Washington's role, then downplaying the severity of the crisis that has a long way to run. Instead their reasoning goes: "we are all to blame, guilty of greed, over-spending and under-saving," so "when everyone's at fault, no one can be held responsible."

Yet capitalism's internal contradictions make it crisis-prone, unstable, ungovernable, and self-destructive because of its repeated cycles of booms creating bubbles, creating busts, then depressions, and inevitably decay and demise.

Initially, The New Times deflected attention by focusing on human errors like "wild derivatives, sky-high leverage, (and) a subprime surge," but avoided the core issue of white collar crime and Washington's complicity in it. When it was too late to matter, columnists like Bob Herbert wrote about financial "malefactors" who walk away "with a suspended sentence, and can't wait to get back to their nefarious activities." Where were they when it mattered most?

Still today, the corporate media ignores the crime scene, instead calling criminal bankers "egotistical jerk(s) as trapped as anyone" in their own mess, as much victims as their prey.

### (2) Former Bank Regulator William Black Speaks Out

Economics Professor William Black is a former senior bank regulator and Savings and Loan prosecutor. In April 2009 interviews in Barrons and with Bill Moyers on public television, he referred to "failed bankers (advising) failed regulators on how to deal with failed assets" they all conspired to create, proliferate, and use to defraud unwary buyers. He explained that many failed banks were deliberately brought down, and:

"The way that you do it is to make really bad loans, because they pay better. Then you grow extremely rapidly, in other words, you're a Ponzi-like scheme. And the third thing you do is" leverage up. It's hugely profitable and "inevitable that there's going to be a disaster down the road."

Black explained it in his book, *The Best Way To Rob A Bank Is To Own One*, especially in a lax regulatory environment under the privately owned Federal Reserve and powerful financial giants that run the government, not the other way around. They write the laws, make the rules, install their people in top Washington posts, and get open-ended bailouts and absolution when their scam implodes.

In the 1930s, the Pecora Commission's Chief Counsel Ferdinand Pecora noted how "Legal chicanery and pitch darkness were the banker's stoutest allies." So weren't complicit government officials as well as media commentators turning a blind eye to their crimes.

### (3) The Crime Wave Is Still With Us

In an environment of lax regulation, a Wall Street owned and operated Fed, the Treasury as their private piggy bank, a bipartisan criminal culture in Washington, and corporate lobbyists taking full advantage to get the best democracy their money can buy, it's little wonder that the same dirty game persists because who cares enough to stop it.

At the same time, millions of jobs are being lost. Home foreclosures are at record highs. Next year's 2010 mortgage resets will unleash a greater number, and ahead is the full impact of nationwide commercial real estate defaults plus any number of new unpleasant surprises.

Even so, little relief is in sight for beleaguered households or for 48 of the 50 states under water from their budget crises. But according to Fed Chairman Ben Bernanke, "the recession is very likely over at this point (even though) it's still going to feel like a weak economy for some time."

### (4) "The Biggest Crime In The World"

That's what former Wall Street banker Nomi Prins told Schechter when he interviewed her last December. "You're talking double-digit trillions of dollars - minimum - already in the beginning of 2009, and we are nowhere near done with finding out how much loss there really is."

One estimate was \$197.4 trillion, including "monies lost, value depreciated, and money spent to try to stabilize the system....and that (figure) may be low," yet it's incomprehensible. And getting to the bottom of it through a modern-day Pecora Commission may duplicate the 9/11 whitewash. According to economist Dean Baker:

"Instead of striving to uncover the truth, (an investigation) may seek to conceal it" and tell banksters they're free to steal again.

### (5) Insiders Wanted

According to Schechter: "We need investigations by insiders who know where the bodies are buried, and in many cases, not yet" interred. We need more State Attorneys like Eliot Spitzer and enough honest politicians to embrace them. We need proof of who's on the take followed by "a jailout, not (another) bailout. We need to remember Balzac's insight (that) 'Behind every great fortune lies a great crime,' " in a culture where the only one is getting caught.

### The Madoff Moment

In business since 1960, Bernard L. Madoff Investment Securities LLC provided executions for broker-dealers, banks, and financial institutions, and was one of the world's largest hedge fund managers, handling billions of dollars for a select clientele that included banks, insurance companies, other hedge funds, universities, charities, and numerous prominent wealthy individuals.

