Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Apr 13 - 19

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Wall Street And Finance Execs Spread Their Donations Across The 2020 Democratic Field In The First Quarter | CNBC
Wall Street and finance executives placed their early 2020 bets on a variety of Democratic presidential candidates, from Pete Buttigieg to Kamala Harris, even as the contenders try to distance themselves from big-money donors.

The first-quarter fundraising totals are the latest indication that high-profile Democratic financiers are waiting for the field to thin out before they open their funding networks and checkbooks to potential challengers to President Donald Trump next year.

Some donors have also been eagerly waiting for former Vice President Joe Biden to enter the race before they open their extensive money networks to other candidates, according to people familiar with the deliberations.

Wall Street Critic Waters Rakes In Corporate Campaign Money | Politico
Rep. Maxine Waters is embracing corporate campaign contributions as the new chairwoman of the House Financial Services Committee, even as some progressive Democrats have sworn off fundraising from businesses.

The California Democrat's campaign received about $210,329 in contributions during the first three months of this year, most of which came from industry PACs, according to a Federal Election Commission filing. About $38,329 came from individual contributions.

The figures suggest Waters is following through on a pledge to have an "open-door" policy with industry, even as she uses the gavel to crack down on financial firms in the name of consumer protection. In all, she saw her contributions grow nearly 18 times over from the $12,009 that her campaign reported in the first three months of the last election cycle in 2017.

Freshman Democrats Rake In Cash To Protect The House | Politico
The most vulnerable House Democrats are off to a fast start defending their seats — and their party's fragile new majority.

Nearly three-dozen Democratic freshmen in battleground districts raised more than $300,000 for their campaigns in the first three months of 2019 — a barometer of early momentum in the seats that could determine control of the chamber in the 2020 election.

Competing with a crowded Democratic presidential field and higher-profile Senate races, the new class of Democrats responsible for flipping control of the House have fought to sustain the torrent of campaign cash, much of it from small donors, that allowed candidates to outspend GOP incumbents in most of the contested House races last year. Now, as incumbents themselves, the eye-popping numbers could help fend off GOP challengers as Democrats attempt to hold their majority while waging war with President Donald Trump on multiple fronts.

NY Congresswoman AOC Refuses To Meet With Banks' Top Brass | Fox Business
The vast majority of New York City's elected officials regularly meet with executives from the big banks for the simple reason that these firms are the Big Apple's largest private-sector employers, providing jobs to hundreds of thousands of local residents, from bank tellers to investment bankers who contribute billions of dollars to the local economy.

There is, however, one prominent local politician who has flouted this common-sense approach to governing, and she goes by the initials "AOC."

The FOX Business Network has learned that firebrand first-term liberal Democrat Alexandria Ocasio-Cortez, who represents a swath of the city in the U.S. House of Representatives, hasn't met with bank executives despite overtures made to her since she took office in January.

Warren Presses Otting On Wells Fargo CEO Search | Politico Pro
Sen. Elizabeth Warren on Wednesday urged Comptroller of the Currency Joseph Otting to explain the role he plans to play in the appointment of Wells Fargo's next CEO, criticizing the agency for standing on the sidelines following widespread customer abuses and major enforcement actions.

The OCC's willingness to waive authority over the bank's hiring process, the Massachusetts Democrat said, "calls into question the agency's commitment to using all of the tools in its toolbox to ensure that Wells Fargo corrects its deficiencies."

"Federal regulators must hold Wells Fargo accountable for its misdeeds and ensure that the bank ends its streak of unlawful behavior," she said in a statement accompanying a letter to Otting.

CONSUMER FINANCE AND THE CFPB

Mick Mulvaney's Master Class In Destroying The Government From Within | New York Times Magazine
Appeared in Politico's Influence newsletter, New York Times' Dealbook newsletter, Washington Post's Daily 202 newsletter
In the months that followed, Mulvaney's vision for the Consumer Financial Protection Bureau would become clearer. This account of Mulvaney's tenure is based on interviews with more than 60 current or former bureau employees, current and former Mulvaney aides, consumer advocates and financial-industry executives and lobbyists, as well as hundreds of pages of internal bureau documents obtained by The New York Times and others. When Mulvaney took over, the fledgling C.F.P.B. was perhaps Washington's most feared financial regulator: It announced dozens of cases annually against abusive debt collectors, sloppy credit agencies and predatory lenders, and it was poised to force sweeping changes on the $30 billion payday-loan industry, one of the few corners of the financial world that operates free of federal regulation. What he left behind is an agency whose very mission is now a matter of bitter dispute. "The bureau was constructed really deliberately to protect ordinary people," says Lisa Donner, the head of Americans for Financial Reform. "He's taken it apart — dismantled it, piece by piece, brick by brick."

Watch: Is Trump Admin Slogan Really 'Make America Pay Again?' | MSNBC's Morning Joe

Exclusive: New US Consumer Watchdog Chief To Continue Review Of Complaints Database, Fair Lending | Reuters
The new director of the Consumer Financial Protection Bureau will continue with reviews, begun by her predecessor, of its public complaints database and how the agency enforces discriminatory lending laws, she told Reuters.

Speaking to Reuters in her first interview since taking office in December, Kathy Kraninger said the agency was discussing how the public complaints database, a key source of the bureau's investigations, should operate.

"It is on the agenda this year to address what is the public kind of discussion about what the database should be," she said on Wednesday.

Kraninger, In First Major Speech, Lays Out Conservative Path For CFPB | Politico Pro

The Consumer Financial Protection Bureau, under fire from activist groups and Democrats over its less aggressive enforcement in the Trump administration, will start holding conferences with stakeholders to discuss challenges facing the agency.

The new effort at outreach was outlined on Wednesday by CFPB Director Kathy Kraninger in her first major policy speech since taking over the embattled agency in December after a tumultuous year in which it was headed by White House budget chief Mick Mulvaney on an acting basis.

Kraninger herself has come under attack for endorsing Mulvaney's moves to overhaul a payday lending rule and not monitor potential military lending abuses, as well as a steep drop in enforcement cases brought.

She said the first topic of the sessions will be clarifying the meaning of "abusive acts or practices" that the bureau is charged with addressing under the landmark 2010 Dodd-Frank Act under which it was created. Critics say the law is too vague about what counts as "abusive," and the CFPB has been left to interpret it.

