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INSIDE

listeningin, too

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Fix What's Broken

Barry Ritholtz Takes Aim At What Regulatory Proposal Leaves Out

***Barry Ritholtz**, author of the recently published,* "Bailout Nation, How Greed and Easy Money Corrupted Wall Street and Shook the World Economy," *is not a man to mince words. For one thing, he doesn't have time. Writing is a sideline to his day job as CEO and research director of **FusionIQ**, an online quantitative research firm and money manager, running about $100 million, long and short, mainly for high net worth individuals. Besides, as the proprietor of a popular financial blog, The Big Picture, he has been chronicling the foibles and follies of financial man for a number of years now and well, just doesn't suffer fools. His readers know him for clear explorations of even the densest of topics and for honest vitriol when he comes across self-dealing and worse. There is plenty of both clear prose and pungent language in "Bailout Nation," as it explores, in gory detail, where we've gone wrong in finance and in society. Not to mention, who done it. My time between its pages left little doubt that Barry, whose legal training at New York's **Benjamin N. Cardozo School of Law** focused on economics, anti-trust and corporate law, has more than a few ideas about what should be done. So when the unveiling of the **Obama** Administration's regulatory reform proposals left me asking, "Is that all there is?" I immediately put in a call to Barry. I wasn't disappointed. Listen in.*
KMW

Congratulations on getting "*Bailout Nation*" published. I know it wasn't easy — especially since you didn't pull your punches on who and what got us into this mess.
Well that's always been my style. For some reason, I've never thought a career in the State Department was a likely possibility. It's probably a side effect of that unfortunate tendency of my brain to respond to questions immediately and honestly.

Which is perfect for a blog — where your book took shape — but not necessarily in the world of book publishing.
It's kind of funny. The book is actually three books; it was written three times. What I would do on my blog was throw out a couple of hundred words and then I'd get feedback from peo-

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Victor Juhasz
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ple. It became a classic example of crowd sourcing. They'd ask, "Have you seen this article? Are you familiar with this research piece? X, Y, Z fund just put this note out on that topic." So in addition to the three researchers I hired, I had a staff of thousands facilitating the research and a lot of the things in the book came from responses to my blog, which is cool. Also from challenges people sent in to things I wrote there. Very rarely were people able to force me to reconsider a position or change my mind, because I had come to those positions through a lot of research. But what they ended up doing was honing my arguments. So through that whole process, 300-word blog posts turned into 2,000-word chapters. That was book No. 1. But it was originally due in August '08, and by then, as just about anybody who has worked on a trading desk on Wall Street for any period of time will tell you, you could clearly smell the leading edge of the coming storm.

So you got your deadline pushed back?

Yes. I went to my then-publisher, **McGraw Hill**, and said, "Hey listen, this is an interesting academic history of bailouts from the 19th Century to the New Deal to **Lockheed** and **Chrysler** to **Bear Stearns**, but I get the feeling something's coming. Let's give it a couple of more weeks." They very begrudgingly said yes and then, literally, the next weekend, **Fannie Mae** blew up and then **Lehman** and **AIG**. By September, everything had just exploded. So the 200 pages of dry, boring history I had stayed inside to write all that summer became the first 20 or 30 pages of the new book, as I spent September, October and November trying to write in real time from a historical perspective about what was going on. Which was pretty challenging because we all suffer from the recency effect. But the final version of book No. 2 was handed in last December.

And then?

There was the normal editing back and forth, which I thought was quickly handled. But in January, I was down in the Caymans giving a speech to hedge funds and insurers about how this all happened, when I got an email from my publishers saying they wanted still more changes in what I wrote about the ratings agencies, even though my contract gave *me* the final edit. So I wrote back: "I'm done with this; you've exhausted my patience; I have final edit; it's fill or kill. If you want the book, great. If you don't want the book, your advance check is still on my fridge under a magnet; I'll send it back to you and we'll call it a day." When I got back to New York, my editor was confident she could talk them into it. But it turned out that the publisher who originally championed the book had been laid off and the changes were being demanded by some mid-level corporate type who didn't want anything to do with a hot potato. But it all worked out for the best. Fortunately, I then took the book to **Wiley**, which was really a perfect fit; they had no conflict of interest. They don't own a rating agency and they were great to deal with. It turned out to be a huge aid. Because now the third version of the book gets written and I had some distance and some context to make some real improvements in the manuscript. By then we had had the third and fourth **AIG** bailouts, the second **Citigroup** and **Bank of America** bailouts, and it was clear that a lot of the stuff that I had written about the bailouts being insane – an egregious theft of both shareholder money and taxpayer money – wasn't just a curmudgeonly outlier position. So in many bizarre ways, McGraw Hill did me a huge favor by kicking the book back to me.

