The Architects of Destruction

Special Report

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They took greed and incompetence to all-new levels...

"It's so difficult to pinpoint one person or two people [for the economic meltdown]. It really was the whole system."
— Georgetown University Finance Professor Reena Aggarwal

Introduction

The financial markets' collapse — broken down — is a disgusting tale of enablers, exploitation, and ignorance. . . the wheels of which were set in motion over 31 years ago with the 1977 passing of the Community Reinvestment Act (CRA).

In short, this Act was designed to encourage FDIC insured commercial banks and savings associations to meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods.

It sounded like a wonderful plan. It meant well. And like many things, it looked great on paper . . . when you first glanced at it. After all, everyone should have access to some credit, and this law was meant to better our deteriorating cities.

Except instead of banks freely choosing who they would give credit to, and determine the amount of credit the borrower would be approved for, the CRA — in a sense — held hostage the banks, forcing them to give borrowers as much money as the borrower needed, not deserved or could pay for.

In other words, this law kept banks from operating responsibly by only issuing enough credit/money that a person could pay back. It doesn't take more than a little common sense to foresee the financial trouble awaiting those institutions down the line.

Today, it remains the forgotten catalyst for loosened lending standards, rolled-back regulation, and an increasingly blurred line between nonprofit government and the for-profit private sector.

It's this much-decreased oversight that allowed for some to bank unfathomable wealth by inventing complicated financial instruments . . . and advancing them by exploiting loopholes in a wrecked system. As well, there were those in power who did nothing to prevent our slide to economic mayhem.

And now we're all left holding the bag.

What's worse: some of the same clowns who opened the gates to the financial crisis are in control of fixing it. . . many of them with full immunity!

It's high time, then, to take a step back . . . and take stock of the "pointmen:" the players at the table in a trillion-dollar bet that led to the financial collapse of the century.

From the financial "mad scientists" who concocted the toxic instruments in the first place . . . to the brokers who peddled them . . . to the mortgage companies that baited wanna-be homeowners of all stripes . . . to the politicians and lawmakers who enabled the death vortex that the housing crisis would become . . . to the SEC, which left the door wide open.
On display below are some of the villains themselves: their crimes, abuses, mistakes, and ignorance. . . and, perhaps most disturbing, their subsequent "golden parachutes."

Introducing . .

America’s Hall of Shame: Crooks of the Crisis

Public Enemy #1:  
Angelo "Mascot of the Housing Panic" Mozilo  
Former Countrywide Financial CEO

His Crimes:

In 2006, one out of five U.S. mortgages was financed by Countrywide Financial. . . at a value of roughly 3.5% of U.S. GDP. Good times for Angelo and his troops.

One year later, amid swirling questions over a looming mortgage crisis, Countrywide assured the world it had ample capital and liquidity to stay in business. . . having disclosed $35.4 billion in reliable liquidity. Another disclosure: " . . sufficient liquidity available to meet projected operating and growth needs and significant accumulated contingent liquidity in response to evolving market conditions."

Suckers!

While Mozilo and crew rope-a-doped investors with lie upon lie, Countrywide managed to burn through the $2 billion Bank of America cash infusion, an $11.5 billion credit line used to ease liquidity issues, numerous Fed cash injections... AND a $50 billion "cushion" they went on record as having:

"Our mortgage company has significant short-term funding liquidity cushions and is supplemented by the ample liquidity sources of our bank. In fact, we have almost $50 billion of highly reliable short-term funding liquidity available as a cushion today. It is important to note that the company has experienced no disruption in financing its ongoing daily operations, including placement of commercial paper."

Just seven days after that spirited media performance, the company announced it was facing "unprecedented disruptions" in debt and mortgage markets.

Finally, in December 2007, after months of spiraling anguish, Mozilo threw in the towel and left. Come July, Bank of America and Countrywide had officially inked the shocking takeover. It was an all-stock deal that, for Countrywide, shook out to less than 20% of the company’s $24 billion market value just one year prior.