New Trump-Appointed CFPB Head Kathy Kraninger Looks To Cool Tensions Around The Lightning-Rod Agency | Washington Examiner
New Consumer Financial Protection Bureau Director Kathy Kraninger attempted Wednesday to relieve political tensions in laying out her vision for the watchdog agency.

While Kraninger made nods to a diplomatic but conservative-leaning approach to the bureau that Sen. Elizabeth Warren, D-Mass., helped create, she still faces skepticism over whether, as a Trump appointee, she intends to defang the bureau.

Speaking at the Bipartisan Policy Center in downtown Washington, Kraninger said she would write a formal definition of “abusiveness,” which the bureau is tasked with policing. The financial industry has sought such a definition.

Consumer advocates are skeptical.

“It remains to be seen,” said Linda Jun, senior policy counsel for Americans for Financial Reform, a group that is often critical of the financial services industry and opposed many of the decisions made by Kraninger’s predecessor and former boss, acting White House chief of staff Mick Mulvaney. Jun spoke on a panel that followed Kraninger's appearance.

CFPB Head, Charged With Protecting Consumers, Says People Need ‘To Help Themselves | Los Angeles Times (David Lazarus)
“Today’s consumers need these skills more than ever,” she said. “For example, fewer than half of Americans set aside money for their children’s college education. More and more people reach retirement with incomes and savings that simply won’t meet their needs. “Perhaps most distressing to me was the Federal Reserve report that found 40% of Americans would turn to credit to cover a $400 emergency.”

These are important issues, to be sure, and there's certainly a role for the nation's top consumer financial watchdog in increasing people's financial literacy and money-management skills.

But that's not, and never was intended to be, the primary mission of the CFPB. Its purpose was to ensure that consumers had a powerful defender when it came to addressing unfair, abusive or illegal practices by financial institutions.

"This is a complete course reversal," said Carmen Balber, executive director of Consumer Watchdog, a Santa Monica advocacy group. "This agency was created to be a cop on the beat, not a kindergarten teacher."

Military Personnel Caught In Crossfire Over Lending Law | Politico
The first major standoff between Democratic lawmakers and the Trump-appointed director of the Consumer Financial Protection Bureau is threatening to put military servicemembers at risk.

CFPB Director Kathy Kraninger and her congressional critics are clashing over a law meant to protect military personnel from predatory lenders, who can charge interest rates of as much as 400 percent. Kraninger says the bureau lacks the power to monitor violations of the statute — even though the CFPB did just that during the Obama administration — while Democrats insist that it can.

Neither side is budging. Kraninger says she wants legislation to explicitly grant the bureau more authority over the law, which caps most loans to servicemembers at 36 percent. Democrats are resisting, fearing that reopening the Military Lending Act would merely lead to new loopholes.

How Far Will The CFPB Go To Modernize Debt Collection Rules? | American Banker
The ability of debt collectors to use text messages and emails to track down consumers who owe debts will be addressed in an upcoming proposal by the Consumer Financial Protection Bureau, according to sources familiar with the plan.

Debt collectors and trade groups that have met with CFPB Director Kathy Kraninger said the bureau will look at developing regulatory policy for modern communication practices including text messaging and emails that were not invented when the Federal Debt Collection Practices Act went into effect.

The CFPB signaled in October that it would address such issues as "communication practices and consumer disclosures" as part of a plan to revamp debt collection practices. Its proposal is expected within the next few weeks.

The Magnificent Cowardice Of Nevada Elected Officials | Nevada Current (Hugh Jackson)
There is no reason to rehash reasons Nevada should do what nearly 20 states have done: cap interest rates payday lenders can charge so as to run the bad actors out of the state.

Your Nevada Legislature certainly didn't think there was any need to rehash the issue. On the contrary, Assembly Commerce and Labor Committee Chair Ellen Spiegel and other lawmakers indicated exactly zero interest (as opposed to the 652 percent annual APR charged by Nevada's payday loan industry) in hashing the issue at all. The common-sense and much-needed measure to cap rates, sponsored by Assemblywomen Heidi Swank and Lesley Cohen and six co-sponsors, was never scheduled for a committee hearing, instead dying a quiet, ignominious death somewhere in a drawer in Spiegel's desk.

So no need to recount the exorbitant interest rates, the practices that effectively trap low-income Nevadans in an endless cycle of economic servitude, the bankruptcy of the argument that there are no alternatives to payday loans … Unlike your layabout Nevada Legislature and governor, the Current has already both hashed and rehashed those and other damning characteristics of an industry Nevada doesn't need and shouldn't want.

'Text Me $$$': Debt Collectors May Soon Be Able To Text And Email Consumers | CBS News
Also appeared on WBNS-TV and KOTV-TV
Debt collecting is an age-old business but it may soon receive a 21st-century revamp when the Consumer Financial Protection Bureau, an agency created in the wake of the financial crisis to protect consumers, proposes new rules for the industry. Among the changes may be whether debt collectors can text and email borrowers as they pursue overdue funds.

The idea of debt collectors adding new methods of communication to their arsenal may stir annoyance, if not fear, among some consumers. After all, the debt-collection industry isn't exactly beloved among consumers, with the CFPB recording 84,500 complaints about debt collection in 2017, making it one of the most complained-about financial services.

Debt collection is a big business in the U.S., a $10.9 billion industry that employs almost 120,000 workers who help track down overdue payments. Since the financial crisis, American consumers have taken on more debt, and some delinquencies, such as for auto loans, have been increasing. Against this backdrop is a CFPB that critics say has lost its appetite for going after financial abuses by corporations under Trump administration appointees who favor less regulation.

The Avant Settlement: New Financial Platforms, Established Consumer Protections | Federal Trade Commission Blog (Lesley Fair)
"There is nothing new under the sun." It's from the Book of Ecclesiastes and who are we to disagree? So even when innovative products enter the market – for example, new platforms offering financial services – fundamental consumer protection principles remain constant. And as the FTC's $3.85 million settlement with Avant, LLC, demonstrates, that includes representations and practices related to online lending.

