Timeline of Financial Collapse on Wall Street

On The Third Anniversary Of The Crash Of The US Economy

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We live in the United States of Amnesia and selective memory. As we debate the breaking news, we easily forget the sequence of events that broke the bank and left us broke.

Three years ago, when the idea of an Obama presidency was still a fantasy in polite company, a non-seismic financial earthquake began to rumble in ways we then could barely anticipate. Buildings didn't fall as they did in Haiti's nightmare, only a financial system. And, there are still piles of rubble everywhere here, too.

It was August 2007, and I was blogging about the coming economic collapse even as it appeared that our economy had nowhere to go but up.

What began with a few 'incidents:–the collapse of New Century Financial, the demise of Bear Stearns, turned into a nonstop month-long drama of economic convulsion as fear turned into panic with calls for intervention. Slowly, like an apple being peeled, the truth got more apparent the closer you got to the core. Suddenly, a crisis that many had warned about or feared was beginning to erupt. In August, it exploded, ruining many a Hedge Fund manager's vacation in the Hamptons.

Armies of too clever by half money managers had been making a fortune feeding off the housing bubble with practices that are now being characterized as "outright fraud" by none other than President Bush's chairman of the Federal Reserve. Most of their wheeling and dealing flew under the radar of public scrutiny with the press bolstering the rise of the stock market without examining the precarious "infrastructure" under that

"STREET."

A week earlier, Credit Suisse predicted a big stock market fall in 6 months because securities were overvalued. The Fed warned of $l00 billion in credit losses. The Guardian reported, "Some analysts said they feared a broader credit crunch if a collapse in confidence in the US mortgage market rippled out to other parts of the debt markets." A New York Post article suggested that over two TRILLION dollars was at risk. Of course, all of this was offered as speculative.

Now we know, all of these estimates understated the calamity, often by a factor of ten.

I went to a dinner party early in August and met a financial executive who worked at one of Wall Street's top investment firms. He acknowledged to me that the people shoveling out those sub prime loans KNEW many of the borrowers couldn't afford to pay back. They knew what misery they'd cause, but that didn't stop them.

I asked: "So, what happened to due diligence?" one of the "market disciplines" that these bankers are always preaching?

He shrugged, indicating that there was so much to be made that normal safeguards and standards were pushed to the side or forgotten. He says there were many internal investigations underway then. I thought, how can we allow them to investigate themselves?

And then it happened, in August, the dog days of summer, when, as if in accord with the law of gravity, what had gone up started coming down.

AP reported: "NEW YORK (AP) — Wall Street suffered one of its worst losses of 2007 Thursday, leading a global stock market plunge as investors succumbed to months of worry about the mortgage and corporate lending markets."

On August 9th, President Bush met the press to reassure us all was well on the Wall Street front. He was asked about market "volatility" which is how the meltdown was then described.

He prattled on, arguing, "the fundamentals of our economy are strong. I mentioned some of them before. Job creation is strong. Real after-tax wages are on the rise. Inflation is low. Interestingly enough, the global economy is strong, which has enabled us to gain more exports, which helped the second quarter growth numbers to be robust, at 3.4 percent.

Another factor one has got to look at is the amount of liquidity in the system. In other words, is there enough liquidity to enable markets to be able to correct? And I am told there is enough liquidity in the system to enable markets to correct."

Note, he repeated what he "was told." And then he told us.

Few believed it.

While these message points rolled off the "decider's" teleprompter, a trader was commenting on his meandering press conference on the financial website Ml-Implode in real time:

> "He's being hit with a lot of questions on mortgages, credit crisis, and the economy … and of course the economy is 'in for a soft landing', he's been assured by the treasury that 'there is plenty of liquidity,' yadda-yadda-yadda.
>
> "But he is stumbling over his words more then usual, not making eye contact, not finishing his sentences … and when he wanders a bit, he quickly goes back on script. It is very odd to watch, to say the least."

