

The Myth that Obama's Taking Huge Contributions from Wall Street Was Fine

Posted on [April 8, 2016](#) by [William Black](#) | [8 Comments](#)

By William K. Black

April 7, 2016 Bloomington, MN

I am now officially an economic advisor to Senator Sanders, and this column reflects some of that advice. Part of my advice is not to take money from Wall Street felons. (I am not taking credit for Bernie's decision — at most I supported a decision he had already made over a year ago.) One of the reasons I reinforced Bernie's decision was witnessing the problems President Obama experienced given his taking very large contributions from Wall Street. I channeled the prescient warning that Professor Thomas Ferguson (U. Mass, Boston) gave a group of us in 2008. He predicted, accurately, that Obama would not lead an effective crackdown on the endemic fraud by Wall Street elites that caused the financial crisis. Tom (he is a personal friend) is the expert on campaign finance. He authored the classic book on campaign finance entitled *Golden Rule* (as in the observation that he that has the gold makes the rules.).

Tom pointed out that (then) Senator Obama was accomplishing something unprecedented. He was not only raising more money from Wall Street than the Republicans were, he was doing so in the context of a nomination battle with (then) Senator Hillary Clinton. The Clintons were both preeminent leaders of the "New Democrats." They crafted the coalition of conservative (on economics and national security issues) Democrats. The New Democrat's apparatus was funded overwhelmingly by Wall Street and President Bill Clinton was famous for championing the three "de's" — financial deregulation, desupervision, and *de facto* decriminalization. Even if Wall Street was willing to reverse decades of contributing primarily to Republicans, why would they choose Senator Obama over their great ally, Senator Hillary Clinton? Tom predicted that Obama would win the nomination and the election — and would reject emulating President Roosevelt's "New Deal" and its transformation of finance. All three predictions proved accurate.

Hillary Clinton's defense of taking millions of dollars in contributions from Wall Street and her extraordinary fees for speeches to Goldman Sachs is that Obama took even more money from Wall Street — indeed, more than anyone has ever taken from Wall Street.

"President Obama took more money from Wall Street in the 2008 campaign than anybody ever had," she said. "And when it came time to stand up to Wall Street, he passed and signed the toughest regulations since the Great Depression, with the Dodd-Frank regulations."

Hillary's defense fails, but it is a famous defense to someone like me who lived in California for 20 years. It is the "Unruh defense" made infamous by the California Assembly Speaker decades ago:

If you can't take their money, drink their booze, eat their food, screw their women and vote against them, you don't belong here.

It is a pithy phrase, but Unruh knew it was simultaneously a great lie and a great truth. Unruh and the vast majority of his colleagues did not “belong” in a legislature under his own rule. Tom Ferguson's Golden Rule is supported by all the research. Contributions, massive speech fees, and revolving doors all matter. They are not decisive with every politician on every vote, but overall they strongly warp policy against the public interest and in favor of Wall Street.

President Obama exemplifies the problem. There are zero prosecutions of any Wall Street official who played even a modest role leading the three fraud epidemics that caused the financial crisis. The pinnacle of Obama's denunciation, in eight years, was that he opposed some unspecified actions by some unidentified “fat cat bankers.”

“I did not run for office to be helping out a bunch of fat cat bankers on Wall Street.”

Obama made that milk toast non-denunciation exactly once – in 2009 – and never again roused. Instead, Obama's comments emphasized (without the benefit of investigation) that any problems caused by Wall Street were probably simply mistakes. The toughest criticism Hillary could muster in a debate with Bernie in which she was trying to sell the audience that she had experienced a conversion and was now a critic of Wall Street was to claim that she once told them to stop their “shenanigans” (childish pranks). It is so hard to bite the hand that feeds you.

What of Hillary's claim that Dodd-Frank was the “toughest” banking law “since the Great Depression?” Well, that is true, but it undercuts Hillary's “Unruh” defense. First, notice that no President, since the Great Depression, *attempted* to achieve any substantial increase in Wall Street regulation from 1946 to 2009 – sixty-three years. Why? Two factors explain that horrific record – massive contributions from Wall Street to powerful politicians in both parties and the rise of the New Democrats and their devotion to the three “de's.” President Carter was the first of these New Democrats elected President and he is famous for his deregulation, which included beginning to deregulate interest rates. President Bill Clinton and Vice President Al Gore responded to the massive elite fraud revealed by the savings and loan debacle by greatly intensifying the three “de's” in finance. Hillary Clinton vigorously supported the Clinton and Gore administration's war against effective financial regulation. Why? Anti-regulatory ideology and political contributions from Wall Street come to overlap. That is one of the most effective means by which campaign contributions corrupt the system.

Severe financial crises provide unique opportunities to the President, particularly if the president's party also controls the House and the Senate, as was true of Obama in 2009. The Great Recession was the first immensely severe financial disaster since the Great Depression. FDR's “New Deal” financial regulatory reforms, including Glass-Steagall, proved so successful that the U.S. went over 50 years without a severe macroeconomic contraction. Bill Clinton, of course, eagerly sought to kill Glass-Steagall. Read Tom Frank's new book *Listen Liberal* to get the full background on the New Democrat's assault on the successful, fundamental legislative reforms that arose from the New Deal.

That means that Obama was the first President in over 60 years to have both the ability to achieve fundamental financial reforms analogous to the New Deal and the political need for change arising from public demand to achieve such a reform. But Dodd-Frank *compelled* nothing fundamental. It did not mandate that the regulators transform Wall Street's corrupt culture. The most you can say is that it provided increased authority to allow the Obama administration to act against that culture should it muster the will to do so.