Offering unsecured installment loans to consumers, Avant handles marketing to servicing to the collection of payments. The FTC's complaint alleges that Avant engaged in deceptive and unfair practices at a number of critical stages of the process.

You'll want to read the seven-count complaint to get the full picture, but here are some of the practices challenged as illegal. One FTC concern was Avant's insistence on illegal methods of payment that violated regulations that ensure borrowers have the right to control which bills they pay and when. As a condition of getting credit, Avant required consumers to agree to pay by automatic payments from their bank accounts – either remotely created checks or preauthorized electronic fund transfers. However, some of Avant's dealings with consumers are covered by the Telemarketing Sales Rule, which expressly bans the use of remotely created checks. And Avant's insistence on preauthorized electronic fund transfers as the only alternative to illegal remotely created checks violated the Electronic Fund Transfer Act, which prohibits the conditioning of credit on that payment method. These protections are critically important for consumers and preserve their ability to prioritize which bills to pay each month. By requiring consumers to agree to repay their loans by recurring debits to their bank account each month, Avant illegally deprived consumers of control over which bills to pay and when.

The Problem With Financial Literacy Month | American Banker (Jennifer Tescher)
Fifteen years ago, the Senate passed a resolution recognizing the month of April as a time to "highlight the importance of financial literacy and teach Americans how to establish and maintain healthy financial habits." Yet the research is conclusive: Financial literacy programs don't work. Financial education rarely leads to lasting knowledge gain, and it does nothing to change behavior.

Moreover, the idea that we need to teach people to be more financially healthy suggests that they don't know enough, aren't trying hard enough and it's all their fault. In this era of extreme inequality, increased income volatility and frayed safety nets, it is borderline insulting to suggest that knowledge and behavior alone are the main causes of people's financial challenges.

The reality is, people who have money woes — and there are 180 million of them, according to the U.S. Financial Health Pulse — tend to be keenly aware of their problems. It's why seven out of 10 workers report that financial matters are their most common source of stress. Uplifting content telling them to make a budget, cut back on lattes and cut up their credit cards isn't going to help.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

The Supreme Court Hands The SEC A Rare Win | New York Times
The agency had found that Francis V. Lorenzo, the former director of investment banking at a Staten Island brokerage firm, had misled investors about Waste2Energy Holdings' assets while trying to sell $15 million of debt for the company. Mr. Lorenzo forwarded emails at the direction of his boss that said the company had $10 million in assets, when in fact its assets were worth less than $400,000.

Rather than charge him with being an accomplice to fraud, the S.E.C. accused him of being what is known as a "primary violator" of the main antifraud provision, Rule 10b-5.

Mr. Lorenzo argued that the Supreme Court's 2011 decision in Janus Capital Group v. First Derivative Trading limited liability for misleading statements to those who "make" the statements, not those who help put the statements out to investors. The court said in its pithy ruling in the Janus case: "One 'makes' a statement by stating it." In other words, only the speaker can be held to violate Rule 10b-5.

New Jersey Releases Rule To Impose Fiduciary Duty On Brokers | Investment News
New Jersey brokers would have to meet a higher investment advice standard under a rule proposed Monday.

The measure would impose fiduciary duty on brokers, subjecting them to a higher requirement than the current suitability standard they must meet. The regulation also would codify fiduciary duty for investment advisers, who already must adhere to it.

A broker who fails to act as a fiduciary would be engaging in an "unethical or dishonest business practice," the proposal states.

SEC's Lone Democratic Member Expected To Step Down In Fall | Wall Street Journal
The only Democratic member of the Securities and Exchange Commission is expected to leave government later this year, paving the way for a more conservative tilt on some regulatory decisions.

Robert Jackson Jr. is expected to join New York University Law School for the fall semester, according to a university spokesman and an email from the institution's dean, Trevor Morrison.

Mr. Jackson was a law professor at Columbia University before becoming an SEC commissioner during January 2018.

New Jersey Unveils Proposed Fiduciary Rule | ThinkAdvisor
As expected, New Jersey has proposed its own fiduciary rule that requires all investment professionals registered with the state's Bureau of Securities to place the interests of their clients above their own when recommending securities or providing investment advice.

The proposed rule, covers broker-dealers, agents and advisors but excludes advisors who already act as fiduciaries to ERISA-covered retirement funds, unlike Nevada's proposed rule.

"If the federal government won't act to to protect investors, then we will," said New Jersey Attorney General Gurbir Grewall in a statement referring to the federal government's abandonment of the Labor Department's fiduciary rule in favor of a best interest contract, which is still pending at the SEC. "The rule we're proposing will provide important safeguards for New Jersey families when they invest, save, and plan for the future."

EXECUTIVE COMPENSATION

US Companies Reveal Pay Gaps Between Bosses And Workers | Financial Times
Warren Buffett earned less than seven times as much as the median Berkshire Hathaway employee last year while Elon Musk was paid 40,668 times more than the median Tesla worker, according to corporate filings, stirring debate about a disclosure that politicians demanded after the financial crisis.

Such details are emerging in US proxy filings for the first full year since the Securities and Exchanges Commission mandated American companies to disclose the relationship between their chief executive's compensation and that of their median employee, providing fuel for those seeking to rein in executive pay.

The median chief executive pay ratio for 2018 was 254:1, according to an analysis released last year by Equilar, a compensation consultancy, up from 235:1 in 2017 when only two-third of the companies it tracks disclosed such figures.

MORTGAGES AND HOUSING

Fact Sheet: Continuing Threat Of Private Equity Investment In Single Family Rentals | ACCE, Americans For Financial Reform, Private Equity Stakeholder Project

HUD Moves To Limit Public Housing Aid For Undocumented Immigrants | New York Times
The Trump administration proposed a rule on Wednesday night intended to prevent undocumented immigrants from receiving federal housing assistance, the latest step in its efforts to ramp up enforcement of the nation's immigration laws.

The proposal, according to an administration official, is intended to overturn what the official described as a Clinton-era loophole that allowed some undocumented immigrants to obtain public housing without revealing their citizenship status. The rule would ensure that the social safety net is awarded only to verified American citizens and legal residents.

The long waiting lists for public housing prompted the crackdown, the official said, adding that the rule would affect about 25,000 households.