> **"But for the ratings agencies slapping triple-As on paper that otherwise would have been junk, none of the funds that eventually blew up, including Iceland, would have been able to buy the stuff in the first place."**

Funny, your criticism of the ratings agencies was McGraw Hill's bone of contention with you — and now they're also central to *your* objections to the regulatory reform proposals the Administration has just floated. You won't let them off the hook —

No way. The ratings agencies have been one of

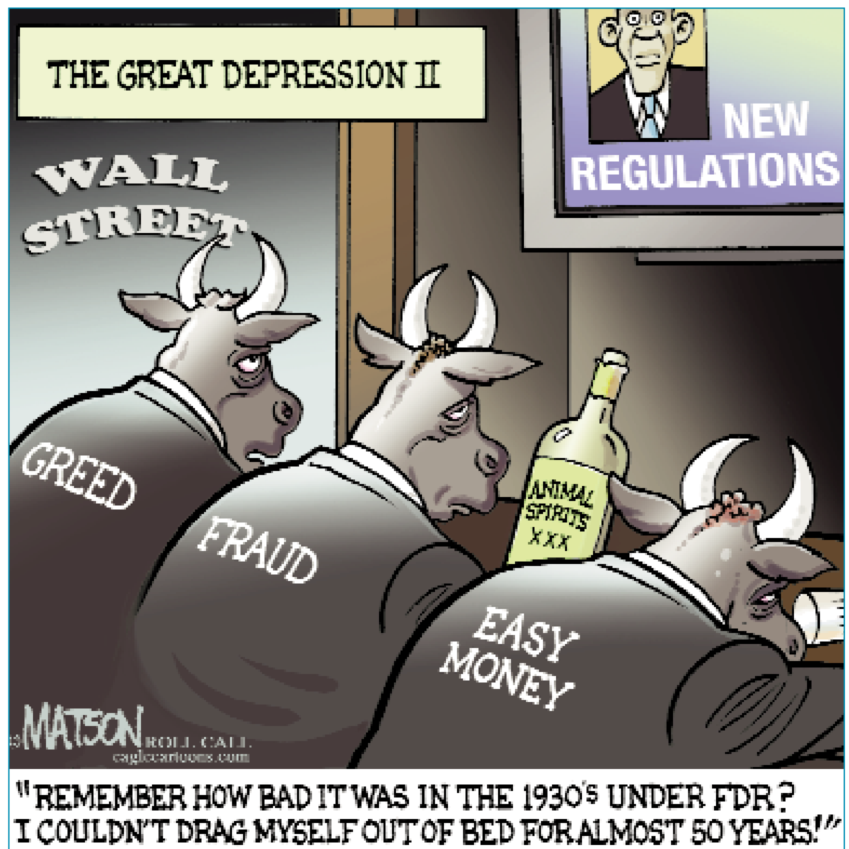
the key bad actors in the entire debacle – if for no other reason than that they are what I call a "but for." But for the ratings agencies slapping triple-As on paper that otherwise would have been junk, none of the funds that eventually blew up, including Iceland, would have been able to buy the stuff in the first place.

They argue they were just doing their jobs, as NRSOs.

