The "Other Reason" Why the U.S. is Not Regulating Wall Street

Financial Giants Overshadow Governments

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Sure, American politicians have been bought and paid for by the Wall Street giants. See this, this and this.

And everyone knows that the White House and Congress – while talking about cracking down on Wall Street with strict regulation – have actually watered down some of the most important protections that were in place.

For example, Senator Cantwell says that the new derivatives legislation is weaker than the old regulation. And leading credit default swap expert Satyajit Das says that the new credit default swap regulations not only won't help stabilize the economy, they might actually help to destabilize it.

But the U.S. is not being sold out in a vacuum.

On March 1, 1999, countries accounting for more than 90 per cent of the global financial services market signed onto the World Trade Organization's Financial Services Agreement (FSA). By signing the FSA, they committed to deregulate their financial markets.

For example, by signing the FSA, the U.S. agreed not to break up too big to fails. The U.S. also promised to repeal Glass-Steagall, and did so 8 months after signing the FSA.

Indeed, in signing the FSA and other WTO agreements, the U.S. has legally bound itself as follows:

> • No new regulation: The United States agreed to a "standstill provision" that requires that we not create new regulations (or reverse liberalization) for the list of financial services bound to comply with WTO rules. Given that the United States has made broad WTO financial services commitments – and thus is forbidden by this provision from imposing new regulations in these many areas – this provision seriously limits the policy [options] available to address the current crisis.
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> • Removal of regulation: The United States even agreed to try to even eliminate domestic financial service regulatory policies that meet GATS [i.e. General Agreement on Trade in Services] rules, but that may still "adversely affect the ability of financial service suppliers of any other (WTO) Member to operate, compete, or enter" the market.
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> • No bans on new financial service "products": The United States is also bound

> to ensure that foreign financial service suppliers are permitted "to offer in its territory any new financial service," a direct conflict with the various proposals to limit various risky investment instruments, such as certain types of derivatives.
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> • Certain forms of regulation banned outright: The United States agreed that it would not set limits on the size, corporate form or other characteristics of foreign firms in the broad array of financial services it signed up to WTO strictures …
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> • Treating foreign and domestic firms alike is not sufficient: The GATS market-access limits on U.S. domestic regulation apply in absolute terms; that is to say, even if a policy applies to domestic and foreign firms alike, if it goes beyond what WTO rules permit, it is forbidden. And, forms of regulation not outright banned by the market-access requirements must not inadvertently "modify the conditions of competition in favor of services or service suppliers" of the United States, even if they apply identically to foreign and domestic firms.

In other words, the problem isn't just that Congress and the White House have sold out to the Wall Street giants.

The problem is also that the U.S. has signed WTO agreements that have given the keys to the too big to fail, and have neutered their regulators. Even if some politicians tried to stand up to Wall Street – or even if we "through out all of the bums" currently in political roles – the U.S. would still be locked into the WTO's scheme for helping the financial giants to grow ever bigger and to take ever-bigger and ever-riskier gambles.

Indeed, the financial giants are pushing hard for further deregulation, demanding that the WTO's "Doha round" of agreements be signed.

On the other hand, if the American people stood up for our sovereignty and demanded that the financial giants be reined in, it would be easy to fix the WTO agreements which the U.S. has already signed. Public Citizen notes, "as a legal matter, these problems are easy to remedy …"

Will the American people stand up and demand that the WTO deregulatory scheme be rolled back?

Or will we continue to let the financial giants destroy our country through buying and selling politicians (with the help of the Supreme Court) and forcing us into more and more draconian WTO treaties which destroy our sovereignty altogether?

Many people assume that they just have to hang in there until things improve. But the powers-that-be are grabbing more and more power and – unless we stand up to them – they will take it all.

As highly-regarded economist Michael Hudson, Distinguished Research Professor at the University of Missouri, Kansas City, who has advised the U.S., Canadian, Mexican and Latvian governments as well as the United Nations Institute for Training and Research, and who is a former Wall Street economist at Chase Manhattan Bank who helped establish the world's first sovereign debt fund) said:

> "You have to realize that what they're trying to do is to roll back the Enlightenment, roll back the moral philosophy and social values of classical political economy and its culmination in Progressive Era legislation, as well as the New Deal institutions. They're not trying to make the economy more equal, and they're not trying to share power. Their greed is (as Aristotle noted) infinite. So what you find to be a violation of traditional values is a re-assertion of pre-industrial, feudal values. The economy is being set back on the road to debt peonage. The Road to Serfdom is not government sponsorship of economic progress and rising living standards, it's the dismantling of government, the dissolution of regulatory agencies, to create a new feudal-type elite."

And Foreign Policy magazine ran an article entitled "The Next Big Thing: Neomedievalism", arguing that the power of nations is declining, and being replaced by corporations, wealthy individuals, the sovereign wealth funds of monarchs, and city-regions.

We either stand up, or we slip back into a darker age.