Banking by John Hoefle

Wall Street 'Reform'

Meet the new crooks in the world of finance—they're the same as the old crooks.

Reform is in the air on Wall Street, as both the financiers and their nominal regulators promise to end the era of corporate scandals and predatory practices, and usher in a strict new era of ethical behavior, honest dealing, and service to the public. Reform is in the air—and the stench is overpowering.

Let us be blunt: The current reform is no reform at all. Rather, it slaps a few prominent wrists, accompanied by the sacrifice of a few minor players. Behind the scenes, the central bankers—and the financial interests which control the central banks—are increasing their control. The foxes are moving in to defend the henhouse, and reassure all us chickens that we are safe.

While public attention is focussed on the soap opera of crime, punishment, and reform, the bankers' men are moving in to make sure that the international financial oligarchy, not sovereign governments, controls the levers of power as the system collapses. It is not exactly a coup, because the bankers largely run the show already, but it certainly isn't reform.

Take, for example, the vaunted $1.4 billion settlement announced on April 28 between Federal, state, and market self-regulators, and ten of Wall Street's biggest firms—Citigroup's Salomon Smith Barney, Merrill Lynch, Credit Suisse First Boston, Morgan Stanley, Goldman Sachs, J.P. Morgan Chase, Lehman, UBS, Bear Stearns, and US Bancorp's Piper Jaffray. The agreement settles a number of investigations into blatant and egregious conflicts of interest among the firms involved, over the use of stock research and ratings as a marketing tool, and the allocation of shares of initial public offerings (IPOs) to win clients and influence.

The issue is not so much that the firms were engaging in such activity—it was obvious to anyone who looked, that their Internet and telecom reports were hype, designed to feed the bubble—but that regulators waited until the stock market bubble popped before taking any action. They did nothing while the money was flowing in; rather than protecting the public, the actions seem designed more to allay fears, in the hope of luring the suckers back in for another round of looting.

The fines involved are relatively trivial—about 7% of last year's revenue for the firms involved, and far less than the money they made from such shady practices. The biggest losers in the deal were Merrill analyst Henry Blodget and Salomon analyst Jack Grubman, both of whom face millions of dollars in fines and lifetime bans from the securities business.

In the long run, the settlement may even prove beneficial to the firms, allowing them to downsize their expensive and increasingly superfluous research arms as they ride the markets down.

"Reform" is also under way in the accounting world, where current and former Federal Reserve officials are taking command to make sure that the world remains safe for the rich.

On the international level, former Fed Chairman Paul "Controlled Disintegration" Volcker is chairman of the board of trustees of the International Accounting Standards Committee, which is attempting to write new, global accounting standards. It was the IASC's Volcker who took command at Arthur Andersen during the height of the Enron scandal, to make sure that the truth about Andersen's role remained buried, and to shape the nature of the reform.

Another Fed official, longtime Federal Reserve Bank of New York President William McDonough, has been tapped to chair the new Public Company Accounting Oversight Board, created by Congress in the aftermath of the Enron et al. scandals. As the head of the New York Fed, McDonough has been a key player in international finance, including his role in orchestrating the 1998 bailout of Long-Term Capital Management. He is also a director of the Bank for International Settlements and chairman of the Basel Committee on Banking Supervision.

The man who appointed McDonough is William Donaldson, who became chairman of the Securities and Exchange Commission in February. Donaldson was a co-founder of the Donaldson, Lufkin & Jenrette (DLJ) investment bank, now owned by Credit Suisse. DLJ appears to be closely linked to the Rothschild/Lazard circles which helped steer the activities of Enron, WorldCom, and others.

Behind the web of public companies that most people view as Wall Street, lies an interlocking complex of private merchant banks and giant insurance and reinsurance companies, which are controlled by the *fondi*—the family funds of the financial oligarchy, the top level of organized crime in the world. They create and discard frontmen as necessary to hide their hand, replacing one group of assets with another when, as now, it is convenient. Meet the new crooks, the same as the old crooks.