I am very cognizant of the rating agencies' unique status, under the SEC, since the mid-'70s as "nationally recognized statistical ratings organizations", NRSOs, but also of the fact that their business model had changed drastically from the old days, when it was bond *buyers* who paid for the ratings, not the underwriters, as it became in the lead-up to the credit bubble. There was never as much money on the table for them as there was in the heyday of subprime lending. The upshot was that the rating agencies collaborated with the underwriters and got paid very well for it, because if they didn't, the underwriters would just take the deal to one of their more compliant rivals. I use a great quote from Nobel laureate **Joseph Stiglitz** in the book, about how they enabled the whole subprime mess: "I view the ratings agencies as one of the key culprits. They were the party that performed that alchemy that converted the securities from F-rated to A-rated. The banks could not have done what they did without the complicity of the ratings agencies." Even better is an email that was entered into the Congressional Record when the CEO of S&P testified before, I believe it was Henry Waxman's committee. That email said, "We would rate something even if it was structured by cows;" It's just a fantastic way to boil that whole thing down. If you think that, when you go to a rating agency, you're getting objectivity, you're sadly mistaken. This is a business run on a for-profit basis and if that means that sometimes they have to throw some *Hamburger Helper* into the hamburger, well, that's just good for profits. So leaving the ratings agencies out of the Obama Administration's reform proposals is just a stunning omission, to me.

Those proposals are why I called –

What struck me as fascinating about them is that there are three things that were just completely and totally omitted. It just makes you stop and scratch your head and say, "What are these guys really thinking about?" The first thing was leaving out the rating agencies; as I said, it's just such an egregious oversight. It's



"REMEMBER HOW BAD IT WAS IN THE 1930'S UNDER FDR? I COULDN'T DRAG MYSELF OUT OF BED FOR ALMOST 50 YEARS!"

astonishing. Granted, there are a lot of moving parts involved in the whole financial crisis and it's hard to point to any one single thing as the main "but for." But the ratings agencies are a prime suspect. I will tell you that but for the rating agencies, the crisis wouldn't have been as far-reaching; it wouldn't have been overseas; it wouldn't have hurt the people that weren't directly involved in the process of underwriting and securitizing mortgage paper. Bear Stearns and Lehman probably both still would have blown up. But everybody else who blew up, with the exception of AIG, might not have gotten hurt as badly. So I don't know how you *don't* fix that.

As you said, a lot of endowments, pension funds and the like that simply couldn't have bought all that toxic paper, without those "investment grade" ratings.

Exactly. And if the mortgage originators hadn't been able to repackage their loans as the toxic paper, they wouldn't have given mortgages to anyone who could fog a mirror. Now, the ratings agencies have said two things in their own defense – one of which is insanely asinine and the other is dumb, but not as dumb as the first. What's insanely asinine is the way they try to duck behind the First Amendment. I have a *Louisville Slugger*, ready and waiting to beat

some sense into the person who came up with that excuse. To make that argument, you have to be either a liar or a hypocrite or suffering from blunt head trauma already – so I don't know if the bat will facilitate more cognitive function, but it can't possibly facilitate less. Anyway, it's not worth debating. Their second defense is, "Well, we did the best we could with the tools we had at hand." But that's just so weak. We know they had a massive shortage of analysts; that there was tremendous pressure to just rate these things and crank them out; that they were nothing more than a sausage factory–

What else, when they were rating deals in the time it took the bankers to go out to dinner?

There was all sorts of silly stuff like that, just ridiculous. They surely could have afforded to hire more analysts, with what they were being paid. But they did no real in-depth analysis. First of all, they started with an absurd model that house prices *never* go down – ignoring not just 1847 but what happened in the late '80s and early '90s in various parts of the country.

You mean they should have dared question conventional wisdom, when they were getting so well-paid not to?

As the old joke says, when everybody thinks alike, then nobody's really thinking. Here's another great piece of not-exactly common sense, which they completely ignored: *All* models are wrong but not useless. When you're trying to depict reality via a mathematical formulation – which is what ratings agencies do – it's inevitable that you will have some degree of imprecision and some degree of inaccuracy.

No, really?

But the question is, how much? How much of what your models spit out is not reality but a flawed attempt to depict reality that is destined to, at best, be wrong and, at worst, to fail miserably? That's every model; it doesn't matter what you're trying to depict; a model is never going to be perfect. The best you can hope is that it doesn't suck too much and then you can use it to guide some secondary functions – but you can't rely on a model to depict reality. That's modeling 101. The best you can hope for is good enough. But good enough isn't what you want when you're looking at risking trillions of dollars, which is what the credit mess came to, once you add in derivatives.

