Jailing Bankers

By Mel Lavine

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In the fallout from the savings-and-loan fiasco of the late 1980s, more than 1,000 bank and thrift executives were convicted of felonies. But, we're told, the rate of prosecutions for financial fraud today is less than half of what it was 25 years ago.

Last year, Chares Ferguson, the director of "Inside Job," while accepting his Oscar for the best documentary, complained, "Forgive me, I must start by pointing out that three years after our horrific financial crisis caused by financial fraud, not a single financial executive has gone to jail."

That may no longer be true. This year a major mortgage lender was convicted of conspiracy, sentenced to 30 years in prison, and, as of January, was seeking a retrial.

Last week in an Op/Ed piece in the New York Times, Phil Angelides, a former state treasurer of California and the Democratic candidate for governor in 2006, (he lost to Arnold Schwarznegger) asked, “Will Wall Street Ever face Justice?” Angelides chaired a bi-partisan commission set up by Congress in 2009 to study events that led to the collapse of financial markets the year before.

What triggered the article was a speech by Attorney General Eric H. Holder. In his remarks, Holder asserted that in fighting financial fraud the Obama administration’s “record of success has been nothing less than historic.”

Not so, dissented Angelides. Americans have “a gnawing feeling that justice has not been served.”

He wrote: “Claims of financial fraud against companies like Citigroup and Bank of America have been settled for pennies on the dollar, with no admission of wrongdoing. Executives who ran companies that made, packaged and sold trillions of dollars in toxic mortgages and mortgage-backed securities remain largely unscathed.”

Further, he said, his commission was given only “meager resources” to do its work although trillions “in household wealth” were lost in what Angelides described as a “financial assault on our country,” resulting in an estimated 24 million jobless or underemployed.

A Senate investigating committee, he said, was also obliged to carry on with only a handful of staffers.

Nonetheless both investigations “turned over rocks and exposed disturbing financial practices,” and gave evidence of foul play to the Justice Department. But even in cases where evidence of fraud and misrepresentation was strong, “inexplicably,” Angelidas said, there is no sign that the government has launched a serious investigation “to thoroughly examine who knew what when at these banks.”

Angelides advocates a series of measures the government must take to permit a thorough investigation, pointing out that “it’s already been nearly eight years since the FBI’s now famous warning of an epidemic of mortgage fraud.” And added, “the American people need to believe that a thorough investigation has been conducted; that our judicial system has been fair to all regardless of wealth and power; and that wrongs have been righted.”

It’s hard to find fault with what Angelides is saying. But, the Lady Friend, for one, wonders why the United States has been unable to follow Iceland's example. She's said this ever since she heard the small democratic nation dealt with its banking crisis by jailing many of the bankers who broke their laws and deceived their people.

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