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"Plunder speaks truth to power about the infectious greed of the financial services sector that hoodwinked our nation."
— John Taylor, President & CEO, National Community Reinvestment Coalition

PLUNDER

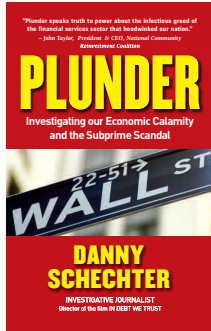
Investigating our Economic Calamity and the Subprime Scandal



DANNY SCHECHTER

INVESTIGATIVE JOURNALIST
Director of the film IN DEBT WE TRUST

**AN EXCERPT FROM
THE NEW BOOK BY
DANNY SCHECHTER**



This is an excerpt from
**Plunder:
Investigating
Our Economic
Calamity and
the Subprime
Scandal**

**By Danny
Schechter,**
Director of the
film, *In Debt We
Trust*

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Schechter is co-founder and executive producer of Globalvision, a New York-based television and film production company now in its 20th year, where he co-produced 156 editions of the award-winning series "South Africa Now" and "Rights & Wrongs: Human Rights Television." In 1998, a human rights special, "Globalization and Human Rights" was co-produced with Rory O'Connor and shown nationally on PBS.

A Cornell University graduate, he received his Master's degree from The London School of Economics, and an honorary doctorate from Fitchburg College. He was a Nieman Fellow in Journalism at Harvard, where he also taught in 1969. After college, he was a full-time civil rights worker and then communications director of the Northern Student Movement.

He has won two National News Emmy awards for his TV work with ABC News "20/20" (and two nominations); two regional Emmys, a National Headliner award, and the Society for Professional Journalists award for an investigative documentary. Amnesty International honored him for his human rights television work. In 2005 he received the George Orwell Award.

OTHER BOOKS BY THE AUTHOR

- Squeezed: America As The Bubble Bursts** (ColdType, 2007)
- When News Lies: Media Complicity and the Iraq War** (SelectBooks, 2006)
- The Death of Media (and The Fight for Democracy)** (Melville House, 2005)
- Embedded: Weapons of Mass Deception: How the Media Failed to Cover the War on Iraq** (Prometheus Books, 2003; ColdType.net – ebook, 2003)
- Media Wars: News at a Time of Terror** (Roman & Littlefield, 2003)
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- The More You Watch, the Less You Know** (Seven Stories Press, 1997, revised 1999)

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PROLOGUE

Money makes the world go round, and the lack of it can make your world go down as it has for so many people around the world. The law of gravity is as relevant in this sphere as any other: what goes up comes down. And right now, in the United States and in many countries worldwide, some markets are going down as a full-blown credit/debt crisis brings economic issues into focus.

Suddenly, stories that were buried in the back of the newspaper are up front as a new wave of economic pain ricochets from Wall Street to Main Street and back again. Waves of layoffs are rolling through the housing and finance sector while bankruptcy filings and foreclosures multiply. Suddenly reports of a kind that we have been accustomed to read about in the news, of poverty and downward mobility overseas, are coming home to roost.

At the same time, a friend asks, “Is this book needed... Isn’t this story all over the press and well known by now?” As an investigative reporter who doubles as a media critic, I would have to say “no.” The sad truth is that most people are not market players, not financially literate, and not well informed about financial issues or decision-making. In fact, as I have shown in the pages that follow, media coverage has often obscured and distorted the truth of how this “mess” occurred and what can be done about it.

Much of the reporting has also been deadening. Leave it to satire to get at the truth. The satirical *Onion* put the financial press in its place with a story “reporting” how the reporting has been largely undecipherable:

JP Morgan Chase Acquires Bear Stearns In Tedious-To-Read News Article

The paper that calls itself “America’s Finest News Source” skewered most of the reporting on Bear Stearns because it was written in “obscure legal jar-

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Pick a decade, any decade, and you will find a defining financial scandal, the story of a “rogue” financier or corrupt company. You will read about scammers, crooks, and corporate conspiracies, ponzi schemes and predators

gon that can only be described in the most mind-numbingly dense and unreadable way” by readers who “saw its value depreciate almost as quickly as readers' interest in this story.” They blasted the coverage for “bogging down the news for anyone who might be remotely interested in grasping what the fuck is going on.”

