AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Jan 19 - 25

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Waters Announces Financial Services Subcommittee Assignments | Maxine Waters Press Office

Ranking Member Maxine Waters (D-CA) today announced subcommittee assignments for the Democratic Members of the House Financial Services Committee.

The Ranking Members of each subcommittee were chosen through a selection process based on seniority, with the confirmation of all Committee members. Positions on each subcommittee were secured through an open-bidding process in which all members of the Democratic caucus participate. Factors guiding the process included members' years of service as well as preferred subject matter areas. Changes also reflect the addition of Congressman Juan Vargas (D-CA) to the Democratic Caucus.

"I'm pleased to be joined by such talented and qualified individuals on the Financial Services Committee," said Ranking Member Waters. "Each of our five subcommittees will now have a Ranking Member to lead and guide our Democratic caucus as they debate and examine the many important issues affecting American consumers and taxpayers. I am certain this extraordinary group of leaders will continue to ensure that the interests of the American people are well represented."

Below is the full listing of subcommittee memberships for the Democratic caucus of the Financial Services Committee.

Big Banks Expected To Testify Before Congress In March | CNBC
The chief executives from some of the biggest U.S. banks are expected to testify before the House Financial Services committee in March, two sources told CNBC.

J.P Morgan Chase CEO Jamie Dimon, Goldman Sachs' David Solomon and Wells Fargo's Tim Sloan are among the bank executives expected to testify, the sources said. Bank of America's Brian Moynihan and Morgan Stanley's James Gorman are also expected to testify.

The CEOs would be testifying in front of Rep. Maxine Waters, D-Calif., who became the committee's chair earlier this month. Waters recently met with Solomon and Dimon in private, people with direct knowledge of the matter have told CNBC.

One source told CNBC the testimony would likely be confrontational.

Wall Street's Hopes For The New Congress Go From Not-So-Good To Oh Dear | Bloomberg
"Their hopes faded significantly when the new membership of the Financial Services Committee was approved on Jan. 15. The prospective lineup of 34 legislators included eight new members from the Congressional Progressive Caucus, including freshmen and self-proclaimed democratic socialists Alexandria Ocasio-Cortez from New York and Rashida Tlaib of Michigan, in addition to long-serving firebrand Maxine Waters of California as chair. The ATM, as the finance panel has sometimes been known, appears poised for a radical change. **"The House Financial Services Committee is no longer for sale to the highest bidder," says Marcus Stanley, policy director of the left-leaning advocacy group Americans for Financial Reform. "The finance industry has gotten used to having a megaphone with this committee. Not anymore."**

Warren Presses Mnuchin Over Christmas Eve Call With Regulators | Bloomberg
Senator Elizabeth Warren has asked Treasury Secretary Steven Mnuchin to explain his emergency phone call with financial regulators on Christmas Eve that spooked investors, triggering memories of a market liquidity crisis.

In the final weeks of December, the S&P 500 was in the midst of a 7 percent drop -- bringing equities to the brink of a bear market. The U.S. government's partial shutdown had started, and Bloomberg News had reported that President Donald Trump had discussed firing Federal Reserve Chairman Jerome Powell. The Fed had drawn the president's ire after a hawkish statement signaling further rate hikes that roiled markets.

The combination of events led to further chaos in financial markets, and Mnuchin stepped in with a tweet on Dec. 23: He had called the top six U.S. banking executives to confirm there was "ample liquidity" for lending purposes. Mnuchin also announced he had organized a call of the President's Working Group, made up of top U.S. regulators and traditionally only convened in moments of crisis, for the following morning.

Investors hadn’t been concerned about bank liquidity before Mnuchin’s statement.

For Trump Administration, It Has Been Hard To Follow The Rules On Rules | New York Times
Ever since President Trump took office, his appointees have directed federal agencies to draft regulations meant to delay or reverse policies of the Obama administration.

Nearly all the proposals have been tripped up by the same arcane 1946 law governing administrative policies. Just last week, two signature administration actions — to add a question about citizenship status to the 2020 census, and to allow employers to avoid covering birth control for their workers if they object to it — have been stymied by rulings under the law.