Meanwhile, job cuts at beleaguered Countrywide have reached five-figure territory, as employees wait it out, day by day, on the chopping block.

"Friends of Angelo" (FOAs):

A June 2008 Conde Nast Portfolio exposé revealed a number of influential lawmakers and politicians who became beneficiaries of "favorable mortgage financing" from Countrywide. The list of FOAs includes Senate Banking Committee Chairman Christopher Dodd, Senate Finance Committee Chairman Kent Conrad, and former Fannie Mae CEO Frank Raines and Jim Johnson.

According to the report, Senator Dodd's arm was twisted to the tune of a $75,000 reduction in mortgage payments from Countrywide on his two homes — at rates reportedly well below market!

Golden Parachutes:

- From 2005 to 2007, Mozilo dumped a large portion of his Countrywide stock, turning a reported $291.5 million profit. Shortly after, CFC shareholders filed a class action suit, citing securities violations.
- In early 2008, it was reported that Mozilo could walk with up to $110 million. Such a payout would come on top of the $140 million gains he made selling Countrywide stock during the mortgage crisis.
- Mozilo also had two pensions. His severance agreement gives him the right to receive as a lump sum on his departure. Those pensions were worth $24 million at the end of December 2006.
- According to reports, Mozilo and his wife would also receive three years of life and financial planning benefits, in addition to compensation for any penalties he'd have to pay for receiving any payments considered excessive by the IRS.
- Angelo will enjoy payment of his annual country club dues at three separate clubs in California and Virginia as part of his compensation package. . . golf, anyone?

Public Enemy #2:  
Jim "Let Them Fail" Cayne  
Former CEO, Bear Stearns; world-class bridge player

His Crimes:


Fast forward to March 2007, with rumors flying of Bear's unraveling. Cayne denies rumors of poor liquidity, reporting the company had a $17 billion cushion. Investors actually cheered the news and sent Bear Sterns stock up.

In its next major miscue, Bear Stearns plunks down over $3 billion in a collateralized loan to bail out a hedge fund created specifically for subprime mortgages: the Bear Stearns Credit Fund (along with negotiations to bail out a second Bear fund mixed up in subprime).

"Most of our businesses are beginning to rebound."

— James Cayne  
High Grade Structured
Here's shocker #1: Just one month later, Bear clients are notified of “effectively no value” in the two hedge funds, which would soon file for bankruptcy.

Then in December, just when investors thought it couldn't possibly get worse, the first quarter loss in the institution's 85-year history was announced in what would add up to an $854 million monkey on its back from mortgage-related write-downs.

The firm's foray into subprime lending finally caught up with it... and within the span of a week or so, Bear Stearns — the stalwart, bulletproof institution founded in 1923 — was all but dismantled. The legendary investment bank would be sold to competitor JPMorgan Chase for a bargain-basement price of $2 a share, or $236.2 million.

Shocker #2: Cayne's whereabouts during the turmoil — according to reports: "In July, as Bear Stearns executives futilely attempt to prop up two hedge funds that ultimately collapse amid the subprime meltdown, CEO James Cayne spends ten of 21 workdays out of the office, playing golf and competing in a bridge tournament in Tennessee."

Cayne found himself at another card table in March 2008, at a tournament in Detroit, as the company was on the verge of filing for bankruptcy. ... and in the minutes leading up to Bear Stearns' sale to J.P. Morgan, Cayne answered neither email nor his cell phone while he competed in a tournament in Nashville.

(In a now-ironic twist, Cayne's Bear Stearns was the single investment-bank holdout in 1999's Wall Street-fashioned rescue of Long Term Capital Management, a collapsed hedge fund. "Let them fail," Cayne reportedly quipped.)

