

# Taming High Finance: Why the Obama-Geithner Plan Won't Work

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*Abstract: Gerald Epstein describes the Obama-Geithner plan for financial reform as “mostly inadequate to the task.” Epstein reviews the plan point-by-point, indicating particular areas of concern and describing the current discussion among progressive economists on alternative approaches to each goal. He looks to a coalition of unions, economists, and concerned citizens to oppose the administration’s proposal, stand up to the pressure of banking lobbyists, and demand that President Obama deliver on his promise that “financial institutions that pose serious risks—systemic risks—to our markets should be subject to serious oversight by the government.”*

Within a month of taking office and facing growing popular anger at the banks that precipitated the current financial crisis (and at the federal government that had spent billions bailing them out), President Obama held a dramatic public meeting of his economic team and legislators from both parties. From the Oval Office, he laid out his economic priorities, emphasizing the need to reform financial regulation. “Among other things,” Mr. Obama said, “financial institutions that pose serious risks—systemic risks—to our markets should be subject to serious oversight by the government.” Pointedly, Mr. Obama warned bankers: “Executives who violate the public trust must be held responsible.”<sup>1</sup>

Following up on Obama’s declarations, Treasury Secretary Tim Geithner described an action plan for the financial sector. Laying out the massive problems created by inadequate financial regulation, Geithner affirmed that “address[ing] this [problem] will require comprehensive reform. Not modest repairs at the margin, but new rules of the game.”<sup>2</sup>

Yet by May 2009, there was widespread fear that the Obama administration’s re-regulation fervor had waned, and the push for strong re-regulation of finance had splintered and stalled. One key reason for the stalled reform is not hard to find: the financial lobby is fired up and its power is being felt across the political battlefield. It had prevented key housing legislation to allow bankruptcy court judges to alter mortgages to keep people in their homes; it had fashioned legislation on derivatives that would reduce restrictions; it had altered credit card holders’ protection legislation; and it was waging a major battle to broadly fashion financial reform to suit its own interests.

Still, it would be a mistake to see only the outside banking forces as dictating Obama’s financial policies. For the power of finance is also expressed by key insiders—notably Treasury Secretary Geithner and Chief Economist Lawrence Summers (to say nothing of “independent” Chairman of the Federal Reserve, Ben Bernanke)—who appear to be excessively tied to Wall Street. Summers pushed for crucial financial deregulation when he was in the Treasury Department during the Clinton administration, and earned more than \$5 million in payments from a hedge fund before joining the Obama team. As president of the New York Fed, Geithner was associated with the initial problematic bail-outs of Wall Street and did little to promote effective financial regulation in the build-up to the crisis. In making these appointments, Obama was evidently trying to win the confidence of Wall Street, a

well-traveled path for Democratic presidents. But by taking an approach dedicated to winning back the confidence of Wall Street, Obama risks losing the confidence of the American people.

Obama's supporters had been led to expect something different: a president who would stand up to finance, rather than be bowled over by their representatives from both inside and outside the White House.

Supporters have been so disappointed by Obama's approach to finance that when, on June 17, 2009, the administration finally released its long-anticipated (and deeply flawed) blueprint for financial reform (*Financial Regulatory Reform—A New Foundation: Rebuilding Financial Supervision and Regulation*), the commentary was primarily one of muted outrage, but not surprise. While the blueprint contains some potentially important reforms—especially a new Consumer Financial Protection Agency—it is mostly inadequate to the task, and even the weaker reforms are likely targets of the financial lobby's armies.