That law, the Administrative Procedure Act, was written to make sure that the executive branch followed some basic steps when it wanted to change policies. Over time, courts have given it additional teeth by requiring regulators to follow certain processes and conduct certain analyses before making changes. The Trump administration appears to have repeatedly failed to hew to those standards.

The Biggest U.S. Banks Made More Than $120 Million Last Year | CNN
JPMorgan Chase (JPM), Bank of America (BAC), Wells Fargo (WFC), Citigroup (C), Goldman Sachs (GS) and Morgan Stanley (MS) brought in more than $120 billion combined in profit last year, the result of President Donald Trump's corporate tax cuts and a booming economy.

That's a record showing. It also dwarfs the amount they made in 2017, when many banks faced large, one-time charges related to tax reform.

Those results highlight the degree to which bank shares have diverged from actual business performance. The sector's stocks had a dismal 2018, weighed down by concerns about rising interest rates, the shrinking difference between short-term and long-term bond yields, and global issues such as trade and Brexit.

Probe Into Wall Street Banks Over Rigging U.S. Treasury Auctions Stalls | New York Post
A politically dicey investigation into Wall Street banks allegedly rigging US Treasury auctions has stalled due to a lack of evidence, and it’s unclear if the federal government will bring any charges against the companies, The Post has learned.

The antitrust probe, which threatened to be an embarrassment for officials in both the Obama and Trump administrations, was focused on whether Goldman Sachs traders colluded with others to fix prices in the $13 trillion Treasurys market, sources have told The Post.

Investigators are hitting dry wells in their evidence hunt through thousands of pages of Bloomberg chats, plus dozens of interviews, to bring a clear case, one law enforcement official familiar with the probe told The Post.

CONSUMER FINANCE AND THE CFPB

Joint Letter: Consumer Groups Urge FDIC To Cap Small-Dollar Loan Interest Rates And Consider Consumer Ability To Repay (Short Version)

CFPB's No. 3 to depart, join New York AG | Credit Union Journal
Chris D'Angelo, the Consumer Financial Protection Bureau's associate director of supervision, enforcement and fair lending, said Wednesday that he is leaving the bureau after eight years to work for New York Attorney General Letitia James.

D'Angelo said in an email to staff that he had accepted an offer to become the chief deputy attorney general for financial justice in New York. He is the most high-profile example yet of a top CFPB official decamping to a state with an aggressive consumer protection agenda.

D'Angelo spent three years in the No. 3 slot at bureau, leading the CFPB's largest department, which oversees roughly 700 lawyers and staff employees. CFPB Director Kathy Kraninger praised D'Angelo in an email.

One Study, Two Vastly Different Visions For CFPB Payday Rules | American Banker
When Columbia University law professor Ronald Mann undertook a survey of 1,000 payday loan customers to determine if they could estimate how long it would take to repay a loan, little did he know that the resulting study would become a lightning rod in the drafting of the first federal regulation for small-dollar lenders.

The Consumer Financial Protection Bureau's prior leadership cited Mann's research over 30 times in an existing rule meant to impose strict underwriting requirements for payday loans.

But signs now point to Trump-appointed CFPB Director Kathy Kraninger employing the very same study in a highly anticipated revamp of that rule, which is expected to scrap the ability-to-repay requirement in what would be a huge win for the industry.

Consumer Financial Protection Bureau Settles With Broker Of High-Interest Credit Offers | CFPB Press Office
The Consumer Financial Protection Bureau (Bureau) today announced a settlement with Mark Corbett, a broker of contracts offering high-interest credit to veterans.

As described in the consent order, the Bureau found that Corbett violated the Consumer Financial Protection Act of 2010 by misrepresenting to consumers that the contracts he facilitates are valid and enforceable when, in fact, the contracts are void because veterans' pension payments are unassignable under federal law; misrepresenting to consumers that the offered product is a purchase of payments and not a high-interest credit offer; misrepresenting to consumers when they will receive their funds; and failing to disclose to consumers the applicable interest rate on the credit offer.

Pressure On The FDIC | Politico Morning Money Newsletter
PRESSURE ON THE FDIC — A group of 14 state attorneys general are pressuring the FDIC "to discourage banks from issuing unaffordable loans and to prevent banks from participating in rent-a-bank schemes that evade state interest rate caps." Read more.