FEAR AND PANIC

There's fear, uncertainty, and even panic in the world of finance. In an interconnected and deeply intangled system, when one sector implodes, others follow. We are now hearing about what's been called the “subprime crisis” as if only one small corner of the economy is in peril. It is like a serious infection which, when untreated, spreads into the whole body, damaging not only its well-being but also the confidence others have in it. An infection is devouring our financial markets.

This is a subject that, alas, daily journalism has tried to minimize, and that many of the most prominent politicians sought to ignore. Its implications reach into every corner of American life and indict many of our institutions and best-known financial companies.

Pick a decade, any decade, and you will find a defining financial scandal, the story of a “rogue” financier or corrupt company. You will read about scammers, crooks, and corporate conspiracies, ponzi schemes and predators. You will also find references to financial crises, even crashes, that reformers tried to repair even as their lessons are forgotten.

In their book on the Enron debacle, *What Went Wrong at Enron*, Peter C. Fusaro and Ross. M. Miller, two financial “experts” write: “While a certain amount of crime and punishment can be built into an economic system, there is a growing school of thought that markets can function effectively only in societies where most people are honest. . . . The true lesson of Enron is that one who lives by the market can also die by the market.”

In the year, 2007, five years after this “guide to the largest bankruptcy in American history” was published, an even larger economic disaster is underway, indicating not only a continuing lack of honesty in the markets but also that the market itself is deeply corrupted. An entire industry of white shoe investment firms and dark-suited big-brand bankers congealed, if not conspired, to promote what, in shorthand, was first called the subprime scandal. This swindle would end up rocking the global financial system to the tune of trillions of dollars lost, with, as I write, more to come. The president of Germany now calls the global market a “monster” that needs to be tamed.

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The perpetrators, considered predatory lenders by their victims, operated in this instance legally if deliberately, in the shadow of rules and disinterested regulators. They built a huge infrastructure of collaborators, henchmen, and “financial services professionals,” demonstrating that a scam, which is said to have created a bubble destined to burst, may have been engineered in public and hidden in broad daylight.

Writing in the *Financial Times* about the difficulties of regulating the financial sector, Martin Wolf refers to a “number of agents” and a “wealth of information asymmetries” behind the crisis. Then he lists all the players needed to securitize the billions of dollars in inflated subprime mortgages that passed through Wall Street on their way to being sliced and diced and sold to investors worldwide through structured investment vehicles or SIVs. Writes Wolf:

In between the ultimate borrowers and the risk takers, were loan originators, designers and packagers of securitized assets, ratings agencies, sales staff, managers of banks and SIV’s, and managers of pension and other funds.

Add in mortgage brokers, advertising agencies with hundreds of millions to promote these shady loans with seductive spiels, and the TV, Radio, and websites that carried the deceptive ads and you have a sleazy army of sizable proportions. We are talking about institutions here, not just individuals. Fronting for these institutions was a powerful lobby called the American Securitization Forum. Its last annual conference held in Las Vegas in February 2008, was called a “predators’ ball” by the *New York Times*. It drew a formidable force of 6,500 financial professionals eager to find ways to minimize their losses, or STILL profit from the mortgage mess they had helped to create.

Among the key players who flew in by private jet was Hedge Fund Manager John Devaney, CEO of United Capital Markets, and best known for calling consumers “idiots” for taking on the loans that he and his colleagues were pedaling. Even as the losses from this crisis have approximated, \$7.4 TRILLION, he was still defending his subprime products to CNN as “one of our best performing investments.” He was one of the many who profited obscenely on the boom but is now being forced to sell off his yachts and vacation homes.