Mark Calabria Takes Over As FHFA Director, Begins Push For Housing Finance Reform | HousingWire
After being confirmed by the Senate earlier this month, Mark Calabria officially took over Monday as the director of the Federal Housing Finance Agency, the federal agency charged with overseeing Fannie Mae, Freddie Mac, and much of the U.S. housing finance system.

Calabria was sworn in Monday as director of the FHFA, replacing Comptroller of the Currency Joseph Otting, who was picked by President Donald Trump to serve as acting director of the FHFA while Calabria awaited Senate confirmation.

Calabria received confirmation from the Senate two weeks ago, when the Senate voted to confirm him as FHFA director by a 52-44 margin. Now, Calabria, who previously served as Vice President Mike Pence's chief economist, will take the reins at the FHFA.

No-Income, No-Asset Loans Are Back (At One Lender, At Least) | HousingWire
Back in the Wild, Wild West era of mortgage lending before the housing crisis, NINJA loans (loans given to borrowers with no income, no job, and no assets required) became quite the rage.

NINJA loans have disappeared from the market, likely never to be seen again, but one lender is about to bring back a similar ghost of the mortgage market's past: the NINA loan.

NINA loans are loans that do not include a requirement for a borrower to prove income or assets. No Income, No Assets = NINA.

And now, NINA loans are back, as 360 Mortgage Group announced this week that it is launching a no-income, no-asset mortgage pilot program.

Republican Tax Bill Likely Curtailed 2018 Home Sales, Fed Analysts Say | HousingWire
Republican tax reform that capped mortgage and property deductions has curtailed the housing market, according to a report from economists at the Federal Reserve Bank of New York.

While a 7.6% decline in the sales of new single-family homes from 2017's fourth quarter through the end of 2018's third quarter could be attributed to a 70 basis point rise in mortgage rates, the drop was larger than periods of similar rate gains in 2013 and 2016, according to Richard Peach and Casey McQuillan, co-authors of the report posted on the New York Fed's Liberty Street Economics blog. That suggests additional forces are at work, they said.

"Given the overall strength of the U.S. economy in 2018 as well as the subsequent strong pace of job creation, one might expect the housing market to be able to shrug off the increase in mortgage rates," the report said. "However, this most recent episode is qualitatively different because of changes in the tax code."

Same-Sex Couples Face Higher Rejection And Worse Mortgage Rates | Washington Post
Gay couples were 73 percent more likely to be denied a mortgage than heterosexual couples with the same financial worthiness, according to an analysis of national mortgage data from 1990 to 2015.

The study, published in the Proceedings of the National Academy of Sciences, also found that when same-sex couples were approved for a home loan, they were given inferior terms.

PRIVATE FUNDS

Sears Sues Former CEO Edward Lampert, Claiming He Stripped $2 Billion In Assets As It Headed To Bankruptcy | Chicago Tribune
ears Holdings Corp. has filed a lawsuit against its former chairman and CEO, Edward Lampert, and his hedge fund, claiming they wrongly siphoned $2 billion in assets from the company as it headed for bankruptcy.

While promising a turnaround based on unrealistic financial projections, Lampert and his investors instead systematically picked off the retailing giant's most valuable and enduring assets as the company's losses deepened, the lawsuit asserts. Ultimately, the company was forced into bankruptcy — after Lampert and his investors benefited at the company and creditors' expense, the lawsuit says.

"Had defendants not taken these illegal and improper actions, Sears would have had billions of dollars more to pay its third-party creditors today and would not have endured the amount of disruption, expense, and job losses resulting from its recent bankruptcy filing," lawyers for company wrote in the lawsuit.

Sears Sues Mnuchin Alongside Former CEO For Alleged Multibillion- Dollar Theft | Politico
Sears on Thursday named Treasury Secretary Steven Mnuchin in a lawsuit against the company's former CEO, Edward Lampert, alleging that Mnuchin was part of a group of board members who assisted Lampert and his hedge fund in stripping the bankrupted retailer of more than $2 billion in assets.

Lampert and his hedge fund, ESL Investments, were the largest shareholders in Sears, holding between 47.8 percent and 62 percent of its stock during the time of the alleged violations, from 2011 to 2015, according to the lawsuit. They, along with two other major shareholders named in the suit, received the vast majority of the benefit of spinning off five different company assets, according to the complaint.

Prior to becoming Treasury secretary, Mnuchin was an investor in ESL and "a member of ESL's board of directors at all relevant times," the filing says.

Finance's Top Earners Don't Work At A Bank | Wall Street Journal
The best place to make money in the world of finance and investment may not be at a bank but in real estate.

Real-estate investment trusts had some of the highest median worker pay among financial, real-estate and insurance companies in 2018, according to a Wall Street Journal analysis of annual pay disclosures by hundreds of big U.S. companies. Property companies such asHost Hotels & Resorts Inc. HST -1.04% and HCP Inc. HCP -0.16% paid their median employees more than some of the largest banks did.

Host Hotels & Resorts, the lodging REIT formed through deals including a spinoff over 20 years ago from what was Marriott Corp., had median worker pay of $183,956, the highest of any company in the sectors. The company has about 180 employees, all of whom work in the U.S., according to its latest proxy filing. Host Hotels & Resorts didn't respond to requests for comment. REITs often contract out lower-wage operations, leaving higher-paid professionals on their own payrolls.

How Private Equity Ate Hollywood — And Why Writers Are Fighting Back | American Prospect
Hollywood is smoldering this week, after the 13,000 members of the Writers Guild of America (WGA) prepared to fire their agents, the upshot of the termination of a 43-year-old agreement between the union and the Association of Talent Agents trade group. On Saturday, the WGA ordered members to part ways with agents who didn't subscribe to a revised code of conduct, which rank-and-file writers approved with 95.3 percent support. The form lettersinforming agents of their firing, which well-known writers have been posting on Twitter, will be delivered later this week.

This isn't a strike or lockout; as much as you might like your favorite television shows to pause to catch up on your DVR, they will in all likelihood continue with minimal disruption. But the battle between writers and agents represents another example of the monopolization and financialization of our economy, and how organized, unified workers can fight back. While the lead antagonists on the stage are talent agents, the villains behind the scenes are private equity firms.