DERIVATIVES, COMMODITIES & THE CFTC

Letter to Regulators: Letter to the Basel Committee on Banking Supervision Opposing Cuts in Capital Requirements for Cleared Derivatives | Americans for Financial Reform Education Fund

Wall Street Backlash Sinks Plan To Transform Swaps Market | Wall Street Journal
Faced with criticism from firms such as Citadel Securities and Goldman Sachs GS -2.12% Group Inc., a Republican regulator plans to withdraw a revamp of rules for products used to hedge risks and make bets on everything from fuel prices to interest rates.

Commodity Futures Trading Commission Chairman J. Christopher Giancarlo, a former executive at a swaps brokerage, plans to abandon an existing proposal on swap trading and rewrite it after incorporating industry feedback, he said in an interview. Since 2014, most swaps have been required to trade on platforms called swap execution facilities, whose construction Mr. Giancarlo has harshly criticized.

But Mr. Giancarlo's proposal was met with skepticism from big swaps players who have spent the past five years adjusting their businesses to Dodd-Frank Act requirements. A largely over-the-counter market before 2014, many of the most popular swaps products such as interest-rate swaps now mostly trade electronically on swap execution facilities. Those platforms allow market participants to compare prices from multiple swap dealers including global banks and market-makers such as Citadel Securities.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

SEC Is Accused Of Mishandling A Whistleblower Tip About Financial Crisis-Era Misconduct | Fast Company
A decade after the U.S. financial crisis, Wall Street is booming and the economy is back–but nagging questions remain about the failure of government regulators and prosecutors to prevent the collapse, and to hold top Wall Street bankers personally accountable for the catastrophe. A year after the recession ended, the Securities and Exchange Commission (SEC) in 2010 slapped Goldman Sachs with a hefty $550 million fine, but it only charged a single, mid-level Goldman trader. Emails obtained by ProPublica's Jesse Eisinger and published by the site in 2016 shed some light on possible reasons why. In them, the senior SEC official who investigated Goldman lamented the "devasting [sic] impact our little ol' civil actions reap on real people more often than I care to remember. It is the least favorite part of the job. Most of our civil defendants are good people who have done one bad thing."

A would-be whistleblower is now accusing that official, Reid Muoio, of mishandling a tip he sent in alleging misconduct by Deutsche Bank, Fast Company has learned. In a previously unreported case winding its way through the United States Court of Appeals for the Second Circuit, the plaintiff (an anonymous Deutsche Bank executive identified only as “Doe”) says Muoio, deputy chief of the SEC’s Complex Financial Instruments Unit (CFIU), failed to pass along information he provided about how the bank was misvaluing the types of subprime mortgage products that were at the heart of the global meltdown.

Biotech Firm Files To Go Public With Workaround Amid IPO Freeze | Wall Street Journal
A biotechnology company filed to go public using a rare workaround that would let it wriggle into the public markets despite the partial U.S. government shutdown, and an energy company is likely to make the same move soon.

Gossamer Bio Inc. said in a filing Wednesday afternoon that it would go public by letting its registration become automatically effective “as a result of the shutdown of the federal government.” If all goes to plan, the company will be able to sell shares to investors in 20 calendar days.

New Fortress Energy LLC is set to also attempt using this workaround, according to people familiar with the offering.

EXECUTIVE COMPENSATION

Davos Billionaires Kept Getting Richer After Financial Crisis | Bloomberg
A decade after the financial crisis poured flat champagne on the World Economic Forum, gold-collar executives set to gather there this week have bounced back, and then some.

David Rubenstein has doubled his fortune since 2009. Jamie Dimon has more than tripled his net worth. And Steven Schwarzman has increased his wealth sixfold.

It’s a remarkable showing given the economic and political tumult of the last decade, from Lehman Brothers to Brexit to Donald Trump. The fortunes of a dozen 2009 Davos attendees have soared by a combined $175 billion, even as median US household wealth has stagnated, a Bloomberg analysis found.

10 Years After Financial Crisis, US Bank CEO Pay Soars Again | The Straits Times
Ten years after Wall Street recklessness helped lead to the Great Recession, compensation for top bank CEOs is soaring even as pay flattens at junior levels.

Compensation figures released so far by large banks this year suggest a rich season for CEOs, despite myriad worries for markets, including slowing global growth, trade wars and Brexit uncertainty.