As Peter Morici explains in the *Globalist*, “Sub prime mortgages are hardly the whole credit market, but the meltdown of their bonds cast a spotlight on the decaying integrity of investment banks and bond rating agencies... Over

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the last several weeks, creditors have increasingly sensed they cannot trust banks or bond rating agencies, and they have fled to short-term Treasury securities. This was much worse than the collapse of mortgage companies that originated housing loans, because it caused all segments of the credit market to collapse.”

It's been called a Ponzi scheme – a manipulated and criminal enterprise. Writes Rodrigue Tremblay: “Like all Ponzi schemes, such pyramidings of debts with no liquid assets behind them are bound to implode sooner or later. And that is what we are witnessing today, i.e. the implosion of unfunded credit derivative-based Ponzi schemes.” One consequence of this collapse, reports the Wall Street Journal, is that the “wave of corporate takeovers seems to be waning. Homebuyers with poor credit are having problems borrowing. Institutional investors from Milwaukee to Düsseldorf to Sydney are reporting losses. Banks are stuck with corporate debt that investors won't buy. Stocks are on a roller coaster..”

What we have, Bill Gross, manager of the world's largest bond mutual fund, said is a “Frankensteinian levered body of shadow banks promoting a chain letter, pyramid scheme of leverage.”

When market players see the problems in such stark terms, why are the rest of us so ignorant? Is it just that most of us don't like bad news? Part of the fault may lie with an asleep at the switch media, and part of it may involve the shrewd efforts to conceal what was really going on. Complex but fraudulent offerings were presented as “financial innovation.”

Explains Richard Sylla, professor of economics and financial history at NYU's Stern School of Business: “A lot of financial innovation is designed to get around regulation... ”The goal is to make more money, and you can make more money if you don't have to keep capital to back up your investments.”

Even six months after the housing crunch that triggered the deeper problem, government officials were admitting that worse was still to come. On January 31, 2007, Diana Olick reported on CNBC that Sheila C. Bair, the chairperson of the agency that insures bank deposits, the FDIC, told a Senate Banking Committee panel that the mortgage crisis has only just begun.

Sheila Bair says: “foreclosures continue at an unacceptably high level while true loan modifications are lagging”, but that's just the tip of the iceberg. She also warns that in 2009, \$600 billion worth”of prime borrowers will see their ‘non-traditional’ mortgages reset, and many won't be able to find the cash.

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Bair has been calling for a systematic, rather than individual, approach to loan modifications, but by warning about prime borrowers, it feels like she's now bringing in the big guns.

Think of the all the money involved – hundreds and hundreds of billions in this sector alone – and you get a sense of the scale of what is going on. It is a systemic problem now, not just a small blister on an otherwise well-performing machine.

Can the market “correct” itself? Will its “contagion” be contained? Can this immediate problem be “fixed”? Will the market bounce back? All four “fixes” are possible – who wants a total system collapse? – but, many experts agree, a longer-term instability posed by the credit squeeze will continue to haunt us.

This is a major “infection” – a kind of financial flu – threatening the system in a way we haven't seen in years, and American media outlets and commentators across the political spectrum are finally paying attention and sounding the alarm. While most of the media focuses on the problems confronting very wealthy bankers and financial institutions who are likely to have the means to weather this storm, far more cataclysmic challenges face more than three million families who may be losing their homes while others go jobless. Many Americans are just beginning to feel more economic pain as inflation and recession intensify.

So far the debate in the business press has been about interest rates and “default exposure,” going way over the heads of most readers and viewers. At the same time, a few voices of a more critical kind who put this problem in a different context are finally being heard.

There's the populist agitator Jim Hightower, who says: “At its core, this is a classically simple story of banker greed and outright sleaze. And the astonishing part is that nearly all of the rank injustice perpetrated by today's money changers is considered legal and is practiced by supposedly reputable financial firms.”

The writer Barbara Ehrenreich, a brilliant chronicler of economic problems suffered by the working poor, sees a potential upside – the fall of capitalism itself. She now believes that only capitalists can destroy capitalism. And they had a lot of help from their customers: “The American poor, who are usually tactful enough to remain invisible to the multi-millionaire class, suddenly leaped onto the scene and started smashing the global financial system,” she writes in an essay about those seduced into taking on a so-called NINJA loan based on “no income, no job or assets.”