### **Re-Regulating Finance: How to Fix the Flaws in the Domestic Financial System**

While many fundamental economic problems led to the financial crisis, no one can deny the key role played by the fatally flawed system of financial regulation. This failed financial regulatory regime, in turn, was based on two principles: self-regulation and outsourcing. Self-regulation relies on market discipline by lenders and investors to manage the risks undertaken by financial institutions; outsourcing relies on using private, outside agencies like credit rating agencies, auditing firms, and accountants to provide information to investors, and to certify that financial institutions are meeting certain standards. Self-regulation is, of course, like asking the fox to guard the henhouse, as even Alan Greenspan has now admitted. Outsourcing—especially in the case of credit rating agencies—has been ineffective and riddled with conflicts of interest. The credit rating agencies Moody's, Standard and Poor's, and Fitch were being paid by the very same investment banks that needed the AAA ratings in order to sell the toxic securities widely. This allowed both the credit rating agencies and the large banks to make massive profits while spreading toxic securities around the world. As Gillian Tett reports, in 2005, Moody's was getting almost half of its revenues from rating such securities.<sup>3</sup>

A consensus is emerging among progressive economists about how the financial system collapsed and how to avoid a repeat of the crisis.<sup>4</sup> Interestingly, the Obama administration's analysis of the causes of the financial crisis, and the key regulatory changes that are necessary to address them, bear—with some exceptions—a resemblance to this progressive consensus.<sup>5</sup> In fact, the administration's proposed new Consumer Financial Protection Agency embodies many of these principles and, if implemented as written, these ideas could have real regulatory bite and bring about significant improvements in key areas affecting workers and families. Unfortunately, a close analysis of the remaining parts of the administration's "New Foundation" reform blueprint reveals that the administration has developed a set of proposals that are weak and porous: they leave enormous gaps in the regulatory framework, and they focus primarily on improving information to enhance "market discipline" and on voluntary behavior based on governmental "guidance," rather than on strictly enforced regulations. And, for the most part, where proposed regulations are more directive, they have large loopholes. Most importantly, none of the proposals address the fundamental problems of democratic accountability of regulatory authorities, including the Federal Reserve. Without this accountability, it will be very difficult to change the practice by which these authorities only weakly enforce the regula-

tions that are on the books, while occasionally issuing administrative rulings that virtually gut the rules altogether.

### **The Obama/Geithner Financial Reform Plan**

The Obama/Geithner blueprint is structured around five goals:

#### **1. Promoting robust supervision and regulation of financial firms.**

##### *a. Reduce regulatory complexity, overlap, and room for regulatory arbitrage*

Early on, the Obama administration identified an excessively complex regulatory regime with multiple regulatory authorities as a key problem hindering effective regulation. This allowed financial institutions to find gaps in regulatory authority and engage in a regulatory arbitrage in which they would look for the weakest regulator, created incentives for regulators to enhance their power by offering weak regulation, and even blocked serious regulators when they tried to pursue bad behavior in the dark crevices between regulatory authorities. To address this problem, the administration opted to create a new Financial Services Oversight Council (FSOC), made up of the heads of all the major regulatory authorities, to “coordinate” their activities. Rather than simplify the system this has, if anything, made it more complicated.

Meanwhile, almost all of the regulatory authorities have maintained their positions, even though they all miserably failed in their missions to protect the economy from financial failure. The Fed, strongly supported by many banks, does not come out empty-handed in the new blueprint. It is given enhanced authority to supervise “all firms that could pose a threat to financial stability, even those that do not own banks.”<sup>6</sup> It is important to emphasize that the blueprint does nothing to address the lack of transparency and accountability among these regulatory authorities (especially the Federal Reserve) and, more specifically, in no way holds them responsible for their enormous failures over the last decade or longer.