In the end, Cayne is largely blamed for two things: NOT selling the firm when he had the chance, and NOT pursuing the cash injection it desperately needed in the aftermath of the firm's collapsed hedge funds, and its "in-the-dark" liquidity.

Golden Parachute: After the legendary financial institution crumbled (including roughly $1 billion in net worth of Bear Stearns' stock down the drain), Cayne cashed in his entire stake in the company for a cool $61 million.

Public Enemies #3 and #4:
John "Commode on Legs" Thain
Former Chairman/CEO, Merrill Lynch; Current President of Global Banking, Securities & Wealth Management at Bank of America

Stan "No Risk Too High" O'Neal
Former Chairman/CEO, Merrill Lynch; Former GM Board of Directors (2001 - 2006)

Their Crimes:
The financial headlines read a lot differently in the past for John Thain... "The Man Who Saved Merrill" and the "Best Paid CEO of 2007" ($81.3 million total compensation), just to name a few.

Today's he's just "the guy at the helm" when the Merrill ship went down: another high-profile financial that bloodied its fingers in subprime and paid the price.

Thain has been accused of misleading investors over a span of months as Merrill took hit after hit, insisting the firm was well-capitalized. Among Thain's now-infamous quotes during his company's historic swim dive:

√ "We're very confident that we have the capital base now that we need to go forward in 2008." (January 18, 2008, quoted by The New York Times)

√ "...Today I can say that we will not need additional funds. These problems are behind us. We will not return to the market." (March 8, 2008, quoted by France's Le Figaro newspaper)

√ And by July 18, 2008, after Merrill Lynch wrote down $9.4 billion and sold a 20% stake in Bloomberg, Thain said, "We believe that we are in a very comfortable spot in terms of our capital."

Truth was, the company was writing down $5.7 billion more and wanted to offer $8.5 billion worth of shares. And here's the kicker: just recently. Thain redefined the "performance-based bonus" by lobbying (unsuccessfully) the Merrill board for a cool $10 million... by justifying the additional bonus in saying he saved a fortune in shareholder money, simply by selling the company to Bank of America. Thain's request was dropped in December 2008, after the Merrill compensation committee "resisted the request." How reasonable of them.

(Thain's request is sung to the same tune as Detroit's Big 3's delusion to fly into Washington by private jet to beg for a bailout, paid with tax dollars.)

Of course, much of Merrill's wreckage was left behind by Thain's predecessor, Stanley O'Neal, who may have played a bigger part in helping take down one of this century's storied Wall Street firms... .

In 2006, with O'Neal at the reins, Merrill's revenue and earnings soared. And it looked as if Merrill's aggressive move into the mortgage industry was paying off well... until it began to speed its hunt for mortgage riches by trafficking complex and lightly regulated contracts tied to mortgages and other debt, ahead of the subprime collapse.

By 2007, mortgages started to fail, debt ratings on CDOs were cut, and any firm holding toxic products became locked in a downward spiral. Merrill was one of them.

Merrill would soon shock investors with a $7.9 billion writedown because of its CDO exposure, resulting in a $2.3 billion loss... the biggest in the company's 93-year history.

Worse, O'Neal had promised that the $1.3 billion acquisition of First Franklin, a subprime mortgage lender, would provide "revenue velocity" and that it would add to earnings by the end of 2007. Neither happened. O'Neal took it upon himself to approach Wachovia Bank, without consulting the board, about a merger — a monumental "no no" for any CEO.

In October 2007, as the subprime crisis swept through the global financial market, O'Neal threw in the towel and resigned.

Here's how Bloomberg neatly summed up the fall of Stan O'Neal:
Losing a lot of money for shareholders is the surest way to end a career on Wall Street. (Another valuable reminder for shareholders everywhere: When it comes to Board-approved corporate pay structures, your votes count. Otherwise, it's called "complicity.")

