Who’s Sorry Now?

People around world look to the U.S.A. as a beacon of hope. It’s been that way for a century or more. To what extent, however, are the shenanigans on Wall Street, and by Goldman Sachs in particular – the current bête noire - turning the dream into a nightmare?

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“For the fact is that much of the financial industry has become a racket.” (Paul Krugman, as quoted in the NY Times, April 19, 2010)

There’s been **a storm raging** across much of the Australian media recently, enough to push other tabloid news to page three and beyond. And, it started on Monday, April 19, just about the same day **the Goldman Sachs fiasco** emerged in the U.S.A.

The difference, however, between the Australian story and that unfolding in the U.S.A. tells you everything you want to know about what’s most important to each country: **in Australia, sport is king; in the U.S.A., it’s money.** In Australia, the perpetrators of the fraud *will* suffer significant fines, and some will go to jail, probably; from a global perspective, nothing much will change, however.

That’s not the case with the Goldman Sachs fiasco in the U.S.A. They’ve had their way. But, will they pay? While there is much still in doubt about how it will all unfold, many financial and government eyes around the world are now riveted upon the whole mess, attesting further to the power of money.

Having *that* sort of power is nothing to sneeze at; but it’s not something to cheer about when the greed virus in global financial markets runs amok, encouraging dishonest players to con other investors into betting on junk mortgage securities, derivatives or other complex financial finagling.

So, I’m certainly not one to champion those *Masters of the Universe* (surely the most ironic oxymoron ever concocted). But need I say: “I’m shocked” – as Captain Louis Renault in ***Casablanca*** said to Rick Blaine – “shocked to find that gambling is going on in here!”? As he speaks, the good Captain is pocketing his winnings, of course….

Should *anybody* be shocked that bankers gamble with other people’s money? It’s what they do. And the entire stock market is the biggest continuous gamble of all. But, bankers do provide *some* services with your money, after all. By the time the Goldman Sachs debacle is resolved, however, you might well think the financial whiz kids at Goldman have been on their version of ***Lost Highway***. Frankly, I think they *have*, along with many other so-called Masters.

But it’s all enough to send other gamblers up the wall, while also sending them *to* the wall, right? Even **President Obama doesn’t like** what’s happened; and if you watched Senator Sam Levin, on PBS News today (April 27), you could see and hear just how shitty he was about the whole shebang.

Hence, I don't think I'm being too cynical to ask: Did a few investors forget the most important piece of advice - ***caveat emptor*** - when trading in anything?

When I read the **first story on April 18**, it seemed to me that Wall Street was once again shown to be operating in the manner it always has: trading both ends, the long and the short, to keep fleecing billions from unwary suckers. No surprises here, I thought: the usual dirty suspects playing the usual dirty game.

The next day, **Paul Krugman's expert opinion** zeroed in on what obviously needs to be done: fix the cause (not enough regulation and oversight), not the symptom (greedy human nature and outright dishonesty – way, *way* beyond help there). To that end, the Obama administration is desperately trying to get Senator Dodd's Finance Reform Bill through the senate, and get that oversight and regulation sealed in, but it's being stonewalled everyday, so far, by you-know-who (the G.O.P.), ably abetted by **a swarm of lobbyists**.

The rhetoric mushroomed in the following days. On April 20, **Roger Lowenstein** – author of *The End of Wall Street* – argues that "In a free-market economy, we want people making considered calculations of risk" but we also want to make sure that "all derivatives trade on exchanges and in standard contracts" thereby ensuring complete transparency with such instruments. Good luck, I thought. Also, on that day, a trio of Washington Post writers provided **an excellent summary of the history** leading up to the S.E.C. decision to proceed with the case against Goldman Sachs. After reading that, you might think that this whole eyesore is more about saving face than saving money because a court battle "could offer a chance for both sides to restore their reputations after they were sullied during the financial crisis."

