

Can Financial Markets Avoid Collapse?

The world's financial system continues to teeter near a very nasty brink, with the United States and Europe disagreeing about how to pull back from the edge. Danny Shechter sees crisis, crisis, everywhere.

By Danny Schechter

Earlier this week, comedian Stephen Colbert announced dramatically that there were important developments underway in Europe that we should know about. True to form, Colbert didn't talk about the big problem. His story, ha ha ha, was about a butter shortage in Norway.

We all know that European countries have been wrestling with what to do about saving the Euro. There have been warnings of an economic catastrophe if the Euro falls, and it's plain that the already shaky American economy will take a big hit if it happens.

The drama in Europe seems to be beyond the ability of both comedy and "serious" financial programs to explain. Perhaps it's more of a divine comedy in the Danteian sense, because we are all perched on the edge of a circle of hell that many of us don't want to wrap our minds around.

While many news outlets prefer to recycle endless sound-bites of Newt Gingrich bashing Mitt Romney and vice versa, and as American diplomats seem to be cranking up a war against Iran as if that can save the economy the way World War II pulled us out of the Great Depression, the world economy is tottering thanks to all the debt American firms sold Europeans who then managed it so stupidly and corruptly.

Now we have Times columnist Paul Krugman, for years an economist holding up the liberal middle, finally admitting that nothing is working:

"It's time to start calling the current situation what it is: a depression. True, it's not a full replay of the Great Depression, but that's cold comfort. Unemployment in both America and Europe remains disastrously high. Leaders and institutions are increasingly discredited. And democratic values are under siege."

The Obama Administration, with an election to try to win, is in full panic mode with Tim Geithner hop-scotching all over Europe to try to push German leader Angela Merkel to act, forthwith and with dispatch, to recognize the emergency and pump money at it.

Germany's conservative chancellor who was disgusted when given an unwanted back rub by President George W. Bush is resisting the unwanted snow job from Barack Obama who wants her to play the game of bailout.

The Germans may or may not be right about wanting a longer-term solution because they have historic fears of inflation and a return to the wheelbarrows of money it took to buy bread after the last Depression. They don't want a new Adolf Hitler to emerge either. They know their society better than Americans do.

The U.S. keeps saying, "wrong lesson, wrong lesson." Remember the 1930s, not the 1920s, and stop an economic collapse before it occurs. This very emphasis shows that their fears of a collapse are well advanced.

Berlin, aware of how ineffectual Obama's "recovery" effort has proven in the U.S., is not taking his unwanted advice. Many Europeans see the U.S. financial industry as the source of all evil, as, ironically, does Occupy Wall Street, and want to use the crisis to impose restraints on it.

They want strict new budget rules and more "centralization," (i.e. German influence.) Britain's Prime Minister David Cameron pulled out of negotiations because he opposes a tax on financial transactions, a step that most reformers think is a very good idea.

So, welcome to the Thunderdome of finance. The stalwarts of the status quo don't want to budge, and only the self-interested define what national interests should be.

Fortunately for them, the German economy is strong and can, in effect, dictate to a divided Europe, which lacks the wherewithal to challenge Germany. France has already buckled, as Nicolas Sarkozy faces a new electoral challenge to his rule and looks as if he has aged in a month.

So now, it's up to "The Markets," an elusive institution, driven, they say, by "animal spirits" or market psychology. Markets don't like change, especially when it constrains powerful companies, but Markets like instability even less. Germany is banking that they will ultimately see it's not in their interest to bring the house down.

Don't think of markets as beyond manipulation. Moe Saceriby, once a VP at Standard and Poors, told me for my film *Plunder*, "I think we had a transition from what truly was a free-market system to something now that is out of control and probably what I would define as a predatory system, where we are not so much dealing anymore about the notion of fair prices, and the notion of markets that that work transparently.

“In fact frequently markets are manipulated for the end of maybe a few out there, a few investors, mega-investors. Even that’s very difficult to tell.”

The Treasury Department operates a shadowy Exchange Stabilization Fund. Reports the libertarian Daily Bell, “Officially in charge of defending the dollar, the ESF is the government agency which controls the New York Fed, runs the CIA’s black budget, and is the architect of the world’s monetary system (IMF, World Bank, etc).”

Add this to another shadowy entity in Treasury, The Working Group on Financial Markets, better known as the Plunge Protection Unit, that directly intervenes in markets.

It is, as I discuss in my book the *Crime of Our Time*, a “secret branch of government [that] has a sophisticated war room, using every state of the art technology to monitor markets worldwide. It has emergency powers. It doesn’t keep minutes.”

There is no Freedom of Information access to its deliberations. There are 147,000 entries in Google on this powerful body, but I could only access ten. The reports on it are sketchy, including one from the Washington Post:

“These quiet meetings of the Working Group are the financial world’s equivalent of the war room. The officials gather regularly to discuss options and review crisis scenarios because they know that the government’s reaction to a crumbling stock market would have a critical impact on investor confidence around the world.”

New York Magazine hinted at a conspiracy, noting that many suspect “it’s just a backroom market-rigging cabal for the Establishment. Or, you could think of it as the Wall Street Superfriends, equipped with X-ray vision to see deep into our financial malaise, and magic.”

Is it magic or manipulation? Remember this administration claims to worship an unregulated “free market,” and yet, here they are, freely big-footing these very same markets.

No doubt there is some connection here to recent reports of Members of Congress tapping secret information to engage in Insider Trading. Talk about corruption. It’s pervasive.

The less our compromised media investigates all these wheelers and dealers, the more we will not get at the truth and will soon experience the consequences. And they won’t be pretty!

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