##### *b. Maintain systemic stability and reduce the need for taxpayer bailouts*

A key goal of the Obama/Geithner plan is to increase systemic stability in order to prevent another financial meltdown and huge taxpayer bailouts of “too big to fail” financial firms. The blueprint creates a category of “systemically important” financial firms—so-called Tier 1 Financial Holding Company (FHC) firms—that would be identified and regulated by the Federal Reserve and that, in principle, would be subject to stricter capital and liquidity requirements. The plan continues the policy of “too big to fail,” identifies which firms will have the implicit guarantee, and then assumes that the Fed will have strong enough regulatory power to prevent the firm from taking excessive risks with taxpayers’ money. This will give financial firms two games to play and they will have to choose between them: one is to get as big as possible (to continue to have the guarantee) and try to work around the “stricter” Fed regulations; the other is to get “almost too big to fail,” slip under the radar screen of stricter regulation (and then, in the end, it will turn out that they too were in fact “too big to fail” and will require a taxpayer bailout). Either way, taxpayers, workers, and families lose. Strict limits on size, complexity, and activities are likely to be necessary to prevent a repeat of the crisis.

One positive component of this approach, however, is the attempt to bring into the orbit of regulation all systemically important financial firms, even those that are not banks. This would include such massive financial firms as GE Capital (which, so far, has escaped tight regulation). Already, such firms are strongly fighting this aspect of the blueprint. Bringing in all the financial actors from the shadows is crucial, but those in the shade will fight hard to stay there.

*c. Align compensation and incentives*

Without solving the key problem of asymmetrical and perverse incentives, it will not be possible to create an effective regulatory regime. Bankers take excessive risks in a boom period because they do not have to give the bonuses back when their actions bring down the firm. Many agree that regulation of compensation schemes must create time consistency so that the bankers get the bonus only after it is clear that the gains are permanent. One mechanism to make the payoff structure more symmetrical, and thus reduce incentives for excessive risk-seeking, would be to implement “claw-backs” through which excessive salaries and bonuses paid during the upturn would have to be repaid during the downturn. The Obama administration also recognizes this problem, and the press was full of stories suggesting that the Obama administration was going to take on this issue. But, in the end, the Obama/Geithner blueprint is hopelessly weak on this matter. Its approach is purely voluntary, with the strongest recommendation being that stockholders should have non-binding “say on pay.” To the extent that it proposes guidelines for pay, these are size limits that have nothing to do with making incentives for long-term, less speculative investments. It suggests that regulators should “issue standards and guidelines to better align executive compensation . . . with long-term shareholder value and to prevent compensation practices from providing incentives that could threaten the safety and soundness of supervised institutions.”<sup>7</sup> But by leaving it up to the discretion of multiple regulatory authorities, a patchwork of voluntary guidelines is unlikely to be effective.

*d. Reduce pro-cyclicality*

The Obama/Geithner plan does propose higher capital requirements, especially on “systemically significant” firms that are to be regulated by the Federal Reserve. Having stronger and more strictly enforced capital and liquidity requirements are welcome since these can help to reduce over-expansion and over-leverage in the financial system. On another positive note, it contains proposals to consider *counter-cyclical* provisioning mechanisms to increase reserves in the upturn to have them available to lend out or pay for losses in the downturn. However, more stringent capital and liquidity requirements will not work unless all assets are accounted for on balance sheets, rather than being hidden in structured investment vehicles (SIVs) and other off-balance sheet locations, the way they were during the bubble years. And the Obama/Geithner plan does not address this issue at all.

## **2. Establishing comprehensive regulation of financial markets.**

*a. The shadow banking system*

Many economists have noted the importance of extending regulatory oversight to the so-called “shadow banking system.”<sup>8</sup> According to these economists, there should be virtually no exception to the rule that all financial activity—institutions, markets, and products—should be subject to moni-

toring and regulation. In the Obama/Geithner blueprint there are many opportunities for gaps, loopholes and backsliding. For one thing, it retains the complex structure of multiple and possibly overlapping regulatory agencies. Two aspects work to possibly reduce the chances for gaps: creating one institution responsible for oversight of all systemically important firms (they have proposed that this be the Fed); and the new FSOC. But this new structure will just add to the complexity and ambiguity of the structure. For example, both the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) will continue to regulate derivatives, a regulatory overlap that allowed for dangerous gaps in the build-up to the current crisis. And though the coverage of systemically important non-banks such as GE Capital and the insistence that “systemically important firms” be regulated on a consolidated basis—no matter where their various components are located—are important steps in the right direction, the coverage of private equity funds, hedge funds, insurance companies, and derivatives are filled with holes and ambiguities. According to the blueprint, if these pools of private capital were big enough to be “systemically” important, they would be regulated by the “systemic regulator” (as proposed, this would be the Fed); but Geithner noted in testimony that, in his view, *none* of these institutions was big enough or connected enough to qualify for this tougher regulation.<sup>9</sup>