Golden Parachutes:

- John Thain: A swank new title: President of Global Banking, Securities and Wealth Management at Lehman's rescuer, Bank of America. That was until Thursday, January 22, 2009, when Thain was reportedly forced to resign by BoA CEO Ken Lewis, after losses at Merrill proved to be much larger than originally estimated.
- Stan O'Neal: A position on Alcoa's Board of Directors, after looting Merrill's stash to the tune of a $161.5 million compensation package.

Public Enemy #5:

Martin "Just Put It on the Tab" Sullivan
Former President and CEO, AIG

His Crimes:

On December 5, 2007, AIG head Marty Sullivan told investors, "We are confident in our marks and the reasonableness of our valuation methods. . .[We] have a high degree of certainty in what we have booked to date."

But here's what the CEO of the world's largest insurance company failed to mention in his shareholder discourse. . .

The probability that AIG's credit-default swap portfolio will sustain an "economic loss" is "close to zero."
— Martin Sullivan, in a conference call with investors

Just six days earlier, Pricewaterhouse Coopers, AIG's outside auditor, issued Mr. Sullivan a private warning regarding the matter of swaps and risk management. Pricewaterhouse "raised their concerns with Mr. Sullivan. . .informing [him] that PWC believed AIG could have a material weakness relating to the risk management of these areas."

AIG suddenly found itself swept into the financial vortex. On the brink of complete collapse, AIG pulled out its ace card. . .an $85 billion bailout handed out by former Treasury Secretary Hank Paulson.

Soon after the bailout was reported, AIG allegedly took 70 of its "top performers," including 10 senior executives, on a week-long California boondoggle — courtesy of you, the taxpayer. Incredulously, the AIG execs ran up a $442,000 bill, including $200,000 for rooms, $150,000 for meals, and $23,000 for spa treatments.

Golden Parachute: Despite horrific company losses under his leadership — including a 99% drop in stock price during the crisis — Sullivan managed a cool $19 million safe landing, including a $5 million "performance bonus," plus a new contract with a $15 million parachute. . .all after misleading shareholders on the stability of AIG's finances. USA Today reported Sullivan's severance package to also include $320,000 for use of the company's aircraft, $153,000 for car and parking, $160,000 for home security, and $41,000 for "financial planning." Other news sources have speculated that Sullivan's total severance is actually more. Sullivan's parachute has since been frozen by AIG in an agreement with New York Attorney General Andrew Cuomo, who is investigating AIG for "unwarranted and outrageous" executive payouts after the company pocketed billions in taxpayer rescue money.

Public Enemy #6:

Alan "High Priest of the Fed Temple" Greenspan
Former Chairman, Federal Reserve (1987-2006)

His Crimes:

Greenspan's loose monetary policy alone would be enough to land him on our list. But his biggest gaffe? An unwavering opposition to oversight and regulation. . .despite being warned repeatedly on the consequences of lax lending standards. (Warren Buffett, back in 2003, referred to derivatives as "financial weapons of mass destruction.")

Ultimately, Greenspan would allow interest rates to remain too low, thereby over-inflating the housing bubble. . .all the while adamantly refusing to regulate high-risk financial tools. The mother of all derivatives — the mortgage-backed security — would soon collapse under its own weight, triggering the financial crisis of 2008.

Greenspan maintains a blame-free posture, conceding only that his "irrational exuberance" free-market ideology — and lack of regulation — was "flawed." Meanwhile, many leading global economists have freely called him out front and center as one of the most culpable figures behind the economic collapse of 2008. . .earning him what could prove to be a permanent stigma as the "engineer" of the housing bubble.

Golden Parachutes:

- Advisory position on global economic issues at hedge fund Paulson & Co.
- "Special Consultant" to bond giant PIMCO
- "Senior Advisor" to Deutsche Bank's investment banking team and clients
- Full government pension
- A sweet book deal (Penguin Group), which he fittingly wrote in 2007, before the economic "sh_t hit the fan."

