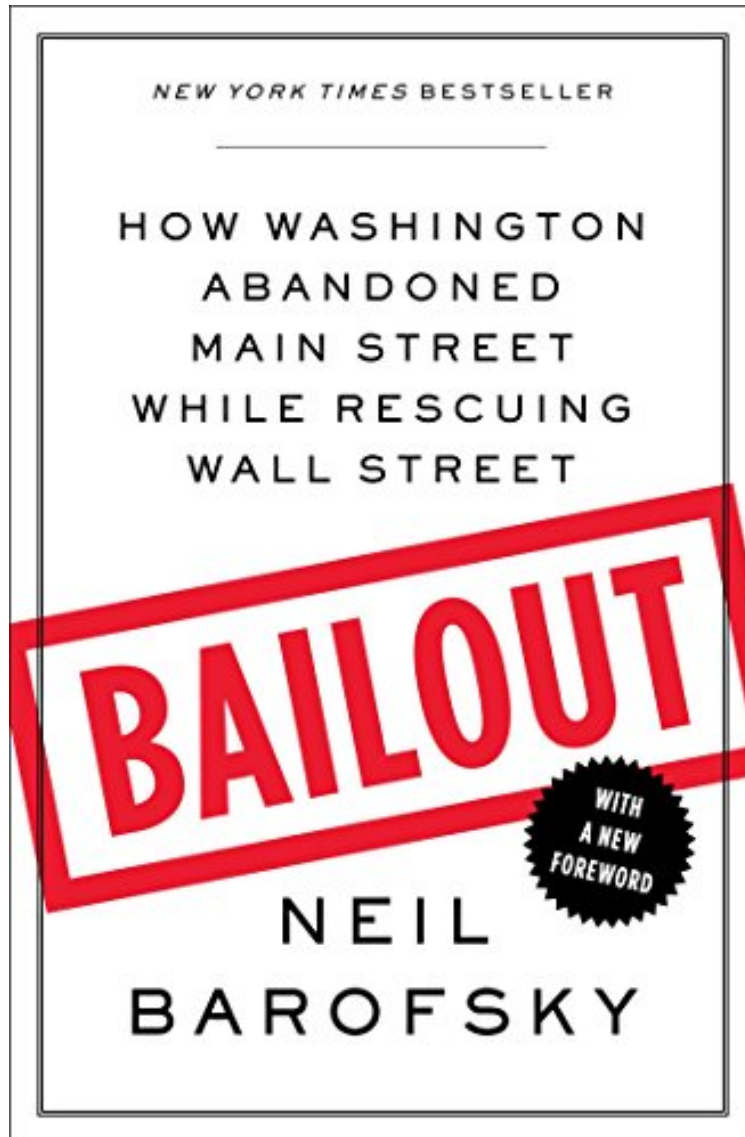


(Free) Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street

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Neil Barofsky

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Neil Barofsky : Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street before purchasing it in order to gauge whether or not it would be worth my time, and all praised Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street:

2 of 2 people found the following review helpful. Interesting insight into how detached wall street and the white house are from the public. By Matthew Lala The book offers a pretty clearcut indictment of the people, decisions, and

processes that led to billions of dollars of taxpayer money being used to bail out the Too Big To Fail banks. The recurring theme is that Barofsky sees potential for massive fraud and abuse, warns the appropriate people, gets ignored or shouted down, then the predicted fraud happens and nobody seems to care. He is forever kept out of the loop. Safeguards get gutted to the point where they're no longer effective, and egos get in the way of any effective change. I did get the feeling that there's a second side to the story that isn't getting presented. The book strongly implies that the people in charge of TARP don't care about wasting money, don't understand where the money's going, and have nothing but their own self-interest at heart. They all kowtow to the banks. Barofsky is the white knight, he and his team are the only honest guys left in Washington, their entirely non-partisan decisions and efforts are the only thing keeping the American taxpayer from getting screwed even worse. I don't know if it's really that simple. Ultimately what I got out of this book is a clearer understanding of how the crisis started, how creative criminal accountants keep exploiting loopholes in the system, and how ineffective the bailout may have been because nobody seems willing to close these loopholes permanently.

3 of 3 people found the following review helpful. A revealing - and disillusioning - look at how the TARP bailout was carried out, who benefitted, and who was responsible for it. By Whitt Pond.