Compensation for Jamie Dimon, chief executive of JPMorgan Chase, the biggest US bank by assets, hit US$31 million (S$42.2 million) in 2018, up 5.1 per cent from last year and his highest pay since the 2008 financial crisis.

MORTGAGES AND HOUSING

Millions Of Bank Loan And Mortgage Documents Have Leaked Online | TechCrunch
A trove of more than 24 million financial and banking documents, representing tens of thousands of loans and mortgages from some of the biggest banks in the U.S., has been found online after a server security lapse.

The server, running an Elasticsearch database, had more than a decade's worth of data, containing loan and mortgage agreements, repayment schedules and other highly sensitive financial and tax documents that reveal an intimate insight into a person's financial life.

But it wasn't protected with a password, allowing anyone to access and read the massive cache of documents.

It's believed that the database was only exposed for two weeks — but long enough for independent security researcher Bob Diachenko to find the data. At first glance, it wasn't immediately known who owned the data. After we inquired with several banks whose customers information was found on the server, the database was shut down on January 15.

Another Legally Questionable Acting Official Who's Not Wasting Any Time Before Making Big Decisions | Take Care Blog (Brianne Gorod)
There's been a lot of focus lately on who's in (and, perhaps even more often, out) of the senior positions in the executive branch, but there's one official who hasn't been getting as much attention as he should: Joe Otting, the new Acting Director of the Federal Housing Finance Agency (FHFA). Most people may not be familiar with the FHFA, but it's nonetheless incredibly important, because if it fails to do its job correctly, the effect on the nation's economy can be devastating. And Joe Otting's appointment is only the latest example (of many) of the Trump Administration making a legally questionable appointment. And this appointment is already having real consequences, barely a week into Otting's tenure.

The FHFA was established by Congress in the midst of the 2008 financial crisis, as part of an effort to stem the housing crisis and also to prevent similar crises in the future. Recognizing that the existing regulatory regime had failed to rein in the risky practices of Fannie Mae and Freddie Mac—the entities that owned or guaranteed nearly half of the nation's mortgage debt at the peak of the financial crisis—Congress concluded that a new agency was necessary to oversee them. And Congress concluded that that agency needed to be an independent regulator, one that would, unlike its predecessor, resist political pressure to weaken oversight. To ensure the requisite independence, Congress provided that the agency would be led by a director whom the President appointed, with the advice and consent of the Senate, and whom the President could remove "for cause," but not for policy differences alone.

Listen: Mobile Home Owners Are Upset About Rising Costs To Rent Land | NPR

PRIVATE FUNDS

Why Aren't Hedge Funds Required To Fight Money Laundering? | ProPublica
For many years, the federal government has required banks, brokerages and even casinos to take steps to stop customers from using them to clean dirty money.

Yet one major part of the financial system has remained stubbornly exempt, despite experts' repeated warnings that it is vulnerable to criminal manipulation. Investment companies such as hedge funds and private equity firms have escaped multiple efforts to subject them to rules meant to combat money laundering.

The latest attempt, which began in 2015, appears to have ground to a halt, according to sources familiar with the process.

"You've got several trillion dollars, the management of which nobody is required to ask any questions about where that money is coming from," said Clark Gascoigne, deputy director of the Financial Accountability and Corporate Transparency Coalition. "This is very problematic."

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Unanimity On Distance Ed Rule Change Proves Elusive | Inside Higher Ed
A few refrains jumped out from last week's first round of discussions hosted by the Department of Education for revamping federal rules around distance education and innovative programs. "This is a starting point." "What problem are you trying to solve here?" "We need more clarity."

Taken together, these recurring comments add up to a unified narrative from observers of technology innovation in education: current federal rules are confusing and outdated, but efforts to change them aren't exactly straightforward, either. (See related article on Exhibit A: state authorization.)

Priorities for the process, according to subcommittee members, include removing anachronisms and paving the way for institutions to try out big ideas while ensuring that students aren't at risk. The Trump administration appears to see the current proposals as an extension of a broad deregulation agenda, and an effort to provide students with a wider range of educational and employment options. Without a deft hand at the controls, observers say, outcomes of the current negotiations could open the door to "bad actors" -- another frequently used phrase last week.