Also on April 20, **a Washington Post editorial** laid out some home truths about financial dealings on Wall Street and the apparent inadequacies of the S.E.C.; but hedged its bets – oops! – at the outset, with its first claim: "You can't run a fair market with a rigged abacus." That 'abacus' reference is a so-so pun about the bundled bet – called Abacus Investments – that trader John Paulson allegedly concocted for Fabulous Fab Tourre of Goldman Sachs to sell to those unwary(?) investors.

Moving on, though, in the next twenty-four hours, **Harold Meyerson** noted that "The odds against real reform are still steep", particularly regarding the question of derivatives; and **Sebastian Mallaby** raised questions about who is really at fault; and is also another who urges the swift passage of the regulatory bill in the senate. I can't agree more about the second, but the question of fault is problematic, to say the least.

As we moved through the week, Paul Krugman weighed in again on April 23 with a piece that advised us to **Don't Cry for Wall Street**. I'm not about to, that's for sure. Seriously, who would? But he made crucial distinction about the need to make any reform good for the country, and not primarily for Wall Street bankers. Who, on Main Street, will argue with that? Because Main Street is the real country, is it not?

Something akin to an echo of that thinking is also found in **Robert Samuelson's analysis** which concludes with the somber warning that "…if Wall Street can't control itself, someone else will." Meaning, of course, the regulatory reform bill now straining to get going. Mr Samuelson is certainly a champion of the free market, but even he recognizes the worthlessness of the Wall Street working week that comes down to this: "If buyers and sellers can be found, we'll create and trade almost anything, no matter how dubious."

So, where's the bulls-eye? Well, Paul Krugman compares the bankers to racketeers, as a concluding opinion in his first oped quoted above. Mr Samuelson, however, is more precise: in his view, Wall Street's function used to be to help "allocate society's savings to productive uses". Now, however, the "model is more permissive" with "Wall Street's major firms now [seeing] themselves as captains of "the market," navigating it -- for themselves and sometimes their clients -- for maximum gain."

In a nutshell, these bankers aren't just playing with your money – sometimes productively – they're now playing with it to no useful social purpose whatsoever. Shoot, that's just what Al Capone, Frank Nitti and a lot of other gangsters did during the Depression – what with all their wild parties, big mansions, big cars, and big cigars! So – maybe Krugman's right?

Now towards week's end, there are signs that the Republicans are finally getting the message. First the NY Times lambasted the money changers with **a stinging editorial** that they're just "stacking the deck", among other things, while **the editors at the Washington Post** offered calculated support for "the financial reform legislation" so that it's possible to "move more derivatives to clearinghouses and exchanges" – all to make the market work more smoothly.

But did Goldman Sachs do anything illegal? That's a fundamental question with prodigious financial implications. For what it's worth, according to former **President Bill Clinton**, probably not, as you will learn from his video commentary. Interestingly, Mr Clinton's ruminations echo closely Mr Samuelson's assessment, quoted above.

However, having been involved with the banking industry's IT divisions since the late 1960s – with all that implies – I can assure you that the inside joke has *always* been that **you just can't trust bankers**. You hear that sort of opinion on Main Street also. Hence, Goldman Sachs has conclusively provided public acknowledgement of what many have known for decades – if not centuries.

But, unwittingly, Goldman Sachs has done even more damage: by treating its customers as jokes and not *just* the American public with contempt, it's promoting an image of a resurgent **Ugly American**, now plundering global finances *and* countries for private gain; and, in the process, making an ironic and cruel joke of those iconic words **E Pluribus Unum** on each American dollar bill. Because, apparently, the only One that Goldman Sachs thinks about is Goldman Sachs. Unhappily, they're not alone: a long list of bankers think and act in the same way, as we all know by now.

So from the perspective of other countries and cultures, a persistence in that mode of behavior simply reinforces to the world, in general, that America is, nakedly, just the Land of Me! and the Home of the Knave.

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