The WGA laid this out in a remarkable report last month, showing how institutional investors—mainly private equity—have bought into the three largest talent agencies, to the tune of billions of dollars. These three agencies—Creative Artists Agency (CAA), William Morris Endeavor (WME), and United Talent Agency (UTA)—are responsible for 70 percent of WGA members' earnings.

Bloodsport On Wall Street: Hedge Funds Make Mayhem For Profit | Bloomberg
Conventional investing isn't a zero-sum game: One investor can buy shares of Apple Inc., and another can buy Microsoft Inc., and both can make money. Even if the two companies brutally compete with each other for market share, both can grow as long the technology business does.

That's not true with the financial instruments known as credit-default swaps. In this arena, one investor comes out the winner, and the other will be the loser. These derivatives are a way to wager on whether a company will default on its debt. They work like insurance for lenders—except you don't have to own the company's debt to buy protection against failure. The trader on one side of the bet collects the insurance payments as long as things go well; the one on the other side can get a big payday if they don't. Someone's going to get hurt.

Some hedge funds that invest in credit-default swaps have turned this market into the financial equivalent of Fight Club, weaponizing the fine print in esoteric contracts. They may influence troubled companies to go into default. Or, as in a recent case involving bankrupt Sears Holdings Corp., they might try to engineer the size of the payout from CDS contracts. "The participants in this CDS market are all incredibly sophisticated, with wonderful lawyers," says Henry Hu, a law professor at the University of Texas at Austin who studies swaps. "They're endlessly creative." Such deals are still a small portion of the $10 trillion CDS market. But they've gotten so wild that the main trade group for the derivatives industry, which is hardly a bunch of shrinking violets, has proposed new rules to prevent what some consider manufactured defaults.

'It's Good To Be Rich.' Meet The Goldman Sachs Banker Who Has Built A Private Investing Empire That Goes Head To Head With Blackstone — And You've Probably Never Heard Of Him | Business Insider

The Champagne was flowing in February 2018 when the Goldman Sachs executive Rich Friedman welcomed a couple hundred guests to the Rainbow Room. The Manhattan landmark, opened in 1934, offers a menu with beef Wellington and baked Alaska and serves a $162 brunch. Overlooking Manhattan from the 65th floor of Rockefeller Center, guests danced and chatted as Stevie Wonder played piano.

On the surface, the event was a celebration of Friedman's 60th birthday. But it could have easily been a celebration of a Goldman Sachs career entering its golden years. The recent retirement of CEO Lloyd Blankfein made Friedman the longest-tenured partner at Goldman. Since 1991, Friedman has built the bank's private-investing activities into a sprawling collection of funds that have invested more than $180 billion in real estate and infrastructure, private equity, and credit markets that often competes with flashier investment firms like Blackstone, Carlyle, and KKR.

Though advocates put him in the pantheon of buyout greats, Friedman hasn't enjoyed the same name recognition as men with names like Schwarzman, Kravis, and Rubenstein. That's by design, according to interviews with about a dozen current and former colleagues, clients, and competitors.

Private Equity Looks Out For Itself | Bloomberg (Matt Levine)

If you are a private equity fund, you borrow a lot of money to buy a company, and then you try to operate the company in a way that makes enough money to pay back the debt and make you rich. Sometimes this works and everyone is happy. Sometimes it doesn't work and at least some people are sad. If you are a smart cutthroat private equity fund you try not to be the one who is sad. Traditionally you will be the holder of the equity in the company (thus: "private equity"), and if there is not enough money to go around you will try to arrange matters so that the equity gets the money and the debt does not. This is hard, because the point of debt is that it is senior to equity, but you are smart and you might find a way. There are dividend recaps and ways to shuffle assets around and loose covenants that allow equity payouts even in default. And in fact the financial press is absolutely full of stories of creditors complaining about private equity firms putting one past them, finding clever ways to get paid themselves while stiffing the creditors.

But that's just the typical conflict. There are other possibilities. For instance here is the story of a time that Apollo Global Management LLC acquired a company and got its executives to pay Apollo to work there.

Workers Should Be In Charge | Jacobin Magazine (Peter Gowan)
Earlier this month, Univision announced it was selling Gizmodo Media Group (a digital media company comprising former Gawker sites such as Gizmodo, Kotaku, Splinter, Jezebel, and The Root) as well as the Onion (including its eponymous site, The A.V. Club, Clickhole, and The Takeout) to a private equity firm, Great Hill Partners.

No further layoffs have been announced for the 233 unionized employees at the two properties. But workers and contributors are probably right to worry that some or all of the sites will see mass layoffs or closure as Green Hill seeks to strip the companies for their most profitable parts while burning the rest. This is the private equity business model, after all, and it would be naive to expect anything else.

But what if there was an alternative? Wouldn't it be better if the workers at the Gizmodo Media Group and the Onion had the right to block the Great Hill sale and buy the company themselves, turning it into a worker-owned business, with financial and technical assistance from the government?

According to a new poll from YouGov Blue commissioned by the Democracy Collaborative, a pro-democracy research group, 69 percent of Americans say yes: workers should have the right to purchase their workplaces before any other buyers when they are up for sale or slated to close. This includes absolute majorities of Democrats, Independents, and even Republicans. It also receives absolute majorities among all generations and racial groups. Even more astonishingly, only 10 percent of Americans say they oppose giving workers the right of first refusal to buy out their business.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Read: Should Colleges Spend The GI Bill On Veterans' Education Or Late-Night TV Ads? | Veterans Education Success

The Student Debt Crisis Hits Hardest At Historically Black Colleges | Wall Street Journal
Historically black colleges and universities helped lift generations of African-Americans to economic security. Now, attendance has become a financial drag on many of their young graduates, members of a new generation hit particularly hard by the student-debt crisis.

Students of these institutions, known as HBCUs, are leaving with disproportionately high loans compared with their peers at other schools, a Wall Street Journal analysis of Education Department data found, and are less likely to repay those loans than they were a decade ago.

[Veterans Could Be First To Pay As DeVos Rolls Back For-Profit College Oversight](#) | NBC News
Eric Dean made a career of calling military veterans to urge them to enroll at Ashford University, a for-profit school based in San Diego that offers online degrees. Dean, who was instructed in sales techniques at Ashford, said he tried to befriend hundreds of current and former sailors and soldiers — many from the nation's poorest communities — to convince them to attend.