Glad you brought that up. Because derivatives are something else the Obama team's proposals skate around.

That's the second thing that stunned me when they released their package. How can we not just completely throw away the Commodities Futures Modernization Act, legislation which Bonnie and Clyde attached as a rider to another bill at last minute right before Congress broke for Christmas break in 2000?

***Bonnie and Clyde*?**

That's how I refer to **Phil and Wendy Gramm.** They are the Bonnie and Clyde of derivatives; Phil, as a Senator, not only pushed the repeal of Glass-Steagall but was the sponsor of the CFMA, and Wendy, a former CFTC Commissioner, was a board member of **Enron**. The CFMA legislation was pushed by Enron and, to a lesser degree, by AIG. In fact, all of the regulatory changes we've seen in the financial industry over the past couple of years were pushed by the companies that those changes ultimately blew up. So it's not like anybody killed these companies; they all committed suicide and I find it fascinating.

Not to mention deeply ironic — and in some ways, fitting. If only taxpayers weren't footing the bill.

It's actually perversely amusing to keep hearing various heavy hitters insist nobody could have predicted the financial crisis.

Too many people saw it coming to hide behind calling it a black swan or a tsunami.

Or a 100-year storm. It was none of the above. Yes, there are a lot of moving parts that maybe weren't recognizable from the narrow perspective of a derivatives trader or a fixed-income guy or a bank regulator. But Wall Street and Washington pros are also supposed to look at the big picture. You could see the legislative changes; you could see the leverage; you could see **Alan Greenspan** bringing rates down to unconscionably low levels and keeping them there for unconscionably long periods of time; you could see the erosion of lending standards and the rise of these non-bank mortgage originators whose whole model was lend to securitize. There were all of these different things going on. Then there was the crash of the internet bubble that pushed all sorts of people out of speculating in stocks and into speculating in real estate, with Greenspan's low rates greasing the skids. It was one item after another and none of the decision-making was accidental; these were all conscious decisions where people said, we're going to do A, B and C and we

expect E, F and G to happen – but what ended up happening was X, Y, Z. Nobody wanted to blow up the economy, but all of the components that went into the collapse were the result of conscious decisions; really bad judgment on the part of executives at big finance companies, senior people at the Federal Reserve and especially Greenspan, and in Congress. Pretty much all of the institutions that people rely on failed us miserably. Let me stress, I'm not talking about just a bad decision here or there; it was a series of bad decisions based on unsustainable ideologies, bad philosophies and worse models. And, time and again, when confronted with facts to the contrary, key decision makers opted not to change their theories but to ignore the facts. A sort of cognitive dissonance held sway over Wall Street, D.C., the White House, the Fed; it was everywhere, as the credit bubble built to disastrous proportions.

Don't forget the short-term thinking on a pandemic scale and the perverse incentive systems that enabled and encouraged it.
Absolutely. In fact, to me, one of the unsung villains of this whole process is the entire mutual fund complex.

How do you figure?
Well, look at these over-the-top compensation systems, some of which were limited to the CEOs and C-level executives; others went to people throughout the firms. It seems nobody actually asked the simple question: Is this properly in line with the interests of the company? It's amazing that at no level, evidently, from the board on down, did someone ask at AIG, for example, "Hey, you guys are writing these derivatives that give the company exposure for 30 years, yet you take 100% of the performance fee in year one; how does that makes any sense whatsoever?" Against, we have seen zero fiduciary obligations fulfilled by the mutual funds that own the majority of the shares in American companies. Mutual funds seem to think of themselves as shuffling all these different pieces of paper and trying to generate a return on behalf of investors, instead of as owners of hundreds of millions of shares of these companies – who therefore have corporate governance responsibilities. Likewise, the members of most corporate boards have seemed more concerned with scratching each others' backs than with looking out for shareholders. So the compensation problem is a symptom of the broader problem, which is boards running companies for themselves and their buddies in management, not on behalf of shareholders. And we got to this point by letting mutual funds say, "Hey, these stocks are just business cards with three or four letters on them that we're randomly shuffling; it's nothing more than that."