Stay Awake For These 5 Issues During Negotiated Rulemaking | Chronicle Of Higher Education
The process of federal negotiated rulemaking is not sexy, fun, or even easy to understand. But the U.S. Department of Education's latest effort to rewrite regulations could have deep consequences for higher education.

Next week the department begins a new round of rulemaking, bringing together dozens of higher-education constituents to try to hammer out agreement on numerous proposed changes in regulations, primarily relating to accreditation.

While accreditation is granted by private, nonprofit organizations, there are scores of federal requirements for the groups, which function as gatekeepers for more than $100 billion in student aid that the government gives out every year. In general, the proposed changes would lower the requirements for accrediting agencies and for colleges seeking accreditation, especially institutions that offer online programs.

Advocates for more accountability in higher education have mostly criticized the proposals as an invitation to lower-quality programs and predatory institutions.

Billionaire Tony James Has A Solution For The $1.5 Trillion Student Debt Crisis | Yahoo Finance
Private equity titan Tony James, the executive vice chairman of The Blackstone Group, is taking on the student loan crisis by advocating for an alternative to traditional student loans.

The 67-year-old investor is a supporter of something called an Income Share Agreement (ISA). Here's how it works: In exchange for an education, students agree to pay a set percentage of their income after graduation for a certain period.

"Our thinking is to put a floor on it, so people who are low-income don't have to pay anything," James told Yahoo Finance. "The income percentage will be affordable for anyone. Even if you're just barely over the floor, it doesn't cost you much, and if you make a lot of money you pay a little bit more for your education, but you can afford it."

SYSTEMIC RISK

Letter To Regulators: AFR Education Fund Letter To Banking Regulators Regarding Changes To Prudential Standards And Applicability Thresholds For Large Banks

China's Looming Great Wall Of Debt May Have 'Global Implications' | ABC News
While many countries struggled following the 2008 global financial crisis, China appeared as though it had largely escaped unscathed.

But observers are becoming increasingly concerned Beijing will struggle to repay an ever-increasing mountain of debt, with potential detrimental consequences for the global market.

China's debt has been a key factor to its economic success in riding out the GFC, due to a large government stimulus injected into its economy.

Is The World Prepared For The Next Financial Crisis? | Foreign Policy
The world in 2019 is still reckoning with the legacy of the global financial crisis, which is hardly surprising given its scale and lasting impact. Ten years on from the Lehman Brothers collapse, one question about the financial system keeps coming up: Are we safer than we were in 2008? The short answer is yes—but not safe enough. While there has been marked progress, more needs to be done, including keeping pace with potential new risks from a rapidly evolving financial landscape.

First, the progress. Banks have bigger and better capital buffers and more liquidity. Countries have taken steps to address systemic risks posed by institutions seen as too big to fail. Regulation and supervision have been strengthened; many countries have stepped up their focus on monitoring financial stability, and many now also conduct regular stress tests to check banks' health. A substantial portion of trading in over-the-counter derivatives has shifted to safer central clearing systems.

For its part, the International Monetary Fund (IMF) has improved its ability to analyze and monitor sources of systemic risk. The IMF has improved its ability to analyze and monitor sources of systemic risk.It has partnered with national authorities to help them identify potential trouble spots, such as excessive consumer or corporate debt; develop tools to curb risks; and strengthen analysis of their financial systems.

What about areas where progress has been inadequate or where new risks have emerged?

TAXES

Warren's Wealth Tax Is Fundamentally About Fairness | Washington Post Finance 202 Newsletter

Sen. Elizabeth Warren (D-Mass.) just dropped a tax policy bombshell that should explode any lingering doubt that her party is veering left on the issue — and preparing to make the yawning wealth gap a central focus of the 2020 presidential campaign.

The proposal, word of which was first broken yesterday by my colleagues Jeff Stein and Christopher Ingraham, would apply a 2 percent annual "wealth tax" on the net worth of those 75,000 households with more than $50 million in total assets. Those with more than a billion dollars in assets would face an additional 1 percent tax.

It would generate $2.75 trillion over a decade, according to Emmanuel Saez and Gabriel Zucman, the University of California at Berkeley economists who advised Warren on the plan.