Madoff served as vice-chairman of the NASD, was a member of its board of governors, and chairman of its New York region. He also chaired the Nasdaq's board of governors, served on its executive committee, and was chairman of its trading committee.

In addition, he was chief of the Securities Industry Association's trading committee in the 1990s and earlier this decade in the same capacity when he represented brokerage firms in discussions with regulators about new stock market trading rules. He was highly respected and a pillar among his peers until the scam he created imploded.

On December 11, 2008, he was revealed as a world class swindler when federal agents arrested him for running a giant Ponzi scheme. According to the FBI's Theodore Cacioppi:

Madoff "deceived investors by operating a securities business in which he traded and lost investor money, and then paid certain investors purported returns on investment with the principal received from other, different investors, which resulted in losses of billions of dollars."

He was tried in federal court on charges of criminal securities fraud, convicted, and, on June 29, 2009, sentenced to 150 years in prison, the maximum under the law. In fact, his real crime was getting caught, and for ripping off the rich and famous, his own kind, who welcomed the steady high returns until what seemed too good to be true turned out to be a scam.

Section 4 of the Securities Exchange Act of 1934 established the SEC to prevent them. It's mandated to enforce the Securities Act of 1933, the Trust Indenture Act of 1939, the 1940 Investment Company Act and Investment Advisers Act, Sarbanes-Oxley of 2002, and the Credit Rating Agency Reform Act of 2006. Overall, it's responsible for enforcing federal securities laws, the securities industry, the nation's stock and options exchanges, and other electronic securities markets. It's charged with uncovering wrongdoing, assuring investors aren't swindled, and keeping the nation's financial markets free from fraud.

For years, there were suspicions about Madoff because no one understood how his strategy produced annual double-digit returns. The SEC was alerted but didn't act. Derivatives expert Harry Markopolos wrote a report for internal SEC use listing 29 Red Flags and accused Madoff of running a giant Ponzi scheme, to no avail.

Wall Street takes care of its own, and even internal SEC documents suggest that the agency is notorious for being lax, preferring wrist-slaps alone, and nearly always against lesser players, not prominent ones like Madoff or major Wall Street banks and investment firms.

As a result, the agency doesn't regulate. Investigations aren't conducted or are whitewashed. Criminal fraud goes undetected or is swept under the rug. Little is done to prevent it, and only rarely are figures like Madoff caught. Wall Street's criminal culture is in safe hands under its new head, Mary Schapiro, a consummate insider with close ties to the Street's rich and powerful, which is why she was chosen in the first place.

### The White-Collar Prison Gang

Even though felons like Enron's Jeffrey Skilling, Worldcom's Bernie Ebbers, and Tyco's Dennis Kozlowski are in prison, corporate America's criminal class is thriving, untouched, and mindful that very few of their kind get caught.

So far during the current economic crisis, not only are most banksters unscathed, but they've been rewarded with trillions of taxpayer dollars, interest-free Federal Reserve money, and an open-ended checkbook for as much more as they want. Who said crime doesn't pay?

## The Crimes of Wall Street

Schechter names many, including:

- “Fraud and control frauds;
- Insider trading;
- Theft and conspiracy;
- Misrepresentation;
- Ponzi schemes;
- False accounting;
- Embezzling;
- Diverting funds into obscenely high salaries and obscene bonuses;
- Bilking investors, customers and homeowners;
- Conflicts of interest;
- Mesmerizing regulators;
- Manipulating markets;
- Tax frauds;
- Making loans and then arranging that they fail;
- Engineering phony financial products; (and)
- Misleading the public.”

Add to these:

- buying a controlling stake in Washington;
- assuring their own officials run the Treasury, Fed, and all functions related to the economy and finance, including the regulatory bodies; and
- writing laws and regulations that govern their industry and activities.

In Washington, what Wall Street wants, it gets. As a result, financial fraud and other scams are thriving. According to the Treasury Department’s Financial Crimes Enforcement Network, over 730,000 instances of suspected wrongdoing, or 13% more than in 2007, including a 23% rise in mortgage fraud to almost 65,000

incidents.