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It's about a calculated crime, a deliberate strategy to take advantage of a subprime lending initiative intended to help people with poor credit own their homes and turn it, with the active complicity of leading financial institutions driven by greed, into a way to defraud them

As borrowers default on mortgages and other bills, the reverberations cascade. “Incredibly enough,” she argues, “this may be the first case in history in which the downtrodden manage to bring down an unfair economic system without going to the trouble of a revolution.” It’s fascinating that what may have seemed to be alarmist criticism on the left has moved into mainstream journalism, especially overseas.

All of these news outlets say this scandal is not going away any time soon. Many are looking for a silver lining. Paul Krugman commented in the *New York Times*, “Maybe the subprime disaster will be enough to remind us why financial regulation was introduced in the first place.”

It is significant that he – a Princeton economist as well as an op-ed columnist – also calls this crisis a “disaster.” The writer Lewis H. Lapham sees a parallel between the collapse of the U.S. housing bubble and the war in Iraq that has eluded most commentators. Writing in *Harper’s* magazine, he notes, “I was struck by the resemblances between the speculation floated on the guarantee of easy money on Wall Street and the one puffed up in the preview of an easy victory in Iraq.”

These tensions are now or soon will impact on everyone, possibly even bringing on a global recession or worse. We are in what seems to be another boom and bust cycle with global implications.

Writes economist Max Wolff: “So many shares, bonds, vehicles and funds are bloated with leverage that fall-out will be significant. The harder central banks, politicians and pundits fight, the longer and more volatile the adjustment. Continued large central bank cash infusions and rate cuts are in the offing. Hundreds of billions have already been infused.”

With billions of dollars at stake, with millions of Americans affected, with tens of thousands of businesses at risk, this is an issue that demands our attention.

It also demands to be reframed because it is not just about finances or the market or the businesspeople who are coping with their losses. It’s about a calculated crime, a deliberate strategy to take advantage of a subprime lending initiative intended to help people with poor credit own their homes and turn it, with the active complicity of leading financial institutions driven by greed, into a way to defraud them – and, in the ultimate irony, destroy many of their own companies and financial markets.

Their corrupt practices have put the global economy itself at risk.

- This book chronicles what happened, and what is happening in the arcane world of international finance, reflecting my search for deeper causes

and larger meaning. One reviewer of an earlier draft called it a “diary of the upcoming depression.”

- It is intended as a wake-up call to political progressives who have ignored economic issues in their war with the Bush Administration.
- It is a call for more concern for the victims of predatory lending practices and the need for the same debt relief that we have supported in other parts of the world.
- It is offered as a challenge to my colleagues in the media who missed the story and could have warned us when there was still time to act.
- And it is a lesson for all of us that democracy must have an economic underpinning and a commitment to fairness.

This book tells three stories and offers some remedies.

- It discusses how debt has restructured our economy and put our people under a burden that many will never crawl out of. It shows how access to credit has, for many, gone, in Steven Green’s phrase “from a luxury to a necessity to a noose.” (An interesting use of words as the image of the “noose” has been back in the news again, as a symbol of hate and lynching.)

- It identifies some of the shameless profiteers and calls for an investigation and the prosecution of those behind this shrewdly engineered ponzi scheme. It describes how a pernicious form of “Financialization” – rule by a credit and loan complex – has been running our economy and in many ways running it into the ground.

- It offers a critique of press coverage from a media critic who has monitored flawed and superficial reporting on the subject and who is trying to challenge the news media to improve its coverage of the crisis.

- It advocates a debt-relief movement in America and argues that such a movement would have tremendous resonance across the spectrum of political life.

- It urges citizens to get involved and politicians to respond. This book draws on articles, blogs, and essays written by a journalist and filmmaker who is simultaneously learning about these problems and alerting others to them.