"I've seen the inside," Dean told NBC News in an interview, saying he had been "pressured into essentially selling my soul to throw fellow veterans under the bus" by misleading them about the educational outcomes about the school's graduation and job-placement rates.

Dean, who'd served in the Navy, quit Ashford in December 2017 because he said he objected to the school's practices and now says veterans with PTSD were among his recruits.

Congress Should Move To Protect Vulnerable College Students From Shoddy Offerings | Washington Post (John B. King Jr. and Aaron S. Ament)
With bipartisan negotiations underway in the Senate, Congress appears poised to rewrite the Higher Education Act for the first time in a decade. The process represents an exciting opportunity to rein in college costs and increase access for underserved students. To be considered a success, though, it must also protect those students from sham — or simply shoddy — offerings.

We stand at a critical juncture for American higher education. Today's student body is increasingly diverse, with growing numbers of working adults, part-time students and first generation college-goers. More than ever, students will depend on higher education to pave the way to a successful career. Yet today's students face unprecedented obstacles — obstacles that are greatest for the very students who most need the opportunity afforded by a college degree. Average student debt has more than doubled over the course of a generation. And even as America becomes increasingly diverse, students of color remain underrepresented at colleges and universities.

Lawmakers are discussing innovative ideas to make college more affordable and accessible. That's good news, and our organizations support many of those proposals. But Congress must also approach any reauthorization with a commitment to, first, do no harm. Without new measures to protect consumers and hold schools accountable, America's most vulnerable students will remain at disproportionate risk.

A Class Apart | The Economist
If spending is a measure of what matters, then the people of the developing world place a high value on brains. While private spending on education has not budged in real terms in the rich world in the past ten years, in China and India it has more than doubled. The Chinese now spend 5% of household income on education and the Indians 4%, compared with 2.5% for the Americans and 1% for the Europeans. As a result, private schooling,

tuition, vocational and tertiary education are booming in developing countries (see our Special report).

Since brainpower is the primary generator of progress, this burst of enthusiasm for investing in human capital is excellent news for the world. But not everybody is delighted. Because private education increases inequality, some governments are trying to stop its advance. That's wrong: they should welcome it, but spread its benefits more widely.

Congress Must Stop The Seizing Of EITC Tax Refunds To Pay For Defaulted Student Loans | Morning Consult (Persis Yu)
As the tax season comes to an end, fortunate taxpayers have received or are waiting anxiously for refunds to arrive. But by now, many student loan borrowers have learned the hard way that the federal government will take their tax refunds, including their Earned Income Tax Credit, if they are in default on a federal loan.

The EITC is incredibly important to working families, not only alleviating existing poverty, but also helping to lift future generations out of poverty. The credit, which is based upon the family's income and size, is fully refundable, meaning that if a family's EITC is greater than its income tax liability, the excess is paid as a tax refund. For this last tax year, the EITC could be as much as $6,557.

Seizing the EITC that a family needs for basic essentials can be devastating. One father shared his story with the National Consumer Law Center in response to a blog post:

SYSTEMIC RISK

Big Banks Are Very Exposed To Leveraged Lending And CLO Markets | Forbes (Mayra Rodriguez-Valladares)
During last week's House Financial Services Committee hearing, Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 years after the Financial Crisis, Representative Jim Himes (D-CT) asked the seven chief executive officers of America's largest banks "What product, financing mechanism, or market is do you think is generating systemic risk which we should pay attention to?" Almost all of them mentioned that leveraged lending was a top product that we should focus on.

Citigroup CEO Michael Corbat responded that "People talked a lot about leveraged lending and what that's done. I don't believe to date it is systemic because most if it is driven outside of the regulated financial system." And Goldman Sachs CEO David Solomon stated that "As people talk about leveraged lending, they think about that on the backs of the large institutions here. But there's more and more direct lending being done in separate vehicles that's not regulated, not scrutinized. At the moment, I don't think it's systemic, but it is growing, it's obscured and I think that we need to have a closer looking."

How To Stop Rising Inequality In The Next Recession | Washington Post
If the recession-fighting techniques of the last decade are responsible for widening inequality, central banks will need a new set of tools soon or risk not only widening the

wealth gap but also eroding confidence in their ability to set monetary policy. And there is emerging evidence that could be the case.

A new paper from economists Ernest Liu, Atif Mian and Amir Sufi suggests the reason the recession didn't put a dent in inequality may very well be the Fed's fault. Low interest rates, particularly when they get to close to zero, tend to increase inequality, even as they revive the economy, the economists argue. That's not a totally surprising conclusion. Low rates boost stock and other asset prices while depressing the returns of small savers. And 90 percent of stock-market wealth is owned by the top 10 percent.

But Liu, Mian and Sufi argue that's not the most important inequality-transmission mechanism of low interest rates. The real wealth transfer comes from the fact it's the well off, both individuals and companies, who have the easiest time borrowing in times of financial crisis. Another problem: As inequality grows, Fed actions become less effective. Rich borrowers don't spend their interest savings, which tends to keep demand for consumable goods in check.

Is It Time To Worry About The Next Recession? | Salon (Celia Wexler)
Most economists are not predicting a downturn as devastating as 2008, which was driven by lax and deceptive mortgage lending by financial institutions, and resulted in more than3 million home foreclosures, and the loss of more than 8 million jobs.

This time around, the recession trigger may be corporate debt, which is fueling a prosperity that is not reaching average Americans, progressive economists have charged. Making matters worse, they contend, many US families have not yet recovered from the financial meltdown of 2008. They noted that consumer debt, particularly when it comes to student and auto loans, has continued to rise.

"What has this gangbusters growth done for us?" asked Marcus Stanley, policy director of nonprofit advocacy group Americans for Financial Reform (AFR). Since 1998, a "typical household's" wealth has actually dropped by 8 percent, he said, while "financial sector profits as a share of the economy have soared 40 percent," he added. Since 2000, worker wages have climbed by just 6 percent.