*b. Regulating derivatives*

Over-the-counter (OTC) derivatives are the crux of the derivative problem. These are products that have been designed and marketed to specific clients (i.e., over the counter) rather than mass-produced and sold on exchanges (exchange-traded), like the New York Stock Exchange or the Chicago Board of Trade. Over 80 percent of all derivative products and 100 percent of the complex collateralized debt obligations (CDOs), credit default swaps (CDSs), and other exotic financial instruments implicated in the current crisis are sold over the counter.<sup>10</sup> They—and the assets to which they were tied, such as CDOs—were so complex and opaque that few bankers, customers, or regulators really understood how they would work in normal times, much less in a crisis.

To prevent a repeat performance, and to protect individual customers and the system as a whole, regulation should require that all derivatives be traded on exchanges. Exchanges require products to meet strict reporting, transparency, and uniformity requirements. Since most complex products could not meet these requirements, they would simply disappear from the market. Of course, investment banks and hedge fund traders would not meekly accept such a proposal since writing and trading complex derivatives OTC is a source of huge profits.<sup>11</sup>

A close look at the Treasury blueprint reveals a system with massive and dangerous loopholes. Instead of effectively closing down the dangerous over-the-counter derivatives market and insisting that all derivatives be traded on exchanges, the administration has proposed making a distinction between “standardized derivatives,” which Geithner says should be sold on exchanges, and “non-standardized” derivatives that could still be sold OTC, but with more reporting requirements. This distinction was no accident. A high-priced Washington lobbyist (hired by the biggest banks in November 2008) wrote a draft of the proposal, making precisely this distinction. Close observers, including the editorial board of the *New York Times*, have noted that this creates a potentially gigantic loophole that could allow similar abuses against those that were at the center of the current crisis.<sup>12</sup>

### 3. Protecting consumers and investors from financial abuse.

#### *a. The Consumer Financial Protection Agency*

There is one very big bright spot in the Obama/Geithner plan: the proposed Consumer Financial Protection Agency (CFPA), which would create one agency to protect workers and families in their dealings with financial institutions when they opened bank accounts, got credit cards, or took out mortgages. Bankers realize this would be a significant threat to their prerogatives and profits and, with Bernanke's help, they are waging jihad against it.

The mission of the proposed CFPA is to “make sure that consumer protection regulations are written fairly and enforced vigorously.” To carry out this task, the blueprint proposes “legislative, regulatory and administrative reforms to promote transparency, simplicity, fairness, accountability, and access in the market for consumer financial products and services.”<sup>13</sup> The language on consumer protection in the blueprint is dramatically different from that in the rest of the document: it reflects an urgency, the desire for a broad mandate, and the desire to place consumers first in the political pecking order.

The CFPA would have strong tools and the power to: set higher minimum net worth requirements for mortgage originators to ensure that they can stand behind their commitments; establish licensing requirements for institutions (such as debt collectors) that are involved in consumer finance markets; require warning labels on inappropriate or dangerous financial products; and give the CFPA the authority to regulate “unfair, deceptive or abusive acts or practices,” such as predatory lending. Moreover, to prevent Washington from preempting stronger state laws, the blueprint makes clear that the CFPA's rules should serve as a floor, not a ceiling, and that states can choose to impose stricter laws.