It is also a call to action.

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INTRODUCTION

Usually, when we hear about economic distress, it takes place in someone else's country; often in Africa or some place you have never visited, conjuring up images of desperation and sadness

Maybe Bill Clinton was right in his first campaign for the presidency when he promoted a slogan that pushed economic issues to the top of his agenda. Since then, they have been eclipsed and, for years, the fallout from 911, the debate over the Iraq war, and the focus on the impact of the Bush presidency have dominated our attention. But now, economic issues are back with the intensity of a hurricane. They cannot be ignored. And speaking of hurricanes, Senator Chris Dodd has called the subprime scandal “a 50-state Katrina.”

In the epicenter of this storm are two words that have tended to be buried: credit and debt.

Usually, when we hear about economic distress, it takes place in someone else's country; often in Africa or some place you have never visited, conjuring up images of desperation and sadness. The same is true when you hear about debt. When rock stars like Bono or Bob Geldof crusade for debt relief, they are doing so, however successfully – and there is a big debate about that – around conditions in what we used to call the Third World and what others refer to as “Developing” Countries, even when they aren't.

What is more rarely discussed is economic deprivation and exploitation in our own country and what we think of as “the West.” We may hear stories about individuals with problems, but we rarely hear about deeper economic forces and the institutions that create and perpetuate the problems. Discussions of how our own economy has been transformed in a way that accelerates deep economic inequality and all the suffering that flows from it have been minimal.

Beyond that, there had been an assumption, almost a subtext, in much of the reporting on our economy, that its market system somehow reflected the national order of the universe, the human species' greatest contribu-

tion to stability and prosperity. This ideological overlay, sometimes explicit, often just implied, colored our understanding and contributed to a sense of confidence, or should I say false confidence?

In just the short period, three years, in which I began investigating these issues, from 2005 to early 2008, there has been a tectonic shift with the financial system melting down. This has produced convulsive strains in an interconnected, or as the analysts say, “entangled”, system, as well as losses in the trillions, and continuing uncertainty on whether or not we can avoid disaster.

In Europe, statements were circulated to challenge financialization. There was even a petition published in leading European newspapers. It reads in part:

Freedom for finance is destroying society. Every day, in both North and South, shareholders silently pressure firms and workers to extract higher and higher returns. The situation becomes dramatically visible when major crises display the excesses of speculative greed and its backlash on growth and employment. Lay-offs, precarious work, deepening inequalities: workers and the poor suffer most from both the speculation and the toxic effects of subsequent financial collapse.

A petition by outsiders is unlikely to do much, but it also reflects anxieties felt by many in in the financial world.

The usually calm and staid *Economist* magazine in mid March 2008 was near apocalyptic in its assessment of an intervention by the Federal Reserve Bank in saving an insolvent investment bank. “The marvelous edifice of modern finance took years to build,” wrote its editors about the crisis on Wall Street. “The world had a weekend to save it from collapsing.”

Business cycles have been with us forever, but this potential system-destroying swing from boom to gloom over the course of a weekend was extraordinary, suggesting why the subject deserves independent scrutiny from someone who is neither a player nor has fish to fry in this game.

As a journalist, blogger, and filmmaker, I am no stranger to economic issues. I grew up in a working-class home in a family of unionized workers who spoke of the importance of solidarity with people fighting for their rights and economic security. When I became active in civil rights and human rights movements, I saw firsthand how economic forces were driving the mistreatment of minorities and workers in other countries.

When I joined the media, I sought to integrate my understanding of these issues into my own work. I quickly realized that the lack of media attention

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to labor and the impact of economic policies kept important issues in the dark. When I was producing for ABC's 20/20 news magazine, I worked on stories on the outsourcing of jobs and was among the first to investigate the Savings and Loan scandal of the 1980s.

As the mainstream media itself moved away from in-depth reporting and toward a more superficial focus, distortion and deception assured audience distraction.