As Jack Bogle points out [See this issue's ListeningIn], the last thing the funds want to do is take a stand on a corporate governance issue that could offend a company that might be a client.
Might give them 401k business, give them syndicate business, give them IPOs. That's why, if you *really* want to fix this, you have to go to the pivot point. You have to go to where the "but for" is that might make things different going forward. That's why one partial solution might be to mandate a fiduciary obligation for mutual funds to operate on behalf of their investors *as shareholders of companies*, not as paper shufflers in the casino. Stock symbols don't just represent trading script, they represent ownership in actual companies that need to be governed. So where mutual funds are large shareholders, they'd have large responsibilities – and that would hold whether they style themselves as active or passive investors. If you are one of the largest holders in a corporation which is supposed to be governed democratically by its shareholders, then you can't just passively sit back and let boards or managements or anyone else destroy that company.

It actually sounds like you've been channeling Jack Bogle.
That's interesting, because for a long time the classic approach of the indexers has been that they're passive investors; don't want any active involvement.

Jack would probably cite that Keynes quote about changing your mind when the facts change. What's your next big issue the regulatory reforms on the table?
While team Obama has suggested some minor changes in the derivatives markets, they don't go nearly far enough. Derivatives must be treated like futures or options; trading has to be put on an exchange; the open interest has to be transparent. You need assurance that the counterparty is going to pay up when the bet comes due, which means that the exchange has to foist reserve and margin requirements and speculative limits on people to make sure that they have the financial ability to pay these bets when they come in – and can't manipulate the market in the meantime. It can't be the sort of back

alley stuff that the banks have been doing. Everything has to be above board on an exchange. Which means that even if the banks persist in creating custom contracts that can't be cleared on exchanges, those contract obligations would still have to be disclosed – and the counterparties would have to be required to establish substantial, real reserves, against them. If you and I, as taxpayers, are going to be called upon to make up the losses when these guys screw up, then we have the right to know what the hell those things are. My favorite quote in my book came from the president of AIG's financial product division, who called their derivatives business "free money." He said, "This is free money; you just write the policies and you never have to pay on it."

Until they did.

Exactly. And that free lunch attitude, that rewriting of the basic laws of economics, was just astonishing. You look at the numbers of AIG and it's just mind-boggling. They were writing $3 trillion in derivatives and making 10 bips on it for the year. Which doesn't sound like much until you do the math and see that it was $3 billion. Imagine, one-tenth of 1% equals $3 billion. It wasn't that they were so smart; it wasn't that this was such a brilliant product. They just undertook an utterly enormous amount of risk for a tiny, little stream of revenue – and assumed that there would never be another flood or hurricane. It's just mind-bogglingly stupid. I know I'm looking at it after the fact. But just lay it out: You're going to assume $3 trillion in risk for less than 1%, in fact, for one-tenth of 1%. What could possibly go wrong with that?

It didn't happen overnight or in a vacuum. There was a progressive degradation of restraints on risk taking as everyone across the financial culture stretched for yield.

What's fascinating to me is that if you look at all of the sectors that got highly leveraged and wildly speculative, these were some of the most boring, quiet, traditionally low-risk businesses out there. Ones that were extremely profitable, but not fast growers. The bond insurers are a prime example, but you could easily point to the banks, too, and to the investment banks - though obviously the ibanks don't belong in any low-risk category. With them, the irony is that none of the 5 investment banks – Bear Stearns, Lehman Brothers, **Morgan Stanley, Merrill Lynch** and **Goldman Sachs** – that took the lead in convincing the SEC that allowing them to leverage themselves only 12-to-1 was too miserly; that they had to step it up, and that got the leverage rules waived, still exists, at least in the same form. Just 5 years later, and not coincidentally, Morgan and Goldman are now holding companies. Merrill has been sucked into the black hole that is Bank of America. Lehman and Bear Stearns are gone. But they weren't killed. They committed suicide via the aptly named "Bear Stearns exemption." We're nuts if we don't insist the Administration scales back leverage on Wall Street to 12-to-1. You can't convince me that's not enough for anyone. Another absolutely enormous problem I have with the current proposals for financial sector reform is that they don't do anything about "too big to fail." Which is just beyond belief. As loony as rewarding the Fed with more authority.