By the numbers, they amount to:

- \$994 billion in 2008 losses or a median loss of \$175,000;
- financial institutions or government agencies accounting for 27% of the total; and
- an estimated 17 - 30 months elapse before a typical scheme is detected.

Examples include “shady lending practices....deepening debt, exploiting customers, overcharging borrowers with arbitrary late fees, and imposing other hidden costs that bilk consumers.”

Most getting caught get off with mere wrist slaps or occasional fines amounting to a tiny fraction of the crimes, so it pays to keep committing them. According to Law Professor and corporate crime specialist John Coffee:

“Any criminal prosecution....must show either a specific intent to defraud or, what federal law calls, willfulness which means a real intent to deliberately defraud someone and engage in misconduct that you realize was causing injury.”

So if fraud is committed with good intentions, criminal prosecutions won't follow, only civil ones can to redeem losses, and during the Bush administration, the Justice Department sought cash settlements most often to keep plaintiffs out of court. And over 60% of the relatively few tried and convicted served only about two years on average in country club prisons, and over one-fourth of them were never incarcerated.

It's why year after year, “The beat goes on (as) new scandals seem to surface daily....(yet) no sooner does one scandal erupt (when) another threatens to push it out of the public eye,” or another unrelated issue is manufactured like the phony Swine Flu crisis tries to sweep them under the rug altogether. Sadly, it works because the public is none the wiser and never catches on to what investigative journalist IF Stone once explained:

“All governments are run by liars, and nothing they say should be believed.” Or he simply said: “All governments lie,” usually about the most important issues affecting everyone.

### The Criminal Mind

The new Con Artist Hall of Infamy web site explains the art of the con, has a con watch, and lists current inductees, including many prominent past and more recent figures like Bernie Madoff, Jeff Skilling, Bernie Ebbers, and Conrad Black. But for everyone exposed, dozens more get away with cooking the books, manipulating markets, profiting from insider deals, selling toxic junk to unwary investors, and pocketing multi-millions as their legitimate right. Why not, when regulators and law enforcement are complicit in letting them.

They use “every angle to persuade people to believe” that their integrity is impeccable, their financial skills unmatched, and their strengths include:

- “power & influence” because of friends in high places;
- “charisma” to attract broad appeal; and

— “strong cover” for being a respected financial community member.

They flourish best free from regulatory oversight during periods of economic prosperity and bull markets, or at least the illusion that these conditions exist. Former convicted felon Sam Antar explained:

“White-collar criminals are economic predators. We consider you, humanity, as a weakness to be exploited in the execution of our crimes. In order to commit (them), we have to increase your comfort level (by) build(ing) walls of false integrity around us....We have no respect for the laws. We consider your codes of ethics, your laws, weaknesses to be exploited in the execution of our crimes.”

“You can’t be prosecuted for being stupid. So all white-collar criminals always try to play stupid. They don’t want to show intent. It’s easier to say that this was a result of a mistake or an error of judgment, than to say that I intended to, to victimize or defraud somebody. It’s relatively easy (and) the criminal element today is figuring out a way to exploit it” because of so much easy money around for the taking.”

### The Crime at the Heart of the Crime

Embracing fraud is simple when so many people in high places commit it, get away with it, and the few caught keep most of their gains and pay a small price for them. Further, “The line between legal and illegal can be a thin one or no line at all. It can also be complicated, even hard for government to investigate and prosecute.”

Also, no widely accepted definition of economic crime exists because intent is so hard to prove, and in a lax regulatory environment no incentive to either, especially since unelected officials come from sectors they administer, then recycle themselves back to high-paying jobs.

### Who Should Be Prosecuted?

Considering the extensive amount of fraud and harm caused, tough RICO prosecutions should be used the same as against organized crime that call for harsh sentencing penalties for the guilty.

More than ever today, the problem is endemic, the way William Black explains about the pressures on CEOs to keep up with their peers and generate impressive profits even if getting them means cooking the books and committing fraud.