I spent many years writing about the need for media reform and the decline in investigative reporting on economic power and the special interests that often stack the deck against consumers. As a reporter myself, for years, I focused on human rights and then media issues, but now I have come back to seeing how directly the economic system imposes itself, for good and, yes, evil, on every corner of our lives. It wasn't hard to realize that, in recent years, our economy has changed from one built around production to one centered on consumption. The mall has now replaced the factory as our dominant economic icon. Debt has been key to restructuring our economy and has kept it flourishing.

As a result, explains Stephen Pizzo, "America and Americans have switched from being net creditors (money lenders) to net debtors (credit junkies). And not just American Yuppies hooked on credit cards and home equity loans. No siree. Corporate America, the folks who got Americans hooked on living beyond their own means fell for their own line and started doing so themselves."

Driving this change is, as I argued, a growing concentration of power in the financial and banking sector. That, in turn, unleashed a process called FINANCIALIZATION, with the economy dominated by a vast CREDIT AND LOAN COMPLEX every bit as insidious as the Military-Industrial Complex. Most Americans have no idea that this even exists.

This "complex" is even more shadowy and even more omnipresent, hidden to all except those who work with it. It is active in funding our politicians and lobbying for laws that benefit their businesses. At the same time, it is hidden from view to most of us. It operates through a covert, decentralized network of shady lobbyists – interconnected institutions working through highly legalized and poorly understood systems. Rules, laws, and procedures underpin the market system, and high-speed computers move money and buy/sell orders around the world in seconds.

It is often difficult for outsiders, including most consumers, to penetrate the dense language that defines the rules of the games financiers play. The

outline of the whole system only comes into view when there is a crisis. Recently, Jeremy Grantham, a leading investor, compared the finance system to a large BRIDGE with interlocking pieces:

Thousands of bolts hold it together. Today a few of them have fractures and one or two seem to have failed completely. The bridge, however, with typical redundancy built in (unlike the Minnesota one that collapsed), can (easily) take a few failed bolts, perhaps quite a few... What is worrisome is whether or when we reach a “broad-based level of financial metal fatigue” causing simultaneous multiple bolt failures “with ultimately disastrous consequences.

Stephen Lendman adds: “What’s also scary is the global financial structure is heavily ‘faith based, held together by unprecedented amounts of animal spirits’ moving in the same positive direction. If the faith wanes, it’s then ‘every man for himself’ and look out below...”

Before I travel deeper into this world, let me assure you that I may be considered totally unqualified to tell you any more. I am a journalist but not an economic specialist. I am not an insider. I went to the London School of Economics but studied politics, not economics. I have never worked on Wall Street and am even pretty hopeless in managing my own money, much less “OPM” – other people’s money. I did a stint at NBC’s Business Channel CNBC but on a talk show, not in the newsroom monitoring market shifts.

I may not know a derivative from a tranche, but I think I do know how to ask questions that the so-called “Masters of the Universe” avoid. The experts in this field are as divided as in any other. They usually do not agree with each other and are often experts at keeping the public confused.

In many ways, moneymaking is as much an art as a science. And despite all the rules that govern the markets or regulations designed to assure transparency and accountability, crooks, swindlers, and even gangsters are commonplace. Corrupt practices are pervasive; regulation is not. When professionals in the field were asked how they define criminal conduct, the majority surveyed said crimes only occur when you are caught. There is also extensive posturing in the industry to mask the often-fuzzy line between risk and uncertainty. In many instances, major decisions are made on the basis of fragmentary knowledge, even ignorance, despite professions of careful reviews and “due diligence.”

The *Financial Times* cites a market economist at Lehman who said: “We are in a minefield. No one knows where the mines are planted and we are just trying to stumble through it.” Another market participant put it this

I am not an insider. I went to the London School of Economics but studied politics, not economics. I have never worked on Wall Street and am even pretty hopeless in managing my own money

**Afer the
NY Stock
Market took a
340-point drop
only to quickly
recover,
I went to the
business pages
of the *New
York Times*.
I figured that
they would
explain it.
But THEY
DIDN'T
KNOW the
reason for it
either**

way: “It is not the corpses at the surface that are scary; it is the unknown corpses below the surface that may pop up unexpectedly.”