Consider two obvious examples. Bill Clinton, at the behest of Wall Street threats, passed the Commodity Futures Modernization Act for the express purpose of defeating Brooksley Born's efforts to protect our Nation from financial derivatives. The Dodd-Frank bill could have been shortened by many pages and made more effective by stating: "The Commodity Futures Modernization Act is repealed." But Obama did not want to repeal the act. Similarly, Dodd-Frank could have been shortened and made more effective by stating: "The provisions repealing the provisions known as the "Glass-Steagall Act" are repealed and the regulations and interpretations in force as of 1980 shall be reinstated effective in 2013." But Obama did not want to bring back the vital protections of the Glass-Steagall Act.

Further, the Obama administration has not taken any fundamental action to end the corrupt culture of Wall Street. It has not prosecuted. It has not forced the systemically dangerous institutions that pose global systemic risks to shrink to the point that they no longer pose a global systemic risk. It has not fundamentally changed executive and professional compensation even though they are intensely criminogenic. Obama has appointed a series of weak regulatory leaders. Yes, Dodd-Frank allowed Obama and his regulators to take more effective actions. But Obama and those he appointed have lacked the *will* to even try to make fundamental changes and restore the rule of law to Wall Street. Wall Street remains rigged and its central business strategy remains fraud and ripping off its customers.

Rather than using the vital lessons and building on the policy remedies of the New Deal, Dodd-Frank did not even restore the protections FDR wisely had enacted 70 years earlier. Instead, net, we went backwards. The exception is the Consumer Financial Protection Bureau – and that is due overwhelmingly to (now) Senator Warren's progressive efforts.

Dodd-Frank refutes (or proves) Hillary's invocation of the Unruh defense. Even in the best political circumstances in roughly 70 years, Dodd-Frank failed to *mandate* fundamental change and Obama and the weak regulators and prosecutors he appointed lack the will to use their new statutory powers to require fundamental change. The system remains rigged because those that have the gold (Wall Street), and those that accept their gold, make the rules that rig the system and they commit hundreds of thousands of felonies with impunity for Wall Street elites.

We also need to ask a more fundamental question of Hillary – why? Why with your huge Super PAC funding from Wall Street, your delegate lead, and the criticism you are getting from progressives and will get from independents and Republicans do you continue to take enormous sums from Wall Street felons? It is clearly a liability politically. It blows your cover as a self-describe convert to progressive approaches to regulating (and prosecuting) Wall Street.

To put another of my hats on for a moment – as a founding member of the Bank Whistleblowers United – why not take our campaign pledge and announce you are ceasing to take money from the Wall Street felons? Taking our pledge is the right thing to do as a matter of policy and ethics, but it is also the smart thing to do politically in your present circumstances. Your continuing refusal to stop taking huge sums from Wall Street felons in these circumstances should prompt your supporters to ask why you are so addicted to their millions and what Wall Street expects to get in return. **Stop using Unruh's sleazy defense of conflicts of interest.**

SHARE THIS:

Share {334} Tweet G+1 2 Share 1 10 points
Email Print

[\[Translate\]](#)

This entry was posted in [William K. Black](#) and tagged [bernie sanders](#). Bookmark the [permalink](#).

8 RESPONSES TO THE MYTH THAT OBAMA'S TAKING HUGE CONTRIBUTIONS FROM WALL STREET WAS FINE

JEHR | [April 8, 2016 at 12:49 pm](#) | [Reply](#)

Bravo, Bill. Sock it to 'em!



Charles | [April 8, 2016 at 1:00 pm](#) | [Reply](#)

Congratulations, Dr. Black! I support Bernie and I like the way he selects his advisors.



Atown | [April 8, 2016 at 6:10 pm](#) | [Reply](#)

You should have written an answer to the new york daily news questions. We get that Wall Street owns the politicians.



Atown | [April 9, 2016 at 7:52 am](#) | [Reply](#)

This topic is very important. Sorry for the grumpy reply. Quite a moment on social media. We need ammo from experts. I support the direction of shorter and more frequent posts edited by a trusted reader. Many thanks. Will give more money to Sanders Campaign now that you are on payroll. A



Stupendous Man - Defender of Liberty, Foe of Tyranny | [April 9, 2016 at 5:30 am](#) | [Reply](#)

Congratulations!!



RVMarkov | [April 9, 2016 at 12:52 pm](#) | [Reply](#)



CONGRATS!



I also strongly believe Bernie will make MMT mainstream economics once he becomes President.

Jill | [April 9, 2016 at 1:27 pm](#) | [Reply](#)



Bill, this is wonderful that you are an official adviser to Bernie now. Please, I would love it if you would encourage him to stay active. I hope he wins the Dem nomination. But if he doesn't, I hope he will help in campaigning for more Dem progressives in the House and the Senate.

And if Hillary wins the nomination and the presidency, I hope Bernie will lead the charge to hold her feet to the fire and tell her, every time a situation comes up where she is in danger of over-compromising "You are a Democrat. The voters elected you because they wanted someone progressive. Act liberal. Act progressive. Do the progressive thing on every issue-- not the Right Wing thing, not the Republican thing, not the neocon thing."

And if Bernie wins the Dem nomination, we will still need to charge forward in getting progressive Congress members elected who will support him. And regardless of what kind of Congress we get, we need to have big demonstrations in the streets, to tell Congress to address income inequality, to regulate Wall Street, to stay out of unnecessary wars etc.

Luis | [April 9, 2016 at 10:18 pm](#) | [Reply](#)



We're at a point we have a revolving door w non profits. Executive level policy director at Latino group is now working for Chase. Bernie should not cater to these groups like Hillary is doing but challenge them to stop undoing the social progress we made in 60s.