He presented this paradigm in a public lecture:

- “Corporate governance fails. Power is delegated to CEOs and collaborating members of management;
- External controls fail through the manipulation of outside auditors and accounting firms as happened in the Enron and WorldCom frauds;
- Rating agencies are co-opted and suborned through conflicts of interest; (and)

— Regulation fails or is defanged with rules softened or changed (through)

(a) Deregulation

(b) No regulation

(c) Desupervision

(d) Lobbying by Companies to undercut regulators which is justified on ideological grounds as support for free markets (and)

(e) Capture - What regulators there are (are) drawn from the industry and share its outlook.”

The result has been the greatest ever transfer of wealth from the many to an elite few that continues without missing a beat, and why not. No one stops them. In fact, the current environment under Democrats or Republicans lets them flourish.

Whenever a systemic collapse occurs, old scams continue and new ones emerge, always aimed at fleecing as much as possible from the unwary.

Investigating Financial Criminals

Given the unprecedented amount of financial fraud, a new independent Pecora Commission with teeth more than ever is needed to root it out and hold the guilty accountable. But getting one is another matter at a time Washington and Wall Street are co-conspirators with every incentive to facilitate criminality and whitewash attempts to expose it.

Nonetheless, economist Dean Baker lists questions needing answers:

— asking financial executives under oath how they missed the inflating housing bubble; and

— how they justify millions in compensation given the crisis they were complicit in creating.

However, getting straight answers will prove daunting at best, and what government authority will demand them. Perhaps a “People’s Inquiry” can do better even with no teeth and no coverage by the dominant media.

Progressive web sites and online radio and television can feature the results and get them to growing audiences. Not millions but enough to spread the word and hope others pass it on.

If economic deterioration deepens over an extended period with millions more out of jobs, homes, savings and hope, then a public outcry for prosecutions might be unstoppable. Even then, it’s a long shot but something worth watching.

Predatory Subprime Lending

According to Schechter, “subprime over the years got millions of families into mortgages



they couldn't afford, and that the lenders knew they couldn't sustain." Low teaser rates and financial institutions' collusion facilitated it to cash in on the enormous profits, then hang fleeced homeowners out to dry by unaffordable mortgage resets and eventual foreclosures.

According to the Center for Public Integrity, the largest Wall Street banks backed 25 of "the sleaziest subprime lenders," including CitiGroup, Wells Fargo, JP Morgan Chase, and Bank of America. Combined, they originated \$1 trillion in toxic mortgages from 2005 - 2007, nearly three-fourths of the total.

Even worse, warnings a decade ago went unheeded, and former insider Catherine Austin Fitts saw an earlier scam unfolding, brought it to the attention of her GHW Bush administration superiors, and was told to shut up and mind her own business.

The idea was to pump as much money into the housing market to scam buyers with fraudulent mortgages designed to fail. It was predatory lending across the board with corporate CEOs of the top Wall Street firms involved. In 2004, the FBI first warned of a "fraud epidemic," then later launched "Operation Malicious Mortgage" that charged over 400 defendants, convicted 173 of crimes, but only accounted for around \$1 billion in losses, a tiny fraction of the total fraud, none committed by major players, and that's the problem.

A Financial Crimes Enforcement Network (FinCEN) April 2008 study mortgage fraud study found that "the total for mortgage fraud SARs (suspicious activity report) filed reached nearly 53,000, an increase of 42 percent" over 2007. The February 2009 report is even worse at over 62,000 SARs, and filings increased 44% from the previous year.

Suspected crimes included:

- falsifying financial information, including fake accounting entries, bogus trades to inflate profits or hide losses, and false transactions to evade regulatory oversight;
- "self-dealing" through insider trading, kickbacks, backdating executive stock options, misusing corporate property for personal gain, and violating tax laws relating to "self-dealing" that amounts to illegally taking advantage of insider positions; and
- obstruction of justice to conceal criminal conduct.

According to the Center for Public Integrity (based on the FBI's Mortgage Fraud Report), the same parties allegedly involved in fraud also created the housing crisis. On July 30, the Wall Street Journal reported that the Senate launched an investigation and subpoenaed leading financial institutions believed to be involved. But given how these investigations go, it's unlikely to expect much, let alone top executives publicly exposed and later prosecuted.