Elizabeth Warren's Proposed Tax On Enormous Fortunes, Explained | Vox (Matthew Yglesias)

Sen. Elizabeth Warren (D-MA) wants to curb spiraling inequality in the United States and make the rich pay, according to a scoop from Jeff Stein and Christopher Ingraham at the Washington Post.

They report that the UC Berkeley economists Emmanuel Saez and Gabriel Zucman are working with the presidential candidate on designing a proposal to levy a wealth tax on Americans with fortunes worth over $50 million.

Most Americans currently pay property taxes to their local government, a form of a wealth tax. The majority of middle class assets are property. Rich people of course own real estate, but they tend to mostly own shares of stock and other financial assets that largely evade taxation. The French economist Thomas Piketty put wealth taxes back on the intellectual agendawith his influential 2014 book Capital in the 21st Century. Many Democrats have talked about the theme of runaway inequality in recent years, but Warren is the first politician to actually adopt Piketty's proposed solution.

U.S. Treasury Finalizes Tax Rule On Pass-Through Businesses | Reuters
The U.S. Treasury on Friday released final regulations for a tax deduction of up to 20 percent for U.S. businesses organized as so-called pass-through entities, under President Donald Trump's 2017 overhaul of the U.S. tax system.

The 247-page document lays out how to determine the amount of deduction available to the owners of businesses that operate as sole proprietorships, partnerships, S-corporations, trusts and estates.

Treasury also proposed new regulations for the real estate industry, including a safe harbor rule to ensure access to the deduction for companies involved in the rental real estate market. Proposed rules also allow mutual fund shareholders to receive deductions on dividends from real estate investment trusts.

Alexandria Ocasio-Cortez's Tax Idea Is Not About Soaking The Rich | New York Times (Emmanuel Saez and Gabriel Zucman)
The view that excessive income concentration corrodes the social contract has deep roots in America — a country founded, in part, in reaction against the highly unequal, aristocratic Europe of the 18th century. Sharply progressive taxation is an American invention: The United States was the first country in the world, in 1917 — four years after the creation of the income tax — to impose tax rates as high as 67 percent on the highest incomes. When Representative Ocasio-Cortez proposes a 70 percent rate for incomes above $10 million, she is reconnecting with this American tradition. She's reviving an ethos that Ronald Reagan successfully repressed, but that prevailed during most of the 20th century.

And she's doing so at a time when there is an emergency. For just as we have a climate crisis, we have an inequality crisis. Over more than a generation, the lower half of income distribution has been shut out from economic growth: Its income per adult was $16,000 in 1980 (adjusted for inflation), and it still is around $16,000 today. At the same time, the income of a tiny minority has skyrocketed. For the highest 0.1 percent of earners, incomes have grown more than 300 percent; for the top 0.01 percent, incomes have grown by as much as 450 percent. And for the tippy-top 0.001 percent — the 2,300 richest Americans — incomes have grown by more than 600 percent.

Just as the point of taxing carbon is not to raise revenue but to reduce carbon emissions, high tax rates for sky-high incomes do not aim at funding Medicare for All. They aim at preventing an oligarchic drift that, if left unaddressed, will continue undermining the social compact and risk killing democracy.

OTHER TOPICS

Trump Economic Adviser Says Zero Growth Possible Due To Shutdown | Politico Pro

One of President Donald Trump's top advisers said on Wednesday that the partial government shutdown could suffocate the economy this quarter if it persists, leading to zero percent growth.

As the shutdown stretches into day 33 and roughly 800,000 federal employees are poised to miss their second paycheck, Kevin Hassett told CNN that the shutdown could contribute to a dramatic drop in GDP growth.

Hassett, chairman of the Council of Economic Advisers, added that first quarters generally show marked decrease in GDP growth compared to other quarters due to "residual seasonality," which describes the decrease in growth after heightened end-of-year spending. But mixed with the shutdown, that growth can slow down as low as zero, he said.

Wilbur Ross Doesn’t Understand Why Furloughed Federal Workers Need Food Banks | Roll Call

Commerce Secretary Wilbur Ross says he does not understand why federal employees who are furloughed or have been working without pay during the partial government shutdown would need assistance from food banks

.

Several credit unions serving workers at federal departments and agencies have been offering stopgap loans, as they have during previous shutdowns. But it’s not clear how those loans would even be sufficient as the shutdown enters its second month.