Subsequently, Paulson & Co is famously known for its record profit making during 2007 by conducting bets against mortgage derivatives, which earned the firm billions of dollars. The financial terms of the agreement were not disclosed and Greenspan must not, under the agreement, advise any other hedge fund manager while working for Paulson.
Public Enemy #7:  
Phil "High Priest of Deregulation" Gramm  
Former Republican Senator, Texas (1985-2002); Senate Budget Committee (1989-2003)

His Crimes:

This legendary "free market capitalist's" staunch position against deregulation played a major role in the road to financial meltdown. And it happened with unusual bipartisan flare, as deregulation efforts were backed and aided through eight years of the Clinton administration. . . as well as by other members of Congress whose campaigns benefited from financial industry donors.

In the 1990s, according to reports, Gramm would turn down SEC's Arthur Levitt's requests for funding aimed at policing Wall Street. He also opposed an SEC rule that would've prevented accounting firms from getting too close to companies they audited. . . and warned the SEC that if the commission adopted that rule, funding would be cut.

Among Gramm's other efforts to deregulate the markets:

✓ He pushed through a provision that ensured virtually no regulation of the complex financial instruments known as derivatives, including credit swaps — contracts which would encourage risky investment practices at Wall Street's most venerable institutions and spread the risks, like a virus, around the world.

✓ In 1999, Gramm pushed a banking deregulation bill that broke down walls between commercial banks, insurance companies, and securities firms.

✓ Worse, in 2000, Gramm slipped a thick, 262-page measure (the Commodity Futures Modernization Act: more on that below) into a $384 billion spending bill. The act, said Gramm, would prevent the SEC — especially the Commodity Futures Trading Commission — from getting into the business of regulating financial products called "swaps." Swaps, of course, were at the heart of the subprime debacle.

"Tens of trillions of dollars of transactions were done in the dark," reports University of San Diego law professor Frank Partnoy, an expert on financial markets and derivatives. "No one had a picture of where the risks were flowing... (subsequently) there was more betting on the riskiest subprime mortgages than there were actual mortgages."

Source: MotherJones.com

The "Enron Loophole"

The Commodity Futures Modernization Act of 2000 included a last-minute Gramm provision, now known as the Enron Loophole, exempting energy speculators who make trades electronically from U.S. government regulation. Along with being the catalyst for the Enron debacle, it's believed to be the primary reason for California's 2001 electricity cost spike. What's more, the Ken Lay-Phil Gramm lovefest turned out to be an ugly threesome... with Gramm's wife having served on Enron's board when the company collapsed under scandal.

Beyond that... 

✓ Many economists assign some blame to 1999's Gramm-Leach-Bliley Act — legislation spearheaded by Gramm and signed into law by President Clinton — for bringing on the 2007 subprime mortgage crisis and 2008 global economic crisis. The Act is most well-known for repealing much of the Glass-Steagall Act, which was designed to regulate the financial services industry.


✓ 2008 Nobel Laureate in Economics Paul Krugman lists Gramm as #2 on his list of people most responsible for the economic crisis of 2008 (trailing only Alan Greenspan).

Golden Parachutes:

• Gramm joined UBS Securities as a Vice Chairman of the Investment Bank division right after his retirement from the Senate in 2002. According to a New York Times piece, "elite private bankers" of UBS "built a lucrative business in recent years by discreetly tending the fortunes of American millionaires and billionaires."

• All the trimmings that come with a full government pension, including 80% of his salary and full health care benefits.

Public Enemies #8 and #9:  
Dick "There's a Reason I'm Not Called Richard" Fuld, Chairman & CEO, Lehman Brothers  
Erin "The Best Accessorized CFO on Wall Street" Callan, Ousted Lehman CFO

Their Crimes:

The "scariest man on Wall Street," Dick Fuld was at the top of his game... annotated "America's Top Chief Executive" in 2006 by Institutional Investor magazine.

