

Influential economist says Wall Street's full of 'crooks'

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John Aidan Byrne

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Corruption, insider trading and criminal behavior are rampant on a vast scale on Wall Street today as financiers and Washington play the same greedy games that brought us to the brink five years ago, according to one of the world's most influential economists.

Wall Street is full of "crooks," and it never properly cleaned up its act after the financial crisis of 2007 and 2008, Columbia University professor Jeffrey Sachs told a distinguished gathering of bankers and professionals in bombshell remarks at the Philadelphia Federal Reserve building earlier this month.

What's behind this, says the high-profile academic twice named one of Time magazine's 100 Most Influential People in the World, is "a docile president, a docile White House and a docile regulatory system that absolutely can't find its voice."

Sachs pulled no punches. "What has been revealed, in my view, is prima facie criminal behavior," he said.

"It's financial fraud on a very large extent," the adviser to the World Bank and IMF added. "There's also a tremendous amount of insider trading — you can even watch when you are living in New York how that works."

In his live remarks, via video teleconference from New York, an emotionally charged Sachs also ripped into practices at Goldman Sachs and into the political classes on both the left and right. (The Post listened to the audio.)

"We have a corrupt politics to the core, I am afraid to say, and . . . both parties are up to their neck in this. This has nothing to do with Democrats or Republicans," Sachs told the Philadelphia conference, "Fixing the Banking System for Good."

Sachs described an environment of Wall Street buying off politicians with their huge campaign contributions. In the 2012 election cycle, political contributions by the securities and investment sector totaled some \$271.5 million, compared with \$176 million in 2008, according to the Center for Responsive Politics.

"I meet a lot of these people on Wall Street on a regular basis right now," Sachs told the conference, hosted earlier this month by the nonprofit Global Interdependence Center. "I am going to put it very bluntly: I regard the moral environment as pathological. And I am talking about the human interactions . . . I've not seen anything like this, not felt it so palpably."

Sachs said these same people on Wall Street are out to make billions of dollars, and believe nothing should stop them from doing that. “They have no responsibility to pay taxes; they have no responsibility to their clients; they have no responsibility to people, to counterparties in transactions,” he said. “They are tough, greedy, aggressive and feel absolutely out of control in a quite literal sense, and they have gamed the system to a remarkable extent.”

Sachs’ outburst stunned the crowd. “There was an initial shudder, is how I would describe it, because they could feel the passion that was in the discussion,” said attendee Dennis Peacocke, head of Strategic Christian Services, a religious group that advocates on topics of economic and social justice. “Jeffery Sachs’ comments were full of conviction. I was applauding him for bringing values and ethics into the discussion.”


Sachs also attacked:

* Hedge fund titan John Paulson: “He worked together with Goldman Sachs to defraud, massively, many European banks which bought the toxic mortgages that Paulson put together.”

* Goldman Sachs: Paid out a “small fine” [\$550 million in 2010] to settle charges with the SEC in the controversial Abacus deal linked to John Paulson’s hedge fund, but Paulson wasn’t mentioned once in the proceedings.

* Former US Treasury Secretary Larry Summers: “He continued to really institute moral-hazard policies, right and left, by fighting against any limits on [bankers’] compensation” as America grappled with the financial crisis.

"I Regard the [Wall Street] Moral Environment as Pathological"

 [businessinsider.com/i-regard-the-wall-street-moral-environment-as-pathological-2013-9](https://www.businessinsider.com/i-regard-the-wall-street-moral-environment-as-pathological-2013-9)

Janet Tavakoli , Tavakoli Structured Finance Jun. 18, 2013, 5:12

I've posted many commentaries about widespread fraud in the financial system, ineffective regulation, moral hazard, and why, without reform, we are doomed to repeat this pattern. I'm not the only person who feels that way. This time let's hear from someone else who shares his views with eloquence.

The following is a partial transcript of Professor Jeffrey Sachs' commentary via video to a conference in the Pennsylvania Room at the Federal Reserve Bank of Philadelphia. The topic of the conference was "[Fixing the Banking System for Good.](#)"

Jeffrey Sachs, Director of The Earth Institute, Quetelet Professor of Sustainable Development and Professor of Health Policy and Management at Columbia University, gave his remarks from New York about 11:30 am on April 17. I became aware of this video through Karl Denniger at market-ticker.org who posted the video created by Bill Still of the [Still Report](#). Sachs' remarks begin at around 2:04. It is worthwhile to listen to the entire commentary. The transcript below captures remarks beginning around 12:32:

I believe we have a crisis of values that is extremely deep, because the regulations and the legal structured need reform. But I meet a lot of these people on Wall Street on a regular basis right now. I'm going to put it very bluntly. I regard the moral environment as pathological. And I'm talking about the human interactions that I have. I've not seen anything like this, not felt it so palpably.

These people are out to make billions of dollars and nothing should stop them from that. They have no responsibility to pay taxes, they have no responsibility to their clients, they have no responsibility to people... counterparties in transactions. They are tough, greedy, aggressive, and feel absolutely out of control, in a quite literal sense. And they have gamed the system to a remarkable extent and they have a docile president, a docile White House and a docile regulatory system that absolutely can't find its voice. It's terrified of these companies.

If you look at the campaign contributions, which I happened to do yesterday for another purpose, the financial markets are the number one campaign contributors in the U.S. system now. We have a corrupt politics to the core, I'm afraid to say... both parties are up to their necks in this.

... But what it's led to is this sense of impunity that is really stunning and you feel it on the individual level right now. And it's very very unhealthy, I have waited for four years... five years now to see one figure on Wall Street speak in a moral language. And I've have not seen it once. And that is shocking to me. And if they won't, I've waited for a judge, for our president, for somebody, and it hasn't happened. And by the way it's not gonna happen any time soon, it seems.