“I know they are, and I don’t really quite understand why,” Ross said when asked on CNBC about workers getting food from places like shelters. “Because, as I mentioned before, the obligations that they would undertake, say borrowing from a bank or a credit union are in effect federally guaranteed.”

Predatory Loans Offer Tempting Stopgap For Federal Workers Missing Second Paycheck | NBC News

There are some alternatives to payday and small-dollar loans for federal workers, however, as community organizations, credit unions and some banks are offering government employees zero interest loans as the shutdown drags on.

In Springfield, the Community Foundation of the Ozarks and Multipli Credit Union are working together to provide federal workers no-interest loans of up to $1,500 with repayment based on the receipt of the employee’s paycheck after the shutdown ends.

Judy Hadsall, the president and CEO of the credit union, said they have only seen a trickle of people so far — about five a day — since they first made the funds available last week, but they are expecting that rate to pick up after Friday.

“I hope they come to us first,” Hadsall said about federal employees. “We put this together pretty quick, turned it around in less than a week. We’re a big part of this community and wanted to help out in anyway that we could.”

The $238 Million Penthouse, And The Hedge Fund Billionaire Who May Rarely Live There | New York Times

In Manhattan, where multimillion-dollar real estate sales are downright routine, a hedge fund tycoon has managed to set a new standard for conspicuous consumption by paying a fortune for an unfinished piece of property in the sky.

The billionaire, Kenneth C. Griffin, spent $238 million for a penthouse at 220 Central Park South that is still under construction, making it the most expensive residential sale in United States history.

What's more, in a New York tale that is not entirely uncommon, the 79-story building where Mr. Griffin's penthouse will soon exist was built after the landlord evicted dozens of middle class tenants from their rent-stabilized apartments in what was a fairly modest, white-brick building with 20 floors.

Whose Recovery Was It? | American Prospect (Sarah Bloom Raskin)
To understand the total inadequacy of the establishment response—not just how the immediate massive social and economic damage went unaddressed and became exacerbated, but how the handling of the global financial crisis actually reinforced the dangerously inegalitarian structure of our global economy—we have the gift of Adam Tooze's expansive, timely, and insightful treatise Crashed: How a Decade of Financial Crises Changed the World. And a treatise it is, clocking in at a dense but gripping 706 pages (including all the reach-for-that-magnifier footnotes).

The story is at once opaquely complex and dazzlingly simple. For economists, historians, and policy advocates, Crashed is a globally comprehensive, detail-rich, and riveting account of what happened and why. But for citizens who may be impatient with all the intricacies of the global financial meltdown—transatlantic financial linkages, the crises buffeting Greek society, the strategic positioning by the People's Bank of China, the roller-coaster ride of the Russian ruble and its effects on Putin's incursions into Crimea and Ukraine—I can cut to the chase: The financial system nearly collapsed, but we saved it by massive government intervention without changing its basic dynamics of inequality, instability, and license for speculative private finance.

Tooze's book leaves us with the inescapable conclusion that we need a new way. As devastating as the crisis was, the response by economic political elites around the world, while minimally satisfactory and competent from a short-term perspective, is almost more frightening because it left us massively weakened economically, with even sharper inequality and a stressed-out middle class, and politically even further adrift from viable strategies for inclusive democratic prosperity.

Lehman Brothers Bankruptcy Keeps Getting More Expensive | Bloomberg (Matt Levine)
Lehman Brothers Holdings Inc. filed for bankruptcy on Sept. 15, 2008, making this week the 10 year and, uh, 4 month anniversary of what might be the central event of the global financial crisis. The New York Fed's Liberty Street Economics blog has a series of posts this weekcommemorating the occasion, which seems like weird timing until you notice that the posts are not keyed to the anniversary of the bankruptcy filing but to the end of the bankruptcy process. Or, not the end even; the beginning of the end. “This week, we will publish a series of four posts that provide an assessment of the value lost to Lehman, its

creditors, and other stakeholders now that the bankruptcy proceedings are winding down," says the first post. Winding down! "The Chapter 11 proceedings are set to continue for some time," concedes a later post. Remember Lehman filed for bankruptcy 10 years and 4 months ago. You can actually go read the posts for some calculations of the value lost to Lehman and its stakeholders in bankruptcy, but that timeline alone is enough to give you a rough sense: If you are in bankruptcy for 10 years and 4 months and you're still not done, stuff is bad.