You hold the Fed responsible for the credit mess the banks created while it snoozed?

Exactly. To me, the only regulatory agency that has comported itself well has been the FDIC. They have been on the ball, which you can't say about many others. They've just been on top of things, how they handled the collapses of Washington Mutual and Wachovia. But among the regulatory agencies, the FDIC is considered the lunch pail crowd. They put on their green eye shades and they get the work done. That's a very different approach than we see at the Federal Reserve or the SEC. In my mind, the FDIC is the one that should be rewarded. The Fed, by contrast – its main job is to set interest rates. But they also have a regulatory obligation to oversee banks, and they did that *really* poorly. Why they should be rewarded for their role in causing the crisis is hard for me to fathom. Some of that nonfeasance, by the way, you can trace directly to Greenspan's philosophy that the best regulation is no regulation. At least Greenspan, to his credit, now says there was a flaw in his philosophy. At least he's willing to admit, "Gee, I thought people's self interest would prevent them from doing really stupid things. But we now know that people will sometimes do really dumb things when the short-term incentives are skewed the way they were."

No kidding. So maybe the Fed has learned?

That's not a bet I'm prepared to make when, as a taxpayer, I'm footing the bill for all their incompetence. A better solution, I think, would be to leave the Fed to setting monetary policy and to put some other agency – maybe the FDIC, which has at least been competent – into the super-oversight role. George Shultz, a former Treasury Secretary (under Nixon) has already told us how

to solve the second part of the puzzle. He said, "If they are too big to fail, make them smaller."

So you'd like to see the government step in and break up the likes of Citigroup and AIG?
I'd apply that solution to any of the banks or insurers – and to Fannie and Freddie – to anything, anywhere across the financial sector, whose corporate risk-taking puts the entire system at risk.

That position is sure to rile Wall Street — and so is almost assuredly as much of a non-starter in Washington as eliminating the overlapping regulatory agencies on which Congressional fiefdoms are built.
There's no doubt about it. If you look at the lobbying efforts that have been – and continue to be – put in place by the major financial institutions, it's astonishing. The result is that they have very effectively neutered regulations for years – and they're very brazenly continuing to do so. By the way, I've taken to calling the President "Barack *W.* Obama" in reference to the fact that he's now continuing for a third term **George W. Bush**'s economic and regulatory policies – and much of his personnel. Supposedly Obama was a change agent, but what we're getting is more of the same. Instead of throwing billions of dollars in guarantees and direct capital injections at tottering banks, they could have very easily, very inexpensively, said: "We're going to put you into receivership. This is not nationalization; we're not Venezuela. We're going to spin you out immediately; your toxic debt will go into a separate vehicle. If people want to buy it, they can. But essentially we're wiping out all your other debt. You'll be a clean, recapitalized bank without all your current headaches – and without the inept management that helped destroy you. We won't let you be a zombie bank." Instead, the sacred cow-loving duo of **Larry Summers** and **Tim Geithner** short-circuited that process, putting us taxpayers on the hook for who knows how much.

I'm not so sure that putting toxic assets in a "bad bank" would have gone quite that smoothly, given the size and shadow banking interconnections of the institutions you're talking about.
From my point of view, they could have kept operating. There's no reason to think that everything is just going to go to hell; a receivership should be pretty straightforward. With a government backstop, we'd be guaranteeing future debt. The bank could just continue to trade as it had been trading; continue to operate as it had been operating. We'd only be changing the compensation structure; putting risk management into place. And we'd be doing so anticipating that the institution would emerge from receivership as a new public company in a relatively short period of time, less than two years. We'd end up with a much healthier company. Here's another wild idea: When you lend money to an entity that's effectively bankrupt, you shouldn't expect to get that money back.