There is so much to Neil Barofsky's *Bailout: How Washington Abandoned Main Street While Rescuing Wall Street* that it's impossible to properly cover it in a single review, but the gist of it is covered in the title. Barofsky, the former Special Inspector General for the TARP program from its inception in 2008 to his departure in 2010, gives a blow by blow account of exactly how the program was carried out, who benefitted from it, and who was responsible for how things ultimately played out. He shows how, regardless of the program's original intentions were perceived, it ended up being a massive bailout of the financial sector, leaving the big banks even bigger than before and their executives even wealthier than before - all at the taxpayers' expense - while at the same time not only failing miserably to provide relief to the victims of the financial sector's misbehavior but actually making things worse for millions of them. Barofsky does an excellent job of relating his experiences and in the process showing how and why it is seemingly so difficult to get anything done in Washington. Prior to taking the job heading up SIGTARP, Barofsky was a top prosecutor with the US Attorney's Office in New York City where he handled cases involving everything from drug cartels to financial and mortgage fraud. One of his cases dealing with FARC guerillas/druglords in Colombia was to give him an early taste of what dealing with Washington was ultimately going to be like: "In the FARC case, however, Rich was asking us to be the ones to invade someone else's turf....three different offices in Washington ... had been investigating the FARC - unsuccessfully - for years: DOJ's Narcotics and Dangerous Drugs Section, the Counter Terrorism Section, and the US Attorney's Office for the District of Columbia. Together with the leadership at the Drug Enforcement Administration (DEA) and the FBI, they had developed an official FARC narrative: though certain rogue groups within FARC, called 'fronts,' might have been engaged in narcotics trafficking, the organization as a whole was not. That narrative was fully supported by the State Department, which likely wanted to keep its options open in case an opportunity arose to broker peace between FARC and the Colombian government. It also justified DOJ's tepid results after years of investigation: only a handful of charges against FARC guerrillas. I was to learn while at SIGTARP that 'adopting a narrative' was a tried-and-true tactic in Washington: define the status quo as a success, and then ignore all evidence that suggests otherwise." A number of Washington figures from both the administrative and legislative branches appear in Barofsky's account. It was interesting to see how some - in both parties - were actually trying to do their job and get things done, while others merely treated everything as an unending series of petty turf wars and still others were either deliberately obstructive or - and one cannot escape the conclusion - manifestly corrupt. Highly, highly recommended for anyone who wants to know and understand exactly what went on, who was responsible, for one of the most massive acts of financial incompetence and collusion at the highest levels of government in US history.

4 of 4 people found the following review helpful. ACCOUNTABILITY, or lack thereof... By L. Okarski.

Mr. Neil Barofsky cares too much. I gave him 5 stars for that reason alone. He's not like the people on the cover of his book. An attorney by schooling, a prosecutor for the US Attorney's Office, Southern District of New York, his job is to see nobody takes advantage of TARP funding. Problem is, Treasury is so loose with the money that it becomes obvious Hank Paulson is a Wall Street puppet, as is Tim Geithner. (Neel Kashkari is dumb, but smart enuf to have a great job/office). "Change the program? Don't buy troubled assets? Money for anything, so what if it disappears? We need to tell the taxpayers where it went? Why? Oh, it's their money?" Neil Barofsky stepped into this mess obviously never reading *THE CREATURE FROM JEKYLL ISLAND*, by G. Edward Griffen. Otherwise he would have understood the situation perfectly. Mr. Barofsky went above and beyond, when it comes to reporting, and the individual stories are awesome - he names characters and gives great details in chronological order. None of it surprised me; it only made me more nauseous: Geithner changed the name of TARP. It included GM Chrysler's bailouts. AIG's \$85 Billion too. (What, you didn't know this?). Barofsky stops short of judgment - he's laid out the facts and the Kindle version has active links to hundreds of references, just as you would expect a top-notch attorney to do. Great book, great facts, terrible fleecing of the taxpayer (my words, not his). The best part of the book? His wife's comments about narcissism and the Timothy Geithner. 2nd best part, T.G. again, this time as "Transparent MAN".