'Nobody Like You Has Ever Done It:' How A High School Dropout From Ballwin Became President Of The San Francisco Federal Reserve | St. Louis Dispatch
By the time she was 16, Mary C. Daly was a high school dropout in a St. Louis suburb who believed her best option in life was to become a bus driver.

"I only knew what was right in front of me," said Daly, a native of Ballwin. "My aspiration was to get a full-time job."

Today, Daly, 56, is president of the Federal Reserve Bank of San Francisco, making her one of the most powerful shapers of economic policy in the United States. In this position, which she started in October, Daly helps set interest rates.

SAG-AFTRA's David White Appointed To Federal Reserve Board Of Directors | Hollywood Reporter
SAG-AFTRA national executive director David White was appointed in December by the Federal Reserve Board of Governors in Washington to a seat as director of the central bank's West Coast unit, the Federal Reserve Bank of San Francisco, The Hollywood Reporter has learned. The appointment had not previously been announced, probably due to the federal government shutdown that began Dec. 22.

White will serve as one of nine directors of the San Francisco Fed in a term that runs through Dec. 31, 2021, and is one of only about three labor leaders on any regional Fed bank board, most of whose directors are corporate or banking chieftains or, in a few cases, academics. That paucity of representation for the working- and middle-class dramatically affected by Fed policy makes the appointment particularly noteworthy.

"Our members work in multiple industries that have been completely upended by technology and market forces," said White in a statement to THR. "The opportunity to share such insights with policymakers and to receive a global view of what is occurring in the broader economy is incredibly useful, and I am looking forward to my service on the board."

Chilling Davos: A Bleak Warning On Global Division And Debt | New York Times
As business and political leaders arrive in the Swiss Alps for the annual meeting of the World Economic Forum, a surprisingly alarming letter from an influential investor who studiously eschews attention has already emerged as a talking point.

The letter, written by Seth A. Klarman, a billionaire investor known for his sober and meticulous analysis of the investing world, is a huge red flag about global social tensions, rising debt levels and receding American leadership.

Mr. Klarman, a 61-year-old value investor, runs Baupost Group, which manages about $27 billion. He doesn't make the annual pilgrimage to Davos, but his words are often invoked by policymakers and executives who do. His dire letter, which is considerably bleaker than his previous writings, is a warning shot that a growing sense of political and social divide around the globe may end in an economic calamity.

"It can't be business as usual amid constant protests, riots, shutdowns and escalating social tensions," he wrote.

Panic Is On The Agenda At Davos — But It's Too Little, Too Late | The Guardian (Aditya Chakrabortty)
Pity the poor billionaire, for today he feels a new and unsettling emotion: fear. The world order he once clung to is crumbling faster than the value of the pound. In its place, he frets, will come chaos. Remember this, as the plutocrats gather this week high above us in the ski resort of Davos: they are terrified.

Whatever dog-eared platitudes they may recycle for the TV cameras, what grips them is the havoc far below. Just look at the new report from the summit organisers that begins by asking plaintively, "Is the world sleepwalking into a crisis?" In the accompanying survey of a thousand bosses, money men (because finance, like wealth, is still mainly a male thing) and other "Davos decision-makers", nine out of 10 say they fear a trade war or other "economic confrontation between major powers". Most confess to mounting anxieties about "populist and nativist agendas" and "public anger against elites". As the cause of this political earthquake, they identify two shifting tectonic plates: climate change and "increasing polarisation of societies".

In its pretend innocence, its barefaced blame-shifting, its sheer ruddy sauce, this is akin to arsonists wailing about the flames from their own bonfire. Populism of all stripes may be anathema to the billionaire class, but they helped create it. For decades, they inflicted insecurity on the rest of us and told us it was for our own good. They have rigged an economic system so that it paid them bonanzas and stiffed others. They have lobbied and funded politicians to give them the easiest of rides. Topped with red Maga caps and yellow vests, this backlash is uglier and more uncouth than anything you'll see in the snow-capped Alps, but the high rollers meeting there can claim exec producer credits for the whole rotten lot. Shame it's such a downer for dividends.