The Victims Are Everywhere

Besides millions of defrauded homeowners, the big money, according to former insider Nomi Prins, came from leveraging. She explained:

"The (big) money was made because several layers up a pyramid, Wall Street investment firms and commercial bank investment groups decided to repackage these mortgages, create layers of them, that they then resold to investors." They leveraged up 30 times or

more “against those (toxic) layers, which is the real crime” and sold the junk to unwary buyers knowing that most of it would default. Adding layers of high-risk credit default swaps greatly compounded the problem that ballooned into many trillions of dollars of bad assets.

#### Witnesses for the Prosecution

Schechter interviewed many homeowners who explained how they were conned and the devastating effect on their lives. According to one:

“I’m a person (who’s) trying to save my house. I’m in foreclosure right now. I feel like someone’s hand is in my pocket, and I just want a fair break, a fair shake at the American dream.”

Millions had it stolen by willful fraud and deception, capitalizing on their “low level of financial literacy” to pull off the most egregious mortgage abuses, and most often get away with them.

#### Wall Street Complicity

The big players are the smartest, most devious, and best able to reap the greatest profits knowing that regulators and prosecutors won’t touch them, so why worry.

According to economist Max Wolff:

The securitization process worked by “packag(ing), sell(ing), repack(aging) and resell(ing) mortgages making what was a small housing bubble, a gigantic (one) and making what became an American financial problem very much a global” one by selling mortgage bundles worldwide “without full disclosure of the lack of underlying assets or risks.”

Buyers accepted them on good faith, failed in their due diligence, and rating agencies were negligent, even criminal, in overvaluing and endorsing junk assets that they knew were high-risk or toxic. “The whole process was corrupt at its core.”

According to political scientist Ben Barber:

“Capitalism has sort of gone off the rails. It ceased to be capitalism – it’s financialization. The fact that it’s now all about speculation, the fact that it’s about Ponzi schemes, the fact that it’s about selling and buying paper,” not producing real products with real worth for a real purpose, the essence of industrial capitalism.

#### The Insurers

AIG was the most prominent, but the industry was complicit overall, including through “credit default swaps to protect themselves against defaults” they knew were most likely would happen because the assets they insured were junk. In addition, hedge funds were “also a pit of fraud,” and according to William Black:

Toxic junk “was created out of things like liars’ loans, which were known to be extraordinarily bad. And now it was getting triple-A ratings....mean(ing) there is zero risk. So you take something that not only has significant risk, it has crushing risk. That’s why it’s toxic. And you create this fiction that is has zero risk. That itself, of course, is a fraudulent

exercise. Again, there was nobody looking during the Bush years.”

The result was “a 50-state-Katrina blast(ing) through America” causing millions of homeowner defaults, while criminal financiers prospered through massive securities fraud and racketeering.

According to economist Michael Hudson, it let the top 1% of the population raise their wealth level from 30% 10 years ago to 57% five years ago to almost 70% today. “It’s unprecedented,” he said (and) makes America look like a third world banana republic.”

### The Conspiratorial Role of the Media

They profit mainly through advertising revenue, and much of it comes from the FIRE industry (finance, insurance, and real estate). Newspapers especially depend heavily on real estate ads in weekend supplements and daily classified sections. In some communities, local broadsheets are the virtual “marketing arm of the real estate industry” so they have every incentive to ignore practices easily identified as fraudulent.

Overall, the media “politicized the problem....rarely acknowledging their laziness and superficial coverage.” When it was too late to matter, they admitted irresponsibility but only asked questions like why didn’t we see this coming. They did but failed to report it. As long as the economy appeared prosperous and big profits continued, why rock the boat? Why ask tough questions when it’s easier saying nothing? Why risk offending bosses and jeopardizing careers? Why practice real journalism when the fake kind is demanded and rewards for it much greater?

### Warnings Ignored

According to Washington Post columnist Robert Samuelson and others, most economists as well as journalists got it wrong, or more accurately didn’t try to get it right.

Law Professor Linda Beale was unsympathetic in saying professional economists helped cause the crisis, didn’t see it coming, and don’t know how to fix it. Too few even try because they’re paid by the industry, (or related ones), that engineered the fraud, profited hugely from it, and need professionals to trumpet successes and hide scams.

As a result, dissenting voices were silenced. Denial was the order of the day, and as long as an emerging crisis wasn’t evident, why sound the alarm when it’s much easier and safer playing along.