Rounding out the Top 5: The next 3 are all Barney Frank, in no particular order (this is where watching too much CNBC is a detriment. The writing and descriptive details of when Neil met with Mr. Frank are so vivid that I can SEE

him- I can HEAR him- I'm in the room with them!) Very humorous yet so very serious, and yes Barney Frank is genuinely committed to fixing this situation. I wish there was an equally visual experience with the AIG bailout and how the Billions of USDollars flowed from TARP through to its "creditors" as another (unpublicized) bailout. Thank you Mr. Neil Barofsky, not so much for writing this book, but for defending my interests as an US Taxpayer. Great book, yes 5 Stars for the content also. Get it now on Kindle with the weblinks to every claim he makes.

In this riveting account of the mishandling of the TARP bailout fund, a former federal prosecutor offers behind-the-scenes proof of the corrupt ways Washington officials serve the interests of Wall Street. In this bracing, page-turning account of his stranger-than-fiction baptism into the corrupted ways of Washington, Neil Barofsky offers an irrefutable insider indictment of the mishandling of the \$700 billion TARP bailout fund. During the height of the financial crisis in 2008, Barofsky gave up his job in the esteemed US Attorney's Office in New York City to become the special inspector general overseeing the spending of the bailout money. But from day one his efforts to protect against fraud and to hold the big banks accountable were met with outright hostility from Treasury officials. Bailout is a riveting account of Barofsky's plunge into the political meat grinder of Washington, and a vital revelation of just how captured by Wall Street our political system is and why the banks have only become bigger and more dangerous in the wake of the crisis.

"Bailout is a jaw-dropping play-by-play of how the Treasury Department bungled the financial bailoutshellip; With a prosecutor's logic and copious footnotes, Barofsky makes it clear things are rarely what they seem in Washington." (USA Today)"[Bailout] is an interesting behind-the-scenes account of how Washington tried to save the economyhellip; [and] an enjoyable tale of how a prosecutor of Colombian drug gangs got drafted for the thankless task of policing a \$700 billion bailout from a dank basement office of the Treasury." (Fortune)"[An] everyman account of the pervasive cynicism and insider-dealing of the D.C. establishment." (The American Spectator)"[One] of our favorite business books so far this yearhellip;The former special inspector general policing the \$700 billion Troubled Asset Relief Program lifts the lid on the U.S. Treasury and settles scoreshellip; [an] illuminating memoir." (Bloomberg Businessweek)"A damning indictment of the Obama administration's execution of the TARP program." (Washington Examiner)"A quick, intense, read." (Business Insider)"[Barofsky] set out to account for the TARP spending in a transparent, nonpartisan manner. However, as he demonstrates in his energetically written first-person account, he and his staff met resistance every time they tried to share the truth with Congress, the White House and the American publichellip; a courageous, insightful book that offers no cause for optimism." (Kirkus (starred review))"Blistering in its assessment of the Treasury Department's handling of the bailouts." (Huffington Post)"In his scathing new book, Barofsky says taxpayers got shafted while the rich got richerhellip; a true exposehellip;. Taxpayers who feel helpless in the midst of the extended economic recession are likely to feel energized to metaphorically blow up the system after reading Barofsky's account." (St. Louis Post-Dispatch)"[An] explosive account of the mishandling of the Troubled Asset Relief Program funds." (Fort Worth Star-Telegram)About the AuthorNEIL BAROFSKY is currently a senior fellow at New York University School of Law. From December 2008 until March 2011, he served as the special inspector general in charge of oversight of the Troubled Asset Relief Program. Before that he was a federal prosecutor in the United States Attorney's Office for the Southern District of New York. Bailout is his first book.Excerpt. copy; Reprinted by permission. All rights reserved.Bailout FOREWORD TO THE PAPERBACK EDITION IN WRITING BAILOUT, I was given the opportunity to relive the tumultuous twenty-seven months of my life that are recounted in the pages that follow. It was a harrowing time, both for me and for the country, but it was an experience I will always treasure. As a line prosecutor in Manhattan, I never dreamed I would have the opportunity to serve my country at such a crucial time, and while I certainly had more than my fair share of setbacks, I believe that the work we did at the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) played an important role in protecting TARP from greater abuse and in bringing to justice those who sought to criminally profit from it. Although I was initially reluctant to take the job in Washington, I felt it was my duty, and I felt a similar call to write this book, in order to bring attention to what I saw as a hijacking of both the bailouts and the government itself by a handful of Wall Street financial institutions and their executives. I saw how they were able to exert their power and influence to protect and reinforce a dangerous status quo that worked brilliantly for them but has left the rest of the country behind. In writing this book, I wanted to send a warning about what I see as a treacherous future given the banks' continued dominance. Events that have happened since I finished the original hardcover version have unfortunately only further confirmed my fears about where we are headed as a country if we continue to ignore the dangers presented by banks deemed "too big to fail." Specifically, in the past several months we have seen a parade of banking scandals that have reflected just as poorly on the government and its captured regulators as on the banks themselves. First, we learned of what appears to be a global conspiracy among several of the largest banks to manipulate one of the most important interest rate benchmarks in the world, the London InterBank Offered Rate (LIBOR), which is used to set interest rates for everything from complex derivative contracts to home and auto