Where have you been? The reigning idea in finance is that profits are privatized, but losses are socialized.
It's this newfangled thing called real capitalism, not this casino capitalism or crony capitalism that we've, unfortunately, been laboring under. When you invest in a company that's insolvent, you lose your money. When you trade with a counterparty that is not required to hold reserves and they go broke, the taxpayer doesn't make good on your trade. If you go to Las Vegas and you spin the wheel and you win, the casino can't say, "We decided we don't want to pay you." The state gambling commission makes them pay you. Not true if you're out shooting craps in the alleyway with a bunch of hoods. That's pretty much what was going on with the AIG financial products division. They had no reserves. They had no oversight. But instead of suffering the results of their own dumb behavior in trading with those idiots, their counterparties ended up on the taxpayer's back. It's unconscionable. I personally think we should go back and get that money. "The ultimate result of shielding men from the effects of folly is to fill the world with fools." That's a quote at the beginning of my book, from an English philosopher, Herbert Spencer.

So I take it that you think some institutions have just gotten too big to manage — or to regulate?
No question. Something like 65% of the assets in this country are held by a handful of the biggest banks – and I'm talking about depository assets, checking accounts, savings accounts. By contrast, if you look at the other 35% of assets, they're spread across more than 6,500 small and regional banks that by and large are stable, liquid, solvent and well-run. These are A-rated banks that stick to their knitting. They lend money to people who can't afford to repay it. They did nothing during the credit bubble other than take in cash and lend it out – what banks are supposed to do. So why should we

allow banks to become these unmanageable behemoths? They're *not* too big to fail; *they're too big to succeed*. They all have too many moving parts. It's impossible to actually know how much risk is there. So pick a number; 5%, 2%, whatever. We should cap the size of these banks in order to – another crazy capitalist idea – foster competition. Besides, when small banks get into trouble, they don't threaten the system.

How can small banks compete, though, on a global scale? Isn't that the banks' cry?
Sure. But it doesn't hold water. All the huge global banks, not just the U.S. ones, have been caught up in this credit mess and are taking enormous hits. Besides, the whole basis for allowing the Citis of the world to grow to gargantuan size goes back to the 1980s, when they "had" to grow to keep pace with rival Japanese banks. Well, those Japanese banks certainly haven't been competitive in the least for the last, oh, 15 years. So that's no argument.

Did I see that you'd also like to bring back Glass-Steagall, or a modern equivalent?
Absolutely. While you can't say that the repeal of that depression-era legislation caused our current collapse, it undoubtedly contributed to making the crisis much worse than it might have been. It's definitely time to once again acknowledge that risk-seeking investment banks and depository institutions are different animals; time to separate speculative investment banks from insured depository banks.

You don't see more regulation just tying the financial system up in red tape?
I hope there's a middle ground. But if we're going to be on the hook as taxpayers, we have every obligation to make sure that insured institutions are not taking inappropriate risks. Some of my more strident quasi free market friends have told me that I have no right to insist upon regulation of the financial sector – but I have every obligation to write the check when it all goes bad. That doesn't work for me. This is a democracy. Incredibly bad, short-sighted investment decisions have cost us an ungodly amount of money. I insist on not having to pay for a second round. And unfortunately, as **Benjamin Disraeli** told us, the one thing we learn from history is that we learn nothing from history.
So bring back Glass-Steagall. The whole idea behind it was that banks are supposed to be where you put your blood money. When you put money in a checking or savings account, you have to be able to get that back, no matter what. Therefore, we're going to keep the conservative risk-averse commercial depository banks completely separate from the more risky, speculative investment banks. It worked for some 60 years until Bob Rubin and Larry Summers and Alan Greenspan and Citigroup managed to overturn it, just in time to watch the market blow up and destroy both sides of the Street. I can only hope that, at some juncture, W's old economics crowd loses influence in the White House and the likes of **David Axlerod** and **Rahm Emanuel** assert authority over financial sector regulation. They could start out by making lobbying for big banks a capital offense. Then maybe we can start getting back on the right track. But as long as the moneyed interests control the ears and hearts of Washington, the rest of the country is going to have problems. I have been saying for some time that the best trade going forward is being long pitchforks and torches. Eventually the public is going to lose it and go postal. I'm astonished it hasn't happened yet, but it's partly because partisans on both extremes co-opt any real, meaningful debate.

I hear you there. Thanks, Barry.

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