Yet “One didn’t have to be an expert to see the warning signs (that) led to a massive market meltdown, a collapse of the subprime mortgage market, bankruptcies by the leading financial lenders, billions of dollars in losses by top banks and financial lenders, and prediction of more pain to come for millions of Americans facing foreclosures” plus more job losses than at any time since the 1930s.

But you’d never know it from the public media discourse that cheerlead the scam until it imploded. Or as former activist and academic Alex Carey might have said - corporate propaganda protected Wall Street predators from the truth.

### The Bear Stearns “Bleed Out”

The 85-year old Wall Street firm was the first major one to fail, and “Its stockholders would eventually be wiped out in what was described as the first government bailout.” Many others, of course, followed with perhaps more to come once the next leg of the crisis begins.

Writing in Vanity Fair about Bear Stearns, Bryan Burroughs said there was never “anything on Wall Street to compare to it: a ‘run’ on a major investment bank, caused in large part not by a criminal indictment or some mammoth quarterly loss but by rumor and innuendo (that) had little basis in fact.”

The questions are why, cui bono, and did the firm fall or was it pushed, even though like others on the Street it took huge risks that could backfire in hard times. But there was more going on than reported. “There were forces at work here that suggest illegal activities on a number of levels.”

The firm was also independent enough to rile competitors, perhaps some arranging for it to fail, and if it did, they’d profit hugely through greater consolidation for larger market shares. So by some accounts, it was targeted by naked short selling, rumors of a liquidity problem at a time it was adequately capitalized, and heavy put option buying to sink its stock price and drive the company to the wall in a matter of days. It gave JP Morgan Chase a chance to buy it at a tiny fraction of its peak valuation, or in other words, profit hugely from a vulture purchase arranged by the Fed.

In short order, Lehman Bros., Merrill Lynch, and other noted firms failed, giving Wall Street survivors like Goldman Sachs, JP Morgan Chase, Citigroup, and Bank of America more power than ever.

### The Lehman Liquidation

In asking “Did Lehman Brothers Fall or Was It Pushed,” Ellen Brown quoted author Lawrence MacDonald saying the company was in no worse shape than other major Wall Street banks, so he concluded that Lehman was “put to sleep. They put the pillow over (its) face and they put her to sleep.” But why is key.

Schechter quoted economist Michael Hudson blaming CEO Dick Fuld saying:

“Lehman Brothers essentially committed suicide. Its head, Mr. Fuld, had many offers from Korea and from investment banks in the US to take it over. He tried to bluff them. He tried to say, “Crisis? What crisis? Our loans are perfectly good. We haven’t lost a penny. We want you to pay at the book value of what we say our loans are worth.”

But no one believed it, and why should they. “These are guys who like to wipe out their partners, like to wipe out people they are doing business with. He (f’d) the whole firm and wiped out the shareholders (saying) ‘We’re too big to fail.’ ” Was Fuld complicit in a deliberate scheme to bring down Lehman, and if so why?

Apparently, he profited hugely, and so did the Street by removing a key competitor. First Bear Stearns, then Lehman. According to Brown:

“Although Lehman Brothers filed for bankruptcy on Monday, September 15, 2008, it was actually ‘bombed’ on September 11” when it was hit by the “biggest one-day drop in its

stock” the result of manipulative naked short-selling and apparent sabotage to prevent the company from negotiating a deal to be bought. The UK-based Barclays Bank was interested and was willing to underwrite Lehman’s debt.

But as Brown explained:

It “needed a waiver from British regulators of a rule requiring shareholder approval. (However,) UK Chancellor of the Exchequer Alistair Darling” stonewalled long enough to prevent it. He did the same thing with Britain’s Northern Rock and “changed the rules of the game” by opening the spigot in both countries for open-ended bailouts for banks too big to fail.

Again, why so and cui bono? It “suggests that Lehman Brothers (Northern Rock and others) did not just fall over the brink but (were) pushed.” The likely reasons were to engineer the financial crisis, create an emergency, pressure Congress (and the UK government) to provide billions in rescue funding, give selected major banks in both countries more power to consolidate, then use bailout proceeds to buy choice assets on the cheap plus reward themselves handsomely for their cleverness.