loans. A few banks are supposed to send in estimates of their borrowing costs each day to the British Bankers' Association, which then averages the reported numbers and issues the official LIBOR rate for that day. One of those reporting banks, Barclays, settled allegations that its employees had taken part in cooking the rate. The bank lied about its estimated costs in order to manipulate this number, originally so that its traders could rip off its counterparties and earn illicit profits, and then later to make it appear that the bank was in better financial shape than it actually was, thus potentially lowering its costs and fooling potential shareholders, regulators, and others.¹ A number of other banks are also apparent subjects of the ongoing investigation, including the all-too-familiar triumvirate in banking scandals: JPMorgan Chase, Bank of America, and Citigroup.² As damning as the breathtaking arrogance, size, and scale of the alleged misconduct by the banks were the allegations indicating that one of the banks' primary regulators, the Federal Reserve Bank of New York, and its president at the time, Timothy Geithner, were made aware by Barclays by April 2008 both of the ongoing manipulation and that other banks were involved.³ But rather than immediately alerting the Department of Justice or even calling in the banks subject to his jurisdiction and warning them that they needed to cease the manipulation immediately, Geithner took far more modest steps. He apparently did little more than send a memo to his regulatory counterparts in England, recommending that the rate-setting process be changed,⁴ and call a meeting of U.S. regulators, during which the New York Fed generally reported that the LIBOR process was vulnerable to potential manipulation but reportedly did not cite the actual manipulation to which Barclays had confessed.⁵ This regulatory response was so remarkably tepid that Barclays actually continued to manipulate LIBOR for a full year after Geithner took the actions he later defended as "necessary and appropriate" which apparently included relying on the British regulators to "fix this."⁶ Indeed, although at the time some suspicions were reported in the press that LIBOR was being manipulated,⁷ rather than alerting the public, Geithner effectively endorsed the rate by baking it into several bailout programs, using it as a benchmark to determine the interest rate that taxpayers would receive from AIG and in certain TARP programs. According to news reports, it wasn't until 2010 that a referral was made to the Department of Justice, and even then it came from the U.S. Commodity Futures Trading Commission, not the New York Fed or Treasury.⁸ A number of other banking scandals have also broken since Bailout's completion. Standard Chartered joined JPMorgan Chase in settling charges that they illicitly processed monetary transactions for institutions in nations such as Iran and Cuba,⁹ and a Senate Committee detailed HSBC's apparent facilitation of financial transactions for rogue organizations, including those potentially involved in terrorism or narcotics trafficking.¹⁰ The Department of Justice has also brought civil charges against Wells Fargo and Bank of America for defrauding the government of more than a billion dollars in connection with fraudulent mortgage activity that continued through 2009, well after the banks had accepted TARP funds. These cases, brought in October 2012, followed the settlement of similar charges against Citigroup and Deutsche Bank. Also in October, the New York State attorney general brought a broad civil case against JPMorgan Chase for fraud committed by Bear Stearns in the assembling and sale of mortgage-related securities during the run-up to the financial crisis, and he filed a similar case against Credit Suisse the following month. The SEC also settled cases against both JPMorgan Chase and Credit Suisse over the packaging and sale of similar securities.¹¹ To date, however, all of these cases and scandals have one thing in common. Not a single institution or senior executive has been criminally charged for the underlying conduct. And while there have been leaked news stories suggesting that some of the lower-level Barclays traders may in fact be charged criminally in the LIBOR case, it seems as if the likelihood of high-level criminal charges for cases related to the financial crisis or actions taken in its aftermath has diminished to close to zero. As the New York attorney general told reporters, he chose civil over criminal cases not necessarily because of a paucity of evidence, but because the authorities had waited too long to file criminal charges.¹² The five-year statute of limitations in New York for criminal cases (as opposed to the six-year statute for civil cases) had run its course. Similarly, it now appears to be too late for the president's Financial Fraud Enforcement Task Force, originally announced in October 2009, to do its promised job "to hold accountable those who helped bring about the last financial meltdown."¹³ There are a number of potential explanations for the failure to bring criminal cases, some of which are detailed in the pages that follow. After the terrorist attacks of September 11, 2001, federal law enforcement personnel and resources were understandably redirected toward counter-terrorism efforts, creating a significant shortfall in white-collar criminal investigative expertise. As a result, as I saw firsthand, by 2008 the Department of Justice lacked sophistication when it came to investigating complex accounting fraud cases. But there was another reason for the lack of cases: a staggering absence of referrals from regulators—such as Geithner's New York Fed—to the Department of Justice. As William K. Black, a banking regulator during the savings and loan crisis of the 1980s and 1990s, has explained, prosecutors back then leaned heavily on banking experts at the regulatory agencies to refer and shape the cases, with Black's agency making 30,000 referrals to the Department of Justice relating to frauds committed by the banks.¹⁴ In contrast, Black reported that the Office of the Comptroller of the Currency and the Office of Thrift Supervision, the two bank regulators housed at Treasury, had made only a handful of referrals in connection with the current crisis.¹⁵ Also, despite the promising announcement of the president's Financial Fraud Enforcement Task Force, there was never a significant commitment of investigative and prosecutorial resources to focus exclusively on sophisticated crisis-related crimes. The absence of

