The New York Times

July 5, 2009

OP-ED COLUMNIST

Bernie Madoff Is No John Dillinger

By FRANK RICH

THE judge condemned Bernie Madoff's crimes as "extraordinarily evil." The New York Daily News, whose publisher was a Madoff victim, chose "The Pariah" as its front-page headline and promised that the dastardly villain would suffer "everlasting consumption in the jaws of the devil." The Times declared that the Madoff case, by attaching a human face to a financial meltdown that produced fear, panic and loss, had "put an entire era on trial."

But for all this rhetorical thunder, Madoff's 150-year sentence still seemed an anticlimax, as if the trial of the century had ended without a verdict. There was no national catharsis. The news landed with something of a thud. On the most-watched network newscast, "NBC Nightly News," it received second billing to Day Four of updates on Michael Jackson's death.

Madoff, it turned out, was no Public Enemy No. 1 to rival John Dillinger, the Great Depression thug at the center of Hollywood's timely release this holiday weekend, "Public Enemies." In the context of our own Great Recession, Madoff's old-fashioned Ponzi scheme was merely a one-off next to the esoteric (and often legal) heists by banks and bankers. They gamed the entire system, then took the money and ran before the bubble burst, sticking the rest of us with that fear, panic and loss.

The estimated $65 billion involved in Madoff's flimflam is dwarfed by the more than $2.5 trillion paid so far by American taxpayers to bail out those masters of Wall Street's universe. A.I.G. alone has already left us on the hook for $180 billion. It's hard for those who didn't have money with Madoff to get worked up about him when so many of the era's real culprits have slipped away scot-free. Already some of those same players are up to similarly greedy shenanigans again now that the coast seems to be clear.

Washington had no choice but to ride to their rescue last fall to prevent even greater systemic catastrophe. But that rescue is tainted. As the economist Joseph Stiglitz wrote in this month's Vanity Fair, "In the developing world, people look at Washington and see a system of government that allowed Wall Street to write self-serving rules which put at risk the entire global economy — and then, when the day of reckoning came, turned to Wall Street to manage the recovery. They see continued re-distributions of wealth to the top of the pyramid, transparently at the expense of ordinary citizens."

Not just in the developing world, but in America. Look at what we saw last week alone.

To beat out the implementation of new regulations, banks are rapidly jacking up checking-account charges and credit card fees, even for those who have paid their bills on time. As Eric Dash of The Times reported on Thursday, the institutions that received the most bailout loot are often the biggest offenders.

That would include the too-big-to-fail Citigroup, which has so far received $45 billion in taxpayers' money, along with guarantees on $300 billion in toxic assets, to mitigate its reckless risk-taking during the reign of such obscenely rewarded (and now departed) executives as Charles Prince and Robert Rubin. While taxpayers will soon own some 34 percent of Citi, it is not only increasing our credit card interest rates (to nearly 30 percent in some cases) but raising its own base salaries (by 50 percent) to work around Washington's new restrictions on bonuses. New rules may come and go, but loopholes remain eternal.

We also have learned, from The Wall Street Journal on Thursday, that Goldman Sachs, another bailout recipient, is on track to pay its employees an average of $700,000 each in 2009, which, incredibly, is a bit higher than its compensation average in the pre-crash year of 2007. In a scathing and controversial new article in Rolling Stone, Matt Taibbi accuses Goldman of having earned such rewards by engineering "every major market manipulation since the Great Depression."

What's uncontroversial and indisputable is that Goldman alumni have played key roles in both the Bush and Obama administrations' responses to the current crisis — even though Goldman has a big stake in the outcome. The dense revolving-door conflicts of interest are appalling. Goldman is howling about Taibbi's article, but the bottom line was articulated last week by the economic blogger Felix Salmon of Reuters. He wrote that he couldn't "think of a single government regulation over the past couple of decades which has remotely harmed Goldman Sachs" as opposed to the many that "have done it a world of good."