Then that pesky subprime mortgage situation began to unravel. And suddenly, this giant financial institution — supposedly impervious to ruin — came under fire. Fuld and company suffered unprecedented losses... the direct result of having held onto its massive subprime positions for too long.

By the third quarter of this year, 73% of Lehman's stock value had vanished in the grips of a tightening credit market.

How did Master of the Universe Dick Fuld respond? With outright denial, despite repeated warnings.
Fuld, in Congressional testimony, seemed to blame everyone but himself for Lehman's collapse. "A victim of his own success," some Wall Street insiders now suggest. . . rolling the dice on subprime like a jacked-up casino troll, taking risk to all-new levels. . . over and over, until it was simply too late.

Fact is, Lehman might have averted bankruptcy had Fuld acknowledged the reality of Lehman’s situation sooner. After all, there were offers on the table to snatch up Lehman whole. Fuld, however, refused to budge. And when the bottom fell out, nothing was left to leverage.

All said and done, Lehman would become the largest corporate bankruptcy in U.S. history. Fuld, saving face: “Lehman Brothers was a casualty of the crisis of confidence that took down one investment bank after another.”

With zero experience in the company’s treasury and just six months into the job, tax lawyer-turned rookie CFO Erin Callan drew national ire as Lehman’s public face and bullish mouthpiece during its fall from grace. There seemed no end to Callan’s sugarcoating, which couldn’t possibly reflect the reality and depth of Lehman’s desperate situation. In fact, after the firm slid off a nightmare 50% of its stock value, she remained “optimistic” about the company’s future.

In other words, she’d either never seen a ledger in her life, or she outright lied to everyone.

Fittingly, in early June, when Lehman painfully announced a horrific $2.8 billion quarterly loss, Callan could no longer shove transparency aside and distort the facts.

Just like that, Lehman’s head cheerleader was relegated to the JV squad. . . then shown the door.

The old corporate axiom, “Management compensation is largely tied to how its performance is reported,” no longer applied. Wall Street’s head female honcho was abruptly replaced by co-chief administrative officer Ian Lowitt. . . and Callan quickly pulled the rip cord to her golden parachute (see below).

File This Side Note Under "Greed and Delusion"

Just days before Lehman’s collapse, executives at Neuberger Berman (a Lehman subsidiary) sent emails urging Lehman’s top brass to do away with their seven-figure-plus bonuses. . . in order to “send a strong message to both employees and investors that management is not shirking accountability for recent performance.”

And if you thought Lehman’s execs couldn't be more arrogant or disconnected, consider this dismissive quote from Lehman Brothers Investment Management Director George Herbert Walker IV (second cousin to outgoing President Bush) to fellow members of Lehman’s executive committee:

“Sorry team. I am not sure what’s in the water at Neuberger Berman. I’m embarrassed and I apologize.”

Meantime, Richard Fuld and Erin Callan, along with ten other Lehman executives, are facing subpoenas as federal prosecutors investigate whether the bank misled investors in the run-up to bankruptcy filing.

Lehman’s top guys have since been the subject of investigations: the San Mateo County (California) Investment Pool formally filed suit against Fuld, Callan, and other top Lehman execs, seeking reimbursement for financial losses after Lehman’s fall to bankruptcy. The San Mateo lawsuit is among the first in the country to go after Lehman’s top brass. . . and the $1 billion-plus in bonuses they were able to siphon off before the firm tanked.

According to the lawsuit, the Lehman case "represents the worst example of fraud committed by modern-day robber barons of Wall Street, who targeted public entities to finance their risky practices and then paid themselves hundreds of millions of dollars in compensation while their companies deteriorated."

Fuld was handed a grand jury subpoena in October 2008 in connection to criminal investigations led in New York and New Jersey. By March of this year, Fuld was still facing a suit seeking compensatory damages of $118 million by Jon Corzine, former CEO of rival Goldman Sachs — on behalf of the state of New Jersey — for fraud and misrepresentation.

