

Why aren't the Wall Street criminals prosecuted?

By Barry Grey
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In May 2012, only days after JPMorgan Chase's Jamie Dimon revealed that his bank had lost billions of dollars in speculative bets, President Barack Obama publicly defended the multi-millionaire CEO, calling him "one of the smartest bankers we've got." What Obama did not mention is that Dimon is a criminal.

The *New York Times* reported Sunday that the government will shortly announce the latest in a long list of sweetheart settlements with Wall Street banks involved in criminal wrongdoing. Federal regulators and prosecutors will, as early as this week, make public a "deferred prosecution" deal letting JPMorgan and its top executives off the hook for their complicity in the \$20 billion Ponzi scheme run by disgraced financier Bernie Madoff.

In return for payment of some \$2 billion in fines, the biggest US bank and its CEO will be allowed to avoid a criminal indictment or admission of guilt, even as they acknowledge the government's list of illegal actions carried out by the bank during its twenty-year relationship with Madoff.

There is ample evidence, including internal emails from senior executives, proving that top management was well aware that Madoff, who kept his firm's accounts at JPMorgan, was running a scam. Madoff himself, in a 2011 interview from prison, said, "There were people at the bank who knew what was going on."

JPMorgan chose not to warn US regulators and to continue its lucrative relationship with the Ponzi schemer. (See: "US in sweetheart deal with JPMorgan over complicity in Madoff Ponzi scheme"). This is a violation of federal laws, including the Bank Secrecy Act.

The settlement amounts to an acknowledgment that Dimon was a criminal co-conspirator with Madoff. Yet Madoff has been sentenced to 150 years in prison, while Dimon is going scot-free.

Dimon and his bank were complicit in a fraud that cost thousands of retirees their life savings and bankrupted a number of charities. But this is only a small part of the human tragedy and social carnage from multiple swindles

and frauds carried out by JPMorgan.

Over the past two years, Dimon's bank has settled charges that it palmed off toxic mortgage securities on false pretenses, filed false reports to conceal over \$6 billion in losses from soured derivatives bets, manipulated energy prices, forged foreclosure documents to force families out of their homes, charged credit card holders for services it did not provide, and defrauded pension funds and other institutional investors.

It is currently being investigated for its role in rigging Libor, the global benchmark interest rate, and bribing Chinese officials.

JPMorgan is not the exception; it is the rule. Virtually every major bank that operates on Wall Street has settled charges of fraud and criminality on a staggering scale. In 2011, the Senate Permanent Subcommittee on Investigations released a 630-page report on the financial crash of 2008 documenting what the committee chairman called "a financial snake pit rife with greed, conflicts of interest and wrongdoing."

These multiple crimes by serial lawbreakers have had very real and very destructive consequences. The entire world has been plunged into an economic slump that has already lasted more than five years and shows no signs of abating. Tens of millions of families have lost their homes as a result of predatory mortgages pushed by JPMorgan and other Wall Street banks.

The collapse of the housing and credit markets in 2007-2008 as a result of rampant speculation and fraud has bankrupted entire countries—Greece, Ireland, Iceland and Spain, to name a few. Detroit and other cities have been thrown into bankruptcy as a result of bankers' machinations.

Governments all over the world have used the economic crisis as an opportunity to carry out a relentless assault on the working class, ripping up the social gains achieved in the course of a century of struggle. Millions of lives have been destroyed by homelessness, hunger and disease as a result of the practices of the Jamie Dimons of the world.

And while billions of people have grown poorer, Dimon and his fellow plutocrats have grown richer than ever. Their banks, shielded by bribed politicians, regulators and governments, have raked in record profits, subsidized by trillions in taxpayer bailouts and virtually free cash provided by the Federal Reserve.

Dimon was paid \$23.1 million in 2011 and \$11.5 million in 2012, adding to a personal fortune that is in the hundreds of millions.

With the \$2 billion in fines to be levied in the Madoff settlement, JPMorgan will have paid out \$20 billion in legal costs just over the past year. The scale of the fines is an indication of the colossal dimensions of the crimes committed by the bank, but they represent only a small fraction of the immense wealth it controls. The fines have been calibrated by the Obama administration, in negotiations with Dimon, to avoid threatening the bank's viability.

JPMorgan, which has reported more than \$20 billion in annual profits over the past several years, boasts that it has set aside \$28 billion to cover fines and legal costs. As of July 2011, it had \$244 billion cash on hand.

All of the criminal activities of the bankers, and the resulting social devastation, have been motivated by personal greed. These are parasites whose behavior can be described only as sociopathic. Dimon and his like do not even remotely contribute to the betterment of society.

Corruption is nothing new to American capitalism. But unlike the robber barons of past eras, today's plutocrats are not associated with the development of the productive forces, such as steel and auto. People like Dimon make their fortunes from the manipulation of money—chiefly other people's money. The criminality that pervades capitalism today is bound up with activities that are entirely parasitic and destructive of the productive forces.

More is involved here than subjective personality traits. Dimon and his counterparts on Wall Street are personifications of a system characterized by staggering levels of social inequality. The criminality they exhibit is the inevitable manifestation of a society where the richest 0.1 percent control 10.3 percent of income, and the wealthiest 1 percent control 35 percent of the wealth. Such levels of inequality shape the legal and political structures and are ultimately incompatible with democracy.

Not a single Wall Street bank or leading banker has been criminally indicted and prosecuted, let alone jailed, for his or her crimes. That this is the result of a deliberate policy on the part of the Obama administration was spelled out last March by Attorney General Eric Holder. Testifying before the Senate Judiciary Committee, Holder explained that the federal government chooses not to prosecute top bankers because "if we do bring a criminal charge, it will have a

negative impact on the national economy, perhaps the world economy."

This is an admission that the Wall Street parasites are above the law. What prevails in America is not democracy, but a revival of what in former epochs was called aristocratic privilege. Under feudalism, the aristocracy enjoyed immunity from the laws that applied to ordinary people. Today's financial aristocracy is, in practice, similarly immunized.

This is a country where 2 million people are behind bars. Every day people are hauled into court and thrown into jail for committing crimes whose principal cause is economic destitution. American society is remorseless in its treatment of the poor, but infinitely forgiving when it comes to the atrocities of the rich.

It is this reactionary social layer that controls the levers of political power, from the White House to Congress and the courts. It dominates the major political parties and bribes its representatives. It owns the mass media.

The bankers cannot be called to account for their crimes because they control the political system and because criminality has become an essential feature of the US and global financial system. To attack any part of it threatens to unravel the entire rotten edifice.

It is the task of the working class to break the stranglehold of the financial plutocracy. This is a revolutionary task. Financial fraud and criminality are embedded in the very structure of the capitalist system.

The working class must organize itself independently in a struggle against the financial elite and all of its parties and institutions. It must expropriate the vast wealth obtained by the bankers through illegal and antisocial means and use it to provide jobs and social services to the masses of people. This is the only basis for bringing criminals like Jamie Dimon to justice.

This is just the starting point for a fundamental restructuring of society. The subordination of the financial system to the personal accumulation of wealth must be ended. The banks and major corporations must be taken out of private hands and placed under public ownership and democratic control, so that they can be used as instruments of international economic planning, as part of a socialist economy geared to human need, not private profit.

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