It’s not new with numerous past examples of predatory bankers, including JP Morgan, engineering financial crises for profit. The difference is that today the stakes far higher and global with US giants Goldman Sachs, JP Morgan Chase, Citigroup, Bank of America, Wells Fargo, and Morgan Stanley the major survivors – bigger and more powerful than ever, and so far thriving with open-ended bailouts.

Ellen Brown adds:

“The international bankers who caused the financial crisis are indeed capitalizing on it, consolidating their power in ‘a new global financial order’ that gives them (more) top-down global control” than ever with the public exploited and stuck with the bill.

Are Our Markets Manipulated?

Forget about “animal spirits,” random movements, and asset prices reflecting true values, and understand that all markets are manipulated up and down for profit with insiders profiting hugely both ways.

Catherine Austin Fitts calls it a “pump and dump” scheme to artificially inflate valuations, then profit more on the downside by short-selling. “The practice is illegal under securities law, yet it is particularly common” because the gains are enormous, in good and bad times. When carried to extremes, Fitts calls it “pump(ing) and dump(ing) of the entire American economy,” duping the public, fleecing trillions, and it’s more than just “a process designed to wipe out the middle class. This is genocide (by other means) – a much more subtle and lethal version than ever before perpetrated by the scoundrels of our history texts.”

The so-called Plunge Protection Team is one of the tools, authorized on March 18, 1989 under Ronald Reagan’s Executive Order 12631 creating the Working Group on Financial Markets (WGFM) with top government officials, including the President, Treasury Secretary and Fed chairman in charge.

It subverts market forces by theoretically intervening to avoid crises. In fact, it works both ways to drive valuations up or down along with active insider participation for huge profits

with the public none the wiser.

Schechter explains that “this secret branch of government has a sophisticated war room, using every state of the art technology to monitor markets worldwide. It has emergency powers. It doesn’t keep minutes. There is no freedom of information access to its deliberations.” Google has 147,000 entries about it, but only 10 can be accessed, so the most secretive shenanigans are hidden along with the role of the Fed, the Treasury, and the White House.

Established by the 1934 Gold Reserve Act, the Treasury-run Exchange Stabilization Fund (ESF) originally operated free from congressional oversight “to keep sharp swings in the dollar’s exchange rate from (disrupting) financial markets” through manipulation. Its operations now include stabilizing foreign currencies, extending credit lines to foreign governments, and more recently guaranteeing money market funds against losses of up to \$50 billion. Overall, the ESF is a slush fund for Treasury officials to use as they wish and manipulate markets freely.

Established in 1999 after the Long Term Capital Management (LTCM) crisis, the Counterparty Risk Management Policy Group (CRMPG) manipulates markets to benefit giant Wall Street firms and their high-level insiders. It lets financial giants collude through large-scale program trading to move markets up or down. It bails out members in financial trouble, and manipulates markets short or longer-term with government complicity and approval to go either way for huge profits on stocks, bonds, commodities, currencies, futures, options, and an array of speculative vehicles like structured assets and derivatives. Market manipulation enriches insiders at the expense of the unwary, often fleeced by their chicanery.

### The Testosterone Factor

Schechter wonders how different things might have been if “the Sheriff of the Street,” Eliot Spitzer, hadn’t been caught in a sex scandal and forced to resign as Governor. Two days before being outed in testimony before Congress and in a Washington Post op-ed, he accused the Bush administration of being a “partner in crime” with predatory lenders. He wrote:

“Several years ago, state attorneys general and others involved in consumer protection began to notice a marked increase in a range of predatory lending practices by mortgage lenders.”

“Not only did the Bush administration do nothing to protect consumers, it embarked on an aggressive and unprecedented campaign to prevent states from protecting their residents from the very problems to which the federal government was turning a blind eye.”

However, his comments were quickly buried, then forgotten after his sex scandal erupted, even though it’s widely known that well-heeled Wall Street and other corporate types have “kept a vibrant, upscale sex industry” thriving. What Schechter calls the “testosterone factor” is brought on by what experts call a sense of exuberance, a feeling of infallibility, and a sense of entitlement to engage in risky behavior, including with high-paid prostitutes. It’s the same euphoria gamblers feel when winning. They get addicted to the action and can’t stop.