Finally, the CFPA would broaden financial access to underserved communities. This includes making “rigorous application of the Community Reinvestment Act (CRA) a core function of the CFPA,” and the need to “vigorously enforce fair lending laws,” including having a unit of lawyers and economists dedicated to enforcing these laws and getting “the authority to collect data on mortgage and small business lending”—demands that fair lending groups have made for years. The CFPA would also enforce the newly passed Credit Cardholders' Bill of Rights Act which consumer groups have promoted and which was signed into law on May 22, 2009.<sup>14</sup>

#### *b. Investor and societal protection*

While there is very strong “consumer” protection language in the Treasury blueprint, there is almost no language which would suggest that the administration is serious about confronting the toxic investor products that were at the very core of the crisis, including complex and opaque investor financial products such as CDOs and CDSs. These and other derivatives are primarily used to avoid taxes, dodge regulations, and are sold at great profit by investment banks and brokers, sometimes to institutions and firms who do not understand them.<sup>15</sup> Regulating these products is absolutely crucial to preventing another meltdown and the failure to do so is one of the biggest failures of the Obama/Geithner plan.

Joseph Stiglitz, George Soros, James Crotty, and I (among a number of other economists) have proposed that these investment products be regulated by an “Investor Products Safety Commission” that would ban the products unless they are shown to be effective and safe. This “financial precautionary principle”—or “positive list” approach (similar to the Food and Drug Administration’s approach to pharmaceuticals)—has been in place in India and China (among other countries), two countries that have escaped the worst ravages of the financial crisis. This financial principle was also in implicit operation during the New Deal regime in the U.S.<sup>16</sup> Early on, Obama and Geithner suggested they might support this idea; they have since changed their minds.

#### 4. Providing the government with the tools it needs to manage financial crises.

It is becoming increasingly recognized that there needs to be a fundamental change in the structure, and not just the regulation, of financial institutions. The size, scope, and interconnectedness of financial institutions must be dramatically altered. For one thing, large, complex institutions are too difficult to regulate by outside regulators. They are even too difficult for the firm management and boards of directors to control. As James Crotty has argued, financial institution “profit centers” are run by “rainmakers”—risk-taking, and sometimes rule-breaking, traders and speculators who make millions of dollars for themselves and sometimes for their firms. Even the top executives at these financial firms do not control these “rainmakers,” sometimes because they do not know what they are doing (and often because they do not want to know, as long as they are making a lot of money). They don’t want the rainmakers to jump ship and go elsewhere because that would cause the bank to lose “market share.”<sup>17</sup> But the rainmakers can also bring down the firm or, if the firm is “too big to fail,” they can take down the tax payers.

Even conservative economists have advocated for some major financial restructuring schemes in order to truly confront this problem. Mervyn King, conservative economist (and now governor of the Bank of England) has called for the serious consideration of a two-tiered financial system—one that is a basic banking sector, providing traditional services for families and businesses, and is highly regulated and controlled; and a second, more “risk-taking” sector that is not backed up by taxpayers.<sup>18</sup> Paul Volcker (now an Obama advisor) has forcefully argued for a similar approach.<sup>19</sup>

Many progressive economists insist on the need for fundamental financial restructuring, but do not fully agree on what needs to be done. Some have suggested that “too big to fail” institutions should simply not exist. They insist that antitrust and other systemic regulatory authority is required to break up these massive financial institutions into smaller, less dangerous ones.<sup>20</sup> Fred Moseley and others have also called for the nationalization of “too big to fail” institutions, using them to achieve public goals.<sup>21</sup> Robert Kuttner has suggested using the New Deal approach of nationalizing one “model” institution, to use it as a standard center for the industry. In short, there are crucial issues of size, complexity, and public vs. private control that the Obama administration refuses to confront.