Fed's Kaplan Says US Growth Isn't Likely To Change His Stance On Rates | Wall Street Journal
Federal Reserve Bank of Dallas President Robert Kaplan said Thursday improving U.S. economic growth is unlikely to change his view that short-term interest rates are where they should be.

"For the time being, I don't see any reason to change our policy setting," Mr. Kaplan said Thursday in conference call interview with The Wall Street Journal.

Mr. Kaplan spoke after recent government reports showed U.S. consumer spending rebounded in March and the country's trade deficit narrowed in February, signs that economic growth was stronger in the first quarter than previously estimated.

Report: Herman Cain Won't Withdraw From Running For Federal Reserve, Even Though He Lacks Votes | USA Today
Former Republican presidential candidate Herman Cain has no plans to withdraw his name from consideration for a seat on the Federal Reserve board, even though he apparently doesn't have the votes to win confirmation by the Senate, according to a published report.

Cain, the former CEO of Godfather's Pizza, told the Wall Street Journal on Wednesday that he was "very committed" to going through the vetting process as the White House decides whether to formally nominate him for the position.

"The president asked me one simple question…He said, 'Would you consider doing this if you make it through the process?' I said yes. Didn't hesitate," Cain told the paper during an interview at his office in suburban Atlanta.

Trump Is Part Of A Worldwide Populist Assault On Central Banks | Washington Post (Fareed Zakaria)
Around the democratic world, there is a power struggle taking place that might end up being the most damaging and long-lasting consequence of this era of populism. Elected leaders — from President Trump to Turkey's Recep Tayyip Erdogan to India's Narendra Modi — have been steadily attacking the independence of their nations' central banks. This could end very badly.

A brief history of modern central banking. As the Economist points out, politicians in the 1970s would routinely use central banks to goose the economy before elections to help them win. This helped create a wave of inflation that paralyzed economies and caused untold misery. The middle class saw its hard-earned savings evaporate within a few years.

As a result, over the past three decades, countries around the world have given central banks much greater independence. The United States was one of the leaders in this regard, with Paul Volcker asserting the Federal Reserve's independence and breaking the back of the "stagflation" that had crippled the U.S. economy during the 1970s.

The War Is Over And The Bankers Have Won | CNBC (Dick Bove) put this in systemic risk
The House Banking Committee held a hearing on Wednesday to discuss the financial stability of the nation's biggest banks. It requested the presence of the top CEOs to field questions on their finances. However, virtually no queries were posed on financial stability in a hearing that lasted possibly five hours or more.

What emerged instead was a series of questions on multiple subjects with no unifying theme. What emerged was a clear understanding that there would be no meaningful banking legislation for the foreseeable future. Instead the bureaucrats in the banking regulatory sector would be "running" the banks. These are men and women who either had been bankers or who are strong supporters of the industry.

The banks and their investors had won. The only banking news that is likely to emanate from Washington, for the next few years, is going to be positive for the industry. The stringent regulations that have been restricting banking for a decade are likely to be loosened. From my perspective, this will be good for the nation and its economy.

Democratize The Fed | Jacobin Magazine (Nicole Aschoff)
Cain and Moore are most definitely unqualified to serve on the board of governors, and Trump is almost certainly trying to bend the Fed to his will to ensure his reelection. But we should be careful not to romanticize the Federal Reserve as a neutral economic arbiter bringing peace and order to the economic landscape for the benefit of all. Trump is not threatening to corrupt an institution of the people.

While Fed officials may stand above the fray in terms of political partisanship, the Federal Reserve itself is an inherently political institution. It is responsible for the smooth functioning of the capitalist engine, with making sure the thing doesn't explode as it jerks from boom to bust. In that role its interests are clearly defined and clearly political.

Nothing demonstrates this more clearly than the long period of quantitative easing (2008–2014) in which the Fed ultimately bought $4.5 trillion of government bonds and mortgage-backed securities (with public money) to steady the economy.

TAXES

Bonuses Are Up One Cent In 2018 Since The GOP Tax Cuts Passed | Economic Policy Institute (Lawrence Mishel)
Data from the Bureau of Labor Statistics' Employer Costs for Employee Compensation gives us a chance to look at workers' bonuses in 2017 and 2018, to gauge the impact of the GOP's Tax Cuts and Jobs Act of 2017. Last year, our analysis showed that bonuses rose by $0.02 between December 2017 and September 2018 (all calculations in this analysis are inflation-adjusted). The new data show that bonuses actually fell $0.22 between December 2017 and December 2018 and the average bonus for 2018 was just $0.01 higher than in 2017.
This is not what the tax cutters promised, or bragged about soon after the tax bill passed. They claimed that their bill would raise the wages of rank-and-file workers, with congressional Republicans and members of the Trump administration promising raises of many thousands of dollars within ten years. The Trump administration's chair of the Council of Economic Advisers argued last April that we were already seeing the positive wage impact of the tax cuts:

Tax Day 2019 Is The Perfect Time To Make The Case For Increasing Taxes On The Rich | NBC News (Morris Pearl and Rep. Pramila Jayapal)
It's tax day in America — the day when millions of people across the country finally stop procrastinating and find out how much money the federal government owes them. Or worse, how much they owe the federal government. This year's deadline has been met with a great deal of anxiety due to President Donald Trump's tax cuts, which have decreased the

average refund for filers. Indeed, according to the IRS, tax refunds are down $6 billion compared to 2018.

Adding insult to injury is the fact that the people who benefitted the most from Trump's Tax Cuts and Jobs Act of 2017 are the people who don't need an extra boost. While enraging, this outcome is really just part of a broader truth: The top 0.1 percent of Americans own almost as much as the bottom 90 percent combined, and the gap between these groups is widening with each passing day. Virtually all of the benefits of our growing economy have gone to those at the top, while most American families have experienced stagnating wages and rising costs of living.

On Tax Day, Trump Tax Cuts Remain Historically Unpopular | Politico
President Donald Trump boasted in Michigan last month that he signed into law "massive tax cuts, the biggest in the history of our country."

As Americans rush Monday to finish up their own taxes, their judgment on Trump's beloved tax cut bill is pretty clear: Most really don't like it.

Multiple polls show a majority of Americans don't think they got a tax cut at all — even though independent analyses show they did. And only around a third of the country approves of the legislation itself, the Tax Cuts and Jobs Act, passed by Congress at the end of 2017.