## The Role of Regulators and Politicians

Wall Street predators profited hugely with complicit help from regulators, politicians, and prosecutors. Further, “The financialization (of the economy) did not just happen; it was engineered, projected as socially beneficial ‘modernization’ and innovation” at the same time industrial capitalism was eroding because operations were offshored to cheap labor markets.

Financialization is ripe for plunder and fraud under a system favoring bigness, lax regulations, prosecutorial weakness, and FIRE sector companies and high-powered lobbyists’ influence buying from criminally complicit politicians.

They got:

- Glass-Steagall repealed;
- the Commodity Futures Modernization Act that licensed high-risk derivatives speculation;
- off-balance sheet accounting chicanery to hide financial liabilities;
- the SEC letting investment banks be self-regulating;
- an overall regulatory climate conducive to widespread fraud and abuse;
- new rules to let commercial banks determine their own capital reserve requirements;
- federal bank regulators empowered to supersede state consumer protection laws, thus facilitating predatory lending;
- new federal rules preventing victims of abusive loans from suing firms that bought them from issuing banks;
- antitrust laws weakened or abandoned and the door opened to “too-big-to-fail megabanks,” and
- much more, creating opportunities for the worst kinds of fraud and abuse with virtually no government oversight to stop it.

Worse still, it persists under Obama in more extreme forms with plans for greater global reach and dominance creating new opportunities for plunder. According to Michael Hudson, “It looks as if as little will be done to (curb) financial fraud as will be done to the Guantanamo torturers and the high-ups who condoned their actions.”

Or as Schechter explains:

“Is economic justice even possible under circumstances riddled with so many banksters still in charge and tangled up in so many conflicts of interest? In this environment, can we look forward to any serious fraud or prevention effort, much less a mass prosecution?”

That said, can reckless speculation be halted or will it continue unabated, followed by

greater boom and bust cycles until the entire system implodes in an inevitable collapse after which no recovery is possible and most people are left impoverished and on their own because government did nothing to stop it.

## Judgment Day

On September 15, Bloomberg News quoted Fed chairman Ben Bernanke saying "...from a technical perspective the recession is very likely over at this point..." The dominant media agree, with commentators like CNN's Lou Dobbs stating months ago that the economy was improving and the recession would soon end. Others disagree, including former insider Nomi Prins saying:

"This economic cycle is not finished going downward. We are in the beginning of 2009. We've seen a decimated 2008. It's not getting better anytime soon."

According to economist Max Wolff:

"Sadly there is evidence that we're going to flush our tax dollars and our opportunity down the toilet to rebuild an unfair system that rewarded only the top at the expense of everybody and was fundamentally unsound."

Longtime market analyst Bob Chapman sees no recovery ahead "even with an official \$23.7 trillion committed by the Treasury and the Fed....(Yet) we hear fairy tales of recovery in the US, Europe and Asia." Chapman sees the worst of times ahead and many dark years before returning to normality.

Leading monetary analyst Professor Tim Congdon explains that money and credit in America have been contracting at a pace comparable to the Great Depression. "There has been nothing like this in the USA since the 1930s. The rapid destruction of money balances is madness."

Economist David Rosenberg is also worried because "For the first time in the post-WW2 era, we have deflation in credit, wages and rents and, from our lens, this is a toxic brew."

Worse still, Wall Street is more powerful and rapacious than ever. Speculation remains unabated. New bubbles are being inflated with a "whole new wave of criminal" fraud, according to investigative journalist Gary Weiss. Even so, top financial officials have escaped prosecution. Instead, beleaguered households have been hung out to dry, while meaningful reforms aren't coming because "financial sector lobbies appear stronger than ever." As a result, business as usual continues accompanied by the kind of Washington and media cheerleading we've grown accustomed to hearing.

Absent is any concern for the common good when more than ever the business of America is big business with a strategic long-term plan for co-opting world governments, waging permanent wars for profit, dominating everywhere militarily, ending social safety net protections, crushing civil liberties and freedom, tolerating no concern for human rights, controlling global markets and resources, turning workers everywhere into serfs, and extracting, unimpeded, as much public wealth as possible.

That's America's future with no simple solutions in sight. Yet more than ever the old order



must be stopped or a far greater calamity is coming than The Crime of Our Time.

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