#### 5. Raising international regulatory standards and improving international cooperation.

Obama and Geithner understand that international coordination is crucial, not just because (as the mantra goes) financial markets are global, but because they understand that intense international

competition among key financial centers—London, New York, Frankfurt, Paris, Hong Kong—to attract banks, jobs, and financial capital will create a financial regulatory race to the bottom that the finance industry will promote and exploit. Following the lead of astute observers, they therefore say that a global “floor” must be placed under international financial rules to protect financial regulations at home.<sup>22</sup>

Many meetings of European and global regulators and technicians are taking place to respond to the financial regulatory flaws that led to the crisis. But it will take a herculean effort from citizens to monitor and influence these efforts in order to try to prevent international financial competition between London (and the rest of Europe) and New York/Washington from completely gutting reforms. It is hard to be optimistic. If Obama/Geithner’s international plan is anything like its domestic one, these initiatives will be used less to build a solid floor under domestic financial regulations, than to fashion massive chutes for U.S. banks to drop their money bags into.

### Conclusion

The second half of 2009 will tell whether we can put into place a new financial regulatory structure that serves the needs of workers and families, while protecting the stability of the United States financial system. As we have seen, the banking lobbies inside and outside the Obama administration will do their best to make sure that this structure serves bank profits instead. The bankers will win unless there is a sustained political push by unions, economists, and those at the grassroots level who stand up and demand a new financial order. Reformers have some things on their side: an angry public attuned to these issues; vast amounts of public money given to the banks that create political leverage for change; the creation of Americans for Financial Reform (<http://ourfinancialsecurity.org>), a new coalition of over 200 groups whose goal is to fight the bank lobbies and bring about real financial reform; and an emerging consensus among progressive analysts about what should be done, along with a number of forums available to promote those ideas, including the Stiglitz Commission at the United Nations, the Congressional Oversight Panel (established by Congress to oversee public bailout money), hearings held by sympathetic members of Congress, and a series of online networks and union and progressive think tanks to develop these ideas.<sup>23</sup> And, last but not least, we have the Obama administration which has at least employed rhetoric that signals a desire to bring about fundamental reform. In the end, what we have learned in these first one hundred days is that only an intense political fight will rein in bankers’ interests and force Obama to deliver on his rhetoric.

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<sup>1</sup> Greg Hitt, “Next Front: Bank Regulation,” *Wall Street Journal*, February 25, 2009.

<sup>2</sup> Treasury Secretary Timothy F. Geithner, statement before the House Committee on Financial Services, March 26, 2009, 2.

<sup>3</sup> Gillian Tett, *Fool’s Gold: How the Bold Dream of a Small Tribe at J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe* (New York: Free Press, 2009), 118.

<sup>4</sup> James Crotty, "Structural Causes of the Global Financial Crisis: A Critical Assessment of the 'New Financial Architecture,'" *Cambridge Journal of Economics* 33, no. 4 (July 2009); James Crotty & Gerald Epstein, "Avoiding a Financial Meltdown," *Challenge*, January/February 2009, 5–26; Jane D'Arista, "Rebuilding the Framework for Financial Regulation," EPI Briefing paper, no. 231 (Washington, D.C.: Economic Policy Institute, May 2009); Joseph Stiglitz, *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System*, preliminary version, May 21, 2009, [www.un.org/ga/president/63/interactive/financialcrisis/PreliminaryReport210509.pdf](http://www.un.org/ga/president/63/interactive/financialcrisis/PreliminaryReport210509.pdf); Trade Union Advisory Committee to the Organization for Economic Cooperation and Development, "Re-Regulation in the Aftermath of the Global Financial Crisis," December 2008, [www.tuac.org/en/public/edocs/00/00/03/91/document\\_doc.phtml](http://www.tuac.org/en/public/edocs/00/00/03/91/document_doc.phtml); Robert Kuttner, "Financial Regulation After the Fall" (New York: Demos, 2009).

<sup>5</sup> See, for example, Obama's campaign speech on the economy given at New York's Cooper Union in March 2008; See also Geithner's March 26, 2009 testimony, *supra* note 2.