Historian Carolyn Baker was one of the few bloggers I read arguing that such double talk was all too common and that we all must become more engaged with these issues

She also noticed that few in the left-liberal end of the political spectrum had a firm grasp on economic issues "which I suspect comes from a fundamental polarization between activism and financial intelligence." Baker began stressing "the role of fraud, theft, and malicious intent in the American and global financial train wreck which has been exacerbating."

We would see that word “train wreck” more in the weeks to come.

This account is from my book PLUNDER: Investigating Our Economic Catastrophe (Cosimo Books). It couldn’t have been more timely but it was largely ignored. It came out a week before Lehman Brothers collapsed at a time when some media outlets were forecasting an upswing.

I went on to investigate the pervasive criminal activities that led to the collapse for a new film and companion book.

Three years later, while this issue has been touched on, it is still largely ignored in most of our media with few bankers and financial manipulators being prosecuted for the shady deals that sank the economy. The consensus among those involved is the collapse was the result of a series of “mistakes.”

And yet, the Wall Street Journal just reported that “Gangsters, drug dealers and money launderers appear to be playing their part in helping shore up the financial stability of the euro zone.” How? By using high denominated notes. Admits the chief economist at Citigroup, these high-value bills are “making the euro the currency of choice for underground and black economies, and for all those who value anonymity in their financial transactions and investments.” How blatant is this? How pervasive?

Few today want to go back to that summer, just three years ago, when the financial spill began with a gusher of anxiety that led to the bailouts that so many hate now but supported then. Fortune Magazine wrote at the time, “Wall Street loves to talk about letting financial markets weed out the weak. But when the Street itself gets in trouble, it sticks out its little tin cup, asking for help. And gets it.”

At the time, a reader wrote prophetically to the Wall Street Journal, criticizing its tendency “to emphasize the positive,” warning:

> “Things will get worse before they get better…This is a house of cards that our leaders are trying to segment. It isn’t a sub prime problem, it isn’t a foreclosure problem, it isn’t a mortgage problem, a bond= market problem, a hedge fund problem, or a bank problem…This is a= full systematic collapse of our economy… The problems are masked and hidden throughout every layer of our economy…being too slow to react will only compound this problem as it builds momentum …We have no idea how bad this is really going to get.”

Three years later, we still don’t. The recovery has not recovered. All is “stalled” to use the phrase du-jour. The growth curve is flat. Long-term joblessness stalks the land and rising as are bankruptcies while foreclosures multiply. College debt is off the charts. Consumer confidence is down while the trade deficit is up. (President Obama is desperately boosting sales of US weapons overseas.) The housing outlook is miserable. Fed-hed Ben Bernanke is moving from rational explanations to talking about “economic mysteries.” Sounds mystical. The Financial Times says “drivel” is spreading in the world of finance.

In some ways the financial crisis is like the BP oil spill. Suddenly all the oil has disappeared—thanks to the abuse of dispersants. Wrote a friend, “Same goes for the financial debacle. Now are being told “everything’s fine”, as the authorities have thrown trillions at the problem to shore up our insolvent banking system. But it’s still all toxic below the surface, under a thin veneer of normalcy."

There has still not been a real hard-hitting public investigation of the forces behind this meltdown like the one led by the Pecora Commission during the New Deal. What we have had is more like an academic inquiry than a Watergate-style set of hearings.

The media largely narrows the issues and looks away distracting us with games of celebrity sensation and partisan ping-pong. The public remains angry, but in Paul Krugman's word, "unfocused."

Three years later, in an August like that one, I feel like I am still raving and ranting about the crimes of Wall Street in films, blogs, commentaries and books with few paying attention and even fewer organizing to stop it. Why is that? Perhaps, it's time to give up.

I guess many still believe that if we close our eyes, it will all go away.

Dream on. I wonder if that phrase "the silence of the lambs" was prophetic?

*News Dissector **Danny Schechter** made Plunder The Crime of Our Time, now available on DVD with a companion book. Comments to dissector@mediachannel.org*