So if the people in the know admit they don't know, why shouldn't I opine and report on these issues? Many of the “experts” whom I read or see on TV seem clueless, full of hot air. Many of their predictions turn out wrong, even when they seem so self-assured and well informed in making them. Jim Hightower warns against believing them, writing:

Don't be deterred by the finance industry's jargon (which is intended to numb your brain and keep regular folks from even trying to figure out what's going on).”

A folksinger, Ethan Miller, even sings about the way some of the always all-knowing media pundits have turned their prognostications into a form of entertainment – call it finance-tainment. His song is called “The Market Game.” One lyric:

*Does it seem like we've given up our power
To an entity that we can't even see?
Oh, this is not the first time that it's happened?
You can learn about the others on TV.*

How does one make sense of what is going on? You have to burrow in the business pages and read articles from the bottom because the most revealing facts are often buried. You have to break dependence on mainstream media and check out specialized websites, blogs, and alternative sources.

After the NY Stock Market took a 340-point drop only to quickly recover, I went to the business pages of the *New York Times*. I figured that they would explain it. But THEY DIDN'T KNOW the reason for it either, reporting “Emotion and psychology, not financial fundamentals were mostly at work.” They quoted the chief U.S. equity strategist for Citibank: “I don't think anybody can make sense of it.”

Part of the problem here is that the traders and brokers have come up with all sorts of highly esoteric and complex financial instruments – ways of securitizing debt and raising capital – that outsiders, even experienced financial journalists, have a hard time understanding, much less explaining. Ditto for regulators (and the laws they theoretically enforce), who are hard pressed to keep up with the pace of change. Market traditionalists are also lost. Even some bankers like Jean-Pierre Roth, president of the Swiss National Bank, who believes the market turmoil is far from over because tremors from the sub-prime debacle will continue to rock the world, is confounded. “Something unbelievable happened,” he said, in the *Telegraph* of

London. “People who had neither income nor capital got credit with very attractive conditions. Now reality is striking back.”

Of course he does not mention that the subprime loan was a well thought out marketing scheme designed to seduce borrowers with poor credit ratings who would pay more in fees and interest. Everyone complains that the system has gotten too complicated even for players who try to define their own reality. Writes Andrew Leonard on Salon.com:

The truth of what is really going on is far more complex. So complex that no one has a good handle on exactly what will happen if things go awry. Not regulators, not traders, not even pessimistic journalists. Try reading an SEC filing from a New York investment bank – it is one of the most difficult-to-comprehend documents ever created by the human mind...It is not, in a word, transparent. It serves the opposite purpose: It is an instrument of obfuscation.

No wonder the media coverage is so confusing. Perhaps that’s why so much money is now being invested in upgrading and disseminating business news. The market for financial and business news is big and getting bigger as well just to keep up with this information overload. There is a reason that Rupert Murdoch was willing to pay \$5 BILLION for the *Wall Street Journal* and Dow Jones.

He spent even more in creating, staffing, launching, and marketing a new global Fox Business channel. His maneuver came on the heels of Thomson acquiring Reuters, while Bloomberg and the *Financial Times* announced plans to expand and compete. True to form, Murdoch baits his main competitor, the General Electric NBC-owned CNBC channel, as anti-business.

Bear in mind that little of this is being done only to inform the public. Much of it is aimed at the industry itself and high-income consumers. News organizations that specialize in business news often also make money from the information they don’t make public but offer in specialized newsletters or other “products” sold for big bucks to elite customers. Finance is itself an information business and the one most striking complaint heard among insiders during a period of market volatility was that their panic was feeding on a lack of knowledge about how much “bad debt” was in their system. It seems to be a mystery, even to them. For me, mysteries make challenging stories. I gravitated toward trying to understand, investigate, and then popularize some of these fascinating issues because of the massive impact they are having – and because I felt many in our media were doing such an uneven job in explaining and tracking them.

CT

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