<sup>6</sup> U.S. Department of the Treasury, *Financial Regulatory Reform—A New Foundation*, June 17, 2009, 3, [http://www.financialstability.gov/docs/regs/FinalReport\\_web.pdf](http://www.financialstability.gov/docs/regs/FinalReport_web.pdf).

<sup>7</sup> See *ibid.* at 11.

<sup>8</sup> Jane D'Arista and Tom Schlesinger, "The Parallel Banking System," in Gary Dymksi, Gerald Epstein, and Robert Pollin, *Transforming the U.S. Financial System: Equity and Efficiency for the 21st Century* (Armonk, NY: M.E. Sharpe, 1993), 157–200; Crotty and Epstein, Kuttner, and Stiglitz, *supra* note 4.

<sup>9</sup> "U.S. Hedge Fund Regulation," *Financial Times*, June 24, 2009. Recognizing that this was a political gaffe, Lawrence Summers jumped in to say that further study is needed to determine if any of these funds will need stricter regulation.

<sup>10</sup> Crotty and Epstein, *supra* note 4; Tett, *supra* note 3.

<sup>11</sup> Crotty and Epstein, *supra* note 4.

<sup>13</sup> U.S. Treasury, *supra* note x at 55.

<sup>14</sup> Jeff Plungis, "Congress Sends Credit-Card 'Bill of Rights' to Obama," *Bloomberg News*, May 20, 2009.

<sup>15</sup> Tett, *supra* note 3, provides an excellent account of the fanatic devotion that some bankers and economists have to these financial products. She also brilliantly exposes their role in the financial crisis. See also Frank Partnoy's masterful account of the problems with modern finance and its regulation in *Infectious Greed: How Deceit and Risk Corrupted the Financial Markets* (New York: Henry Holt, 2003).

<sup>16</sup> James Crotty and Gerald Epstein, "A Financial Precautionary Principle: New Rules for Financial Product Safety," July 7, 2009, [http://www.wallstreetwatch.org/working\\_papers/workingpaper1.pdf](http://www.wallstreetwatch.org/working_papers/workingpaper1.pdf); Kuttner and Stiglitz, *supra* note 4.

<sup>17</sup> See Partnoy, *supra* note 14, and Tett, *supra* note 3 for excellent descriptions of these forces.

<sup>18</sup> Bank of England, Financial Stability Report, no. 25, June 26, 2009, [www.bankofengland.co.uk/publications/fsr/2009/index.htm](http://www.bankofengland.co.uk/publications/fsr/2009/index.htm).

<sup>19</sup> See Yalman Onaran, "Volcker Gets Less Than He Wants in Curbing Excesses," *Bloomberg News*, June 25, 2009.

<sup>20</sup> D'Arista, *supra* note 4; Simon Johnson, "The Quiet Coup," *Atlantic Monthly*, May 2009.

<sup>21</sup> Fred Moseley, "Time for Permanent Nationalization," *Dollars & Sense*, March/April 2009.

<sup>22</sup> Damon Silvers, "Democratizing Global Financial Regulation: Labour's Perspective" (New York: Friedrich Ebert Stiftung, April 2009); "Re-Defining the Global Economy" (New York: Friedrich Ebert Stiftung, Occasional Paper, no. 4, April 2009), 73-79; Congressional Oversight Panel, *Special Report on Regulatory Reform*, January 2009, <http://cop.senate.gov/reports/library/report-012909-cop.cfm>.

<sup>23</sup> These include the UN Stiglitz Commission, the Congressional Oversight Panel, the Political Economy Research Institute (PERI) at the University of Massachusetts, the Center for Economic and Policy Research (CEPR), the Schwartz Center for Economic Policy Analysis (CEPA), the Levy Institute, Demos, the University of Missouri-Kansas City's Center for Full Employment and Price Stability, and others.