<u>The Most Distrusted Institution in America</u>

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For my last column of the year, let me offer three provocative political predictions that I see as mortal—and in some cases moral—locks for 2009.

Prediction No. 1: Wall Street is about to become the new Catholic Church—the most distrusted and vilified institution in America. Its hard to top priestly pedophilia (and bishops covering up for them) for sheer despicability, but Bernie Madoff and his fellow hucksters are giving the men of clod a close run for their—and our—money.

Prediction No. 2: This wave of well-deserved populist bloodlust will become the most potent political force in America. In fact, I sense that the recent takedown of the auto industry rescue bill was just an opening act, and that the anti-Wall Street anger will be felt in multiple and even more muscular ways next year.

Prediction No. 3: The first political party to see that second prediction coming, and to adjust its leverage accordingly, will have a distinct and likely decisive upper hand in the next two-year cycle. Forget about the office-park dads and the security moms—the voter du jour in the 2010 mid-terms will be the bailout buster.

Now, you may ask, what's so provocative about these prognostications? Wall Street was already on its way to dirty word status a couple months ago as the facts behind the market meltdown emerged—and that was before the bailout backlash and the Madoff scandal. Today the outrage and mistrust is palpable across the political spectrum and targeted across the banking industry.

To wit, when Americans were asked the week before Christmas if they thought the Madoff ripoff was an isolated case or common behavior among financial advisers and institutions, 74 percent told CNN they thought it was the norm. That is truly staggering: three-quarters of Americans believe that Wall Street is rife not just with ethically challenged behavior but with outright criminal fraud.

Who can blame them, especially after reading articles like the front-page dissection of Washington Mutual's mortgage chicanery in Sunday's *New York Times.* The poster child for WaMu's brazenness was a mortgage processing supervisor named John Parsons, whose creative notion of due diligence was to take a photograph of a mariachi singer claiming a six-figure income in front of his home in his mariachi outfit.

But that's not the worst of it. According to the Times, it turns out Parsons was snorting meth daily—and openly. "In our world, it was tolerated,' said Sherri

Zaback, who worked for Mr. Parsons and recalls seeing drug paraphernalia on his desk. 'Everybody said, 'He gets the job done.''" Yes, Parsons and WaMu did a heckuva job on us all right.

The reason this is such a dynamic "you ain't seen nothing yet" situation, though, is that the American people have not, in fact, seen anything yet in terms of the depth of the law-breaking that led to the market meltdown.

Indeed, most Americans have no idea how many criminal investigations are being quietly conducted right now—and how many blood-boiling indictments are going to detonate publicly in 2009.

This to me is literally the great untold story of the whole financial crisis—and arguably the biggest mystery. Why is it that so little reporting has been done by the national news media about these investigations outside of the sensational Madoff case? (Which, it bears noting, would still be a secret if the scammer had not turned himself in.) Why don't we know which banks and which reckless, wreckage-inducing executives are being pursued for engineering massive frauds on investors and the larger public?

The only explanation I can come up with for this reporting vacuum—an explanation that is even more perplexing and vexing than the press's failures—is that our top political leaders have been shockingly silent on the subject. The national news media, which is sadly as toothless a watchdog as Bush's Securities and Exchange Commission, typically reacts to the agendas and priorities of the Washington leaders they cover. No cues from the big politicians means no news from the big networks and papers.

One would think, given that 74% of the country now thinks Wall Street is filled with crooks, that the left and right would by now be engaging in a bidding war to bash the banks and demanding prosecutions right and left. Indeed, if ever there was a time for podium-pounding and finger-pointing, this would be it.

But to my knowledge, President George Bush, President-elect Barack Obama, Treasury Secretary Hank Paulson and the bipartisan leaders of Congress have not taken one formal action or held one dedicated press conference to communicate to the American people that the rapacious con men who jeopardized the stability of our economy and decimated the wealth of millions of middle-class Americans will be getting the jail time they have earned. Where is the bulldozing Eliot Spitzer when we really need him?

To some extent, this lack of focus on the lack of accountability is understandable in light of the exigencies of the moment. The White House and Congress' first responsibility has to be preventing the economy from totally disintegrating, limiting the fallout from the fall meltdown and getting us back in the business of creating jobs and wealth.

Moreover, it makes sense, at least on paper, for Obama to avoid grandstanding right now—it's not his style, and he is trying to position himself as a new kind of problem-solving leader.

But what Obama and the rest of Washington don't seem to realize is that the public's escalating outrage is a central part of the problem. This truly is a case of no justice, no peace—or to be more precise, no accountability, no stability.

By that I mean that the new president and Congress are going to have more and more trouble building public support for their recovery plans—which will inevitably call for the nose-holding delivery of more federal dollars to the banks that got us into this mess—if they do not simultaneously assure taxpayers that the perps are going to pay for their crimes instead of profiting from them.

But there is an even greater long-term danger here, particularly for the Democrats, who will soon control both ends of Pennsylvania Avenue. Without Bush to kick around, they will soon own not just the economy and whatever stimulus bill is passed but also the management of the bailouts. Once the criminal investigations and indictments pop next year, what kind of exposure will the TARP-covered Obama administration have? Will they be seen as soft on Wall Street crime?

That depends in large part on how the Republicans re-position themselves for the post-Madoff era, which I think will be the most fascinating political subplot to watch in 2009.

The Democrats like to think of themselves as the party of the little guy. But their recent reticence on the sub-prime crime wave, along with their aggressive push for the bad bailout deals, has given the down-and-out GOP a huge opening to begin reclaiming the middle class that Bush drove away in droves.

One of the best barometers of that will be how the Republicans take on New York Sen. Chuck Schumer, who is up for reelection in two years and is widely seen as one of Wall Street's most aggressive advocates.

By all traditional measures, Schumer should win big again, hands-down. He is one of the shrewdest pals in Washington; he effectively courted middle-class voters outside of his New York City base and his favorability ratings have remained consistently high over the past four years.

But Schumer's extensive record of doing the bidding of his banking constituents—which was once seen as a major asset, particularly in raising piles of cash as the head of the Democratic Senate Campaign Committee—has the potential to be a life-threatening liability in this climate.

With a small team of crafty opposition researchers, a small businessman from outside Buffalo or Rochester could run a devastating ad campaign painting Schumer as Bernie Madoff and company's chief protector and enabler.

I suspect that Schumer is too smart to let that happen, and that you can bank on him to engage in some Spitzer-esque fist-shaking early next year to inoculate himself before the trials start Call it a blame default swap.

The same, I think, is true of Obama. He actually tipped his hand to some extent in dlie of his last pre-holiday press conferences, when he vowed to force the kind of "adult supervision" of markets Americans are demanding and to release a detailed regulatory overhaul plan as one of his first initiatives.

That leads me to Prediction No. 4: Obama's regulatory plan, in addition to beefing up prospective enforcement and fraud deterrence, will call for a substantial increase in Bush's badly underfunded budget for investigating and prosecuting crimes already committed (a point that Obama will not be shy in highlighting).

And if the new president is really smart, he will find a creative legal tool to seize the ill-gotten bonuses that legions of Wall Streeters are reaping from their ill-gotten gains. That's one Christmas present the country would gladly accept a little late.

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