

COMMON SENSE OUTRAGE AT LARGE FINANCIAL INSTITUTIONS AND WHAT YOU CAN DO

In my few conversations with people in the banks and investment houses of New York they express surprise that the American public is outraged at their behavior and their pay. But the outrage is common sense and is completely justified, although the mainstream press and Wall Street bankers and traders seem to want to forget it, focusing instead on the few “bad apples” in the industry such as Bernie Madoff and R. Allen Stanford. The common sense outrage says you took our money; savings, investments and retirement funds, then you used your political influence to decrease the regulation and capital reserve requirements of financial institutions so you could invest in and market mortgage backed securities and credit default swaps, using our money to place risky investments from which you profited enormously. Then you paid yourselves huge bonuses even after you helped to create the economic crisis starting in late 2007. Then, and this tops it off, you turn to the Federal Government to use our tax dollars to bail you out of the mess you caused while at the same time complaining about the regulation and restrictions which the government imposed. This is truly astounding arrogance for we, your customers are paying you twice, having given you our private money to invest, which has lost about forty percent of its value since the stock-market high in the spring of 2008, and then we pay you a second time through the huge government bail-out of the financial industry. People do get it, they have enough common sense to see a rip off when they see one.

Many thoughtful observers would agree with Paul Krugman and Joseph Stiglitz, both Nobel prize winning economists, who argued for taking over the banking industry and breaking it up into smaller units so that none of them would be too “big to fail “. Instead the government, under both Bush and Obama has supported a further consolidation of the financial industry by for, example pushing Merrill-Lynch into the arms of Bank of America, or insisting that Citi Group and Chase acquire smaller, insolvent banks.

So what can we, the easily manipulated but not unaware public do ? We can support the creation of a strong consumer protection agency for the financial industry presently being debated in Congress. We can also support stronger regulation of the financial industry, including derivatives and short selling, raising capital reserve requirements and again separating commercial banks from investment houses. More importantly we can bring a new consciousness to where we take our business, who we invest and bank with, as many local banks, credit unions, and socially responsible investment funds did not participate in the sub-prime mortgage market. Smaller local banks, credit unions and cooperative banks have generally served the public well, taking deposits and providing loans to people in the community, the business of “good money”, as opposed to the “bad money” of speculative investment. Questions we can ask our banks include:

- 1) What is your ownership structure and what is your mission statement ?
- 2) Who sits on your Board and how represented are people from the area?
- 3) Did you invest in mortgage backed securities and credit default swaps ?
- 4) What are your investment criteria for the bank and for your customers ?
- 5) How do you work with the Community Reinvestment Act ?

- 6) What percentage of your assets are invested in your local area or region?
- 7) Do you make donations in your area and region and what percent of your operating profit is earmarked for that purpose?
- 8) What are your compensation policies for employees, members, investors or shareholders?
- 9) What are your services, products and fees and how do they compare to others in the region?
- 10) Do you support local currencies, such as Berkshares or Ithica dollars and green sustainable investment funds and if so, how?

If the answers are not adequate we can shift our business to local banks or local credit unions that have not contributed to the economic crisis and that are serving their customers and communities responsibly. Then we are putting our common-sense outrage to good use and are sending a message to banks such as Chase, Citi, Bank of America and others that our disgust has consequences for their bottom line. Perhaps it will limit their arrogance for we are then no longer their customers.

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