Golden Parachutes:

- Fuld: During the October 2008 Congressional hearing regarding Lehman Brothers, questioning revealed that Fuld had received nearly $485 million in compensation between 2000 and 2007. He said this figure was an exaggeration, the compensation was closer to $350 million. Fuld also made a point to negate the rumors that just four days before Lehman filed for bankruptcy, the compensation committee was recommended to give more than $20 million in compensation to the departing executives. Fuld is still seen around midtown Manhattan. . . enjoying expensive eateries with the pocketchange from his chute.

- Callan: Took a newly-created position as global head of the hedge-fund business at Credit Suisse in September 2008, where she also sat on the management committees within the investment bank. . . in February, Callan announced she would be taking a "personal leave of absense" for an undetermined period of time.

Public Enemy #10:
Hank "crony Capitalism" Paulson
Former U.S. Treasury Secretary (2006-2009); Former Chairman and CEO, Goldman Sachs

His Crimes:
Back in 2000, when Paulson was CEO of Goldman Sachs, he testified in front of the Security and Exchange Commission. Among other things, Paulson lobbied the SEC to enact a "change to self-regulation" for Wall Street.

He also urged them to change the "Net Capital Rule," which governed the amount of leverage investment banks could use. In 2004, the line between government and Wall Street would get even blurrier, as the Net Capital Rule officially changed. . . and is now blamed by many for the investment banks' collapse.

A few years later, as the housing market began to unravel, Paulson would prove the government couldn't see what was coming. . . unleashing a string of misguided soundbites:

- April 2007: "We've clearly had a big correction in the housing market. Retail housing was growing for some time at a level that was not sustainable," Paulson said in a speech to The Committee of 100, a business group in New York promoting better Chinese relations.
May 2007: "Well, let me say this. As you've pointed out, we've had a major housing correction in the U.S. The U.S. economy had been growing at a rate that was unsustainable and, in housing, it had clearly been growing at a rate for a number of years.

... That correction was inevitable; that correction has now been significant. We think it is near the bottom. It will take a while to work its way through the system. Fortunately for us, we have a very diverse, healthy economy. There are other things that are positive that are offsetting that."

August 2007: Paulson reported he failed to see any reason to reconsider his view that the economic damage from the housing correction was "largely contained," despite losses in a number of financial institutions and a long period for subprime issues to move through the economy.

October 2007: "I have no interest in bailing out lenders or property speculators. ... I can't think of any situation where the backdrop of the global economy was as healthy as it is today. ..."

Then a slight concession:

"We're not proud of all the mistakes that were made by many different people, different parties, failures of our regulatory system, failures of market discipline that got us here," Paulson said in an interview on Fox Business Network.

Truth is, Paulson (as Treasury Secretary) had no playbook for this financial mess.

He simply made it up as he went along... because there’s nothing in history — not even the Great Depression — that he, nor anyone else, could draw from to figure out the best next step.

Here's how Wikipedia sums it up:

It has been pointed out that Paulson’s plan could potentially have some conflicts of interest, since Paulson is the former CEO of Goldman Sachs, a firm that may benefit largely from the plan. Paulson has no direct financial interest in Goldman, however, since he sold his entire stake in the firm prior to becoming Treasury Secretary, pursuant to ethics law. Despite this, opponents argue that Paulson remains a Wall Street insider and still maintains close friendships with higher-ups of the bailout beneficiaries. The proposed bill would give the United States Treasury Secretary unprecedented powers over the economic and financial life of the U.S. Section 8 of Paulson’s original plan stated: “Decisions by the Secretary pursuant to the authority of this Act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency.” After the passage of this bill, the press has recently reported that the Treasury is now proposing on using these funds ($700 billion) in other ways than was originally intended in the bill.

In 2008, Paulson was named runner-up as Person of the Year by Time magazine, referring to the global crisis of the same year: "If there is a face to this financial debate, it is now his."

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