Goldman also rules at the New York Fed, a supposed monitor of Wall Street. Until May the Fed's chairman was serving simultaneously on the Goldman board; he resigned only after The Wall Street Journal reported that he was also still buying Goldman stock during his Fed tenure. At least that other failed watchdog, the Securities and Exchange Commission, has now cleaned house. But Politico reported last week that its new chairwoman, Mary Schapiro, had been the star draw at a lavish June banquet for the S.E.C. Historical Society, an independent organization that sold tables for up to $7,500 to "law and lobbying firms that do business with the S.E.C." Among the buyers: Standard & Poor's, a credit ratings agency that enabled the subprime bubble by giving its approval to wildly speculative derivatives.

It's against this grand backdrop of business-as-usual at the top of the pyramid that we learned at week's end that the speed of job losses is accelerating again. The government also reported that Americans who still do have jobs now have an average 33-hour workweek, the lowest since tracking began in 1964.

The Obama administration's response to the economic crisis is rapidly facing its own stress tests. We will soon learn the ultimate fate and stringency of the regulatory package sent to Congress, including the consumer-protection agency the banks want to maim or kill. The stimulus's ability to put Americans back to work remains an open question. Should we have a jobless recovery or, worse, a second-wave recession like the one that blindsided F.D.R. in 1937, it will be as catastrophic for the Democrats as it will be for the country.

Barney Frank seems to understand the political dynamic better than the White House. He told bankers back in February, "People really hate you, and they're starting to hate us because we're hanging out with you." If the administration wants to be reminded of how quickly today's already sour mood can turn rancid, Michael Mann's haunting "Public Enemies" could not be a more apt refresher course. The casting alone tells you where the audience's sympathies will lie: Dillinger is played by America's reigning male sweetheart, Johnny Depp, while his G-man pursuer, Melvin Purvis, is in the hands of the thorny Christian Bale.

"Public Enemies" doesn't make a federal case of parallels between its era and ours. It doesn't have to. But it's instructive to revisit the actual history. In the book that inspired the film, the journalist Bryan Burrough writes that Detective magazine polled movie theater owners during Dillinger's yearlong spree of 1933-34, and found that in terms of drawing audience applause Public Enemy No. 1 beat out F.D.R. and Charles Lindbergh. Roosevelt ran with it. As Steve Fraser writes in his cultural history of Wall Street, "Every Man a Speculator," F.D.R. "likened his Wall Street villains to 'kidnappers and bank robbers' eluding capture" in his 1936 re-election campaign. He knew Wall Street manipulators were the real targets of the public's ire.

Another look at this much-chronicled past, "Dillinger's Wild Ride," by Elliott J. Gorn, a professor of history at Brown University, is the first to be published during our own hard times. In it you learn that ordinary law-abiding Americans even wrote letters to newspapers and politicians defending Dillinger's assault on banks. "Dillinger did not rob poor people," wrote one correspondent to The Indianapolis Star. "He robbed those who became rich by robbing the poor."

Gorn writes that the current economic crisis helped him understand better why Americans could root for a homicidal bank robber: "As our own day's story of stupid policies and lax regulations, of greedy moneymen, free-market hucksters, white-collar thieves, and self-serving politicians unfolds, and as banks foreclose on millions of families' homes, workers lose their jobs, and life savings disappear, it becomes clear why Dillinger's wild ride so fascinated America during the 1930s." An outlaw could channel a people's "sense of rage at the system that had failed them."

As Gorn reminds us, Americans who felt betrayed didn't just take to cheering Dillinger; some turned to the populism of Huey Long, or to right-wing and anti-Semitic demagogues like Father Coughlin, or to the Communist Party. The passions unleashed by economic inequities are explosive because those inequities violate the fundamental capitalist faith. It's the bedrock American dream that virtues like hard work and playing by the rules are rewarded with prosperity.

In 2009, too many who worked hard and played by the rules are still suffering, while too many who bent or broke the rules with little or no accountability are back reaping a disproportionate share of what scant prosperity there is. The tepid national satisfaction taken in Bernie Madoff's terminal prison sentence should be a warning to the White House. In the most devastating economic catastrophe since Dillinger's time, many Americans know all too well that justice has yet to be served.