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## The Wall Street Casino, Back in Business

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By Eugene Robinson  
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It's been a year since the financial system collapsed like a botched soufflé, and the sense of acute crisis has eased. The wizards of Wall Street are raring to get back to business as usual -- and if we let them, we'll have only ourselves to blame when the next meltdown comes.

The Obama administration and the Federal Reserve get too little credit for skillfully managing this terrible recession in a way that has kept it from turning into an all-out catastrophe. Too-big-to-fail financial institutions were put on life support or eased into oblivion in creative ways that involved massive injections of taxpayer funds -- but prevented massive defaults. The auto industry, a victim of collateral damage, was expensively defibrillated and once again has a pulse. Nearly 100 banks have failed so far this year -- compared with 25 in 2008 and just three in 2007 -- but depositors' money was saved.

In the process, though, the behemoth financial firms have gotten even bigger. And now that the economy has begun to revive, the stock market is getting happy again. I'm as pleased as anyone else to see a rising Dow, but somebody needs to slap the incipient grin off Wall Street's face.

For one thing, the rest of the country is hardly smiling -- not yet, at least. The "good news" is that, in total, "only" 200,000 or so American jobs are lost each month, compared with the more than 700,000 monthly job losses we were seeing earlier this year. Unemployment is at 9.7 percent and still rising, albeit more slowly, and may peak above 10 percent. The stock market rally is cold comfort to a worker who just got a pink slip.

And many economists think there's another blow coming. The residential real estate market may be bottoming out, they say, but the air still has to be let out of commercial real estate. At this point, the temptation is to ask what difference another trillion-dollar problem would make. We'd feel it, and not in a good way.

I have faith, though, that the crisis managers at the Treasury and the Fed will minimize whatever pain we still must suffer. What I don't have faith in is the willingness of President Obama and his team to contemplate, much less execute, any kind of fundamental change in the way Wall Street works.

Even with the reforms the president is [proposing](#), we will still have a situation in which the tail wags the dog -- the tail being the financial system and the dog being the economy. Wall Street's theoretical role is to allocate capital most efficiently to the companies that can make the best use of it. Wall

Street's actual role is more like that of a giant casino where the gamblers are rewarded for taking outrageous, unconscionable risks with other people's money. If the bets pay off, the gamblers win. If the long-shot bets turn out to have been foolish, we're the ones who lose.

"We will not go back to the days of reckless behavior and unchecked excess," Obama said Monday in [his speech](#) on Wall Street. "The old ways that led to this crisis cannot stand."

Obama said his proposed program of regulatory reform is based on fostering greater "transparency and accountability." No one can argue with that. But Wall Street's biggest failings are transparent enough for all to see. The Masters of the Universe created instruments such as derivatives and credit-default swaps, and encouraged the market in these exotica to grow bigger than the market in actual stock in actual companies. Financial firms spent millions of dollars to develop state-of-the-art software that could buy and sell securities -- the real kind or the exotic kind -- a split second faster than a competitor's software could, thus generating a tiny profit on each sale. How does any of this channel capital to its highest and best use? How does any of this benefit the economy?

Compensation is the marquee issue -- the unimaginable amounts of money Wall Street's alleged best and brightest paid themselves for taking stupid risks with our money. I don't see how this materially differs from theft, and I heard nothing from Obama about trying to claw any of this money back. But executive pay is really a sideshow.

The main event is making Wall Street serve the economy again, rather than the other way around. Putting more security cameras around the casino isn't nearly enough.

*The writer will answer questions at 1 p.m. today at [www.washingtonpost.com](http://www.washingtonpost.com). His e-mail address is [eugenerobinson@washpost.com](mailto:eugenerobinson@washpost.com).*

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