cases is likely also related to the power, influence, and control in Washington of the largest banks. The entire federal regulatory and political apparatus coalesced during the crisis and in the aftermath around one goal—to rescue the “too big to fail” banks by any means necessary, with trillions of taxpayer dollars flowing out the door with few conditions and little accountability. With Treasury having invested so much time, effort, and treasure into saving the big banks, it was simply inconceivable that the Department of Justice could have sought criminal indictments against any of the largest banks or their top executives. Doing so would have risked causing them to fail, thereby undoing all of Treasury’s and the Federal Reserve’s efforts and putting the entire financial system at risk once again. These problems, of course, endure, with the largest banks now nearly 25 percent bigger than they were before the crisis. If they were too big to fail in 2008, they became too big to jail in 2009. Worst of all, Wall Street knows this to be true, and each settlement of a civil case on favorable terms, and with no accountability for the individuals who committed the fraudulent acts, reinforces the most dangerous perception of all: for a select group of executives and institutions, crime pays. Why not risk crossing the line and continue to perpetrate fraud in the assembling and sale of mortgages if the penalty for getting caught is a fine that can be paid off with a few days or weeks of earnings? Why worry about violating sanctions in order to profit illegally by laundering money for terrorist-sponsoring states? Why not rip off investors by selling bonds that are designed to fail so that you can profit from your bet against them?¹⁶ Why not spend ten years defrauding the Federal Housing Administration? You know you’ll get to keep all of the ill-gotten profits if you go undetected, and on the off chance that you’re caught, your shareholders will pay a minor fine that will not affect your bottom line. In other words, the complete lack of meaningful consequences—financial or penal—for those committing these frauds encourages future fraudulent conduct. Ultimately, the financial crisis was a game of incentives gone wild, and the lack of accountability in the aftermath of the crisis only reinforced those bad incentives. We had a chance to bring real accountability to the system in 2009 with the announcement of the Financial Fraud Enforcement Task Force, but it was left underfunded and under-resourced. We had a second chance to fix the system in 2010 by breaking up the largest banks through regulatory reform, but the banks—with a healthy assist from Geithner and the Treasury Department—won that battle too. And we had an election in 2012 that could also have been an opportunity for meaningful change. But both candidates staunchly defended the status quo, which maintained the size and power of the banks, even as they made the incredible claim that they would never bail them out again. I fear that we may not have many more opportunities left before it is too late, and that meaningful reform will arise only out of the ashes of the next economic conflagration. That is a sequel I would prefer not to have to write.