Listen: It's A Great Time To Cheat On Your Taxes | Today, Explained

OTHER TOPICS

Will We Survive The Next Financial Crisis? | Politico (Ben Bernanke, Timothy Geithner, Hank Paulson Jr, Adapted From Their Book "Firefighting)
As we pass the 10-year anniversaries of the defining events of the 2008 global financial crisis, it's a good opportunity to reflect on what happened, what we learned and whether it could happen again. Certainly, none of the three of us or our colleagues had ever lived through a crisis like that one, a crisis that was in some ways worse even than the early stages of the Great Depression. The good news is that, this time, concerted government action managed to stop the panic, stabilize the financial system, revive the credit markets and help start a recovery that continues to this day. Indeed, on key dimensions, the U.S. recovery from the Great Recession compares favorably to recoveries from previous severe financial crises, both in the United States and abroad, and the recoveries of other advanced economies from this crisis.

Yet even so, the crisis was extraordinarily damaging, for both the United States and the world. Millions of Americans lost their jobs, their businesses, their savings and their homes. The popular anger generated by the crisis and by longer-term trends of increasing inequality, insecurity, and social immobility has roiled our politics and our society.

The U.S. government was not well prepared for the financial conflagration of 2008, which helps explain why this fire burned so hot, why the efforts to contain it often seemed so messy, and even why that response became so wildly unpopular. Better preparation could have created better outcomes. If the regulatory system had been less Balkanized and more capable of addressing the risks, if crisis managers had been empowered all along to use overwhelming force to avoid financial collapse, and if there had been mechanisms in place from the start to ensure that the financial system would pay for its own rescue, the fire would have been less intense, and the firefighting would have seemed less inconsistent and unfair.

Read: What Should We Know About The Next Recession? | Economic Policy Institute

The 2008 Financial Crisis, As Seen From The Top | New York Times (Paul Krugman)
Most of the book is concerned with the increasingly desperate efforts of BGP and other officials to prop up financial dominoes before they could topple and collapse the whole system. It's an intricate story, one whose details probably seem a lot more interesting to those who were involved than they will to a broader readership. And I don't think there are any shocking new revelations.

There is, however, a unifying theme to all that complexity: Containing this crisis was so hard precisely because of all that financial innovation. Conventional banks are both overseen and guaranteed by the Federal Deposit Insurance Corporation, which has the power "to wind down insolvent banks in an orderly fashion while standing behind their obligations." But "the federal government had no orderly resolution regime for nonbanks."

So BGP and company had to engage in frantic innovation. For example, the Fed funneled money through conventional banks into the hands of nonbanks, in effect lending to institutions they weren't really supposed to support. This exposed the Fed to new risks; Paulson effectively indemnified the Fed against those risks, apparently without real legal authority to do so. At another point, when a run on money-market funds — which would have been a complete catastrophe — seemed imminent, Paulson guaranteed those funds using money legally earmarked for a completely different purpose, defending the dollar's foreign exchange value.

Listen: In 2008, 3 Officials Were On The Frontline Of The Financial Crisis | NPR

Ten Solutions To Bridging The Racial Wealth Divide | Institute For Policy Studies
The deep and persistent racial wealth divide will not close without bold, structural reform. It has been created and held in place by public policies that have evolved with time including slavery, Jim Crow, red lining, mass incarceration, among many others. The racial wealth divide is greater today than it was nearly four decades ago and trends point to its continued widening.

In this report, we offer ten bold solutions broken into three categories: Programs, Power, and Process. These solutions are designed to strike at the structural underpinnings holding the racial wealth divide in place while inspiring activists, organizers, academics, journalists, law makers, and others to think boldly about taking on this incredibly important challenge. You'll also find a snapshot of the latest racial wealth divide data as outlined in our January 2019 report, Dreams Deferred, and a warning against false solutions.

Offered below are a number of promising solutions that could have a significant impact on reducing the racial wealth divide. Each is rooted in a public policy shift that can have a structural impact across society, not simply individual behavior changes. This is not an exhaustive or all-encompassing list, but rather a number of bold ideas that can have a systemic impact.

Former NCUA Board Members Denounce Trump's New OMB Rule Review | Credit Union Times
A new Trump Administration directive that subjects the NCUA's rules and guidance to Office of Management and Budget review represents improper interference in agency activities, four former NCUA board members said Monday.

Last week the OMB announced that beginning next month, all guidance and rules issued by independent agencies, such as the NCUA, CFPB and other financial regulators, must be submitted for review by the budget office. If the rules or guidance is deemed to be "major," it also will be required to be submitted to Congress under the Congressional Review Act.

Congress then would have to decide whether to accept the rule. If Congress votes against it and the president signs the resolution, the agency is prohibited from issuing a similar rule. NCUA officials have declined to comment on the new policy, saying they are still reviewing it. However, former agency board members were not shy about condemning the policy.

"Personally, I think the independent financial regulatory agencies should be just that – independent – and not be subject to being politicized by either Congress or an executive administration," former NCUA Board Chairman Dennis Dollar told CU Times.

America's Banks Are Big. China's Are Massive | CNN
New York might be the financial capital of the world, but China is home to the planet's mightiest banks.

The top four banks in the world are from China, according to the latest annual rankings by S&P Global Market Intelligence.

Despite the trade war and currency troubles, China's "Big Four" banks grew their total assets by 1% in 2018 to $13.8 trillion, S&P said.

The list is led by Industrial & Commercial Bank of China, which retained its title as the world's biggest bank. ICBC is the only lender that has amassed more than $4 trillion in assets — or roughly the size of Citigroup (C) and Wells Fargo (WFC) combined.

How Climate Change Could Trigger The Next Financial Crisis | MarketWatch (Pedro Nicolaci Di Costa)
It's only a matter of time before the Federal Reserve hires a chief climatologist.

After all, despite Wall Street humor about weather being a poor excuse for weak economic data, the pace of climate change is now clearly rapid enough to begin affecting economic forecasts. How long until forecasting gross domestic product depends crucially, fundamentally, on expected weather patterns?

Officials are already thinking about these issues. Several government and private institutions have tried to model the effects of climate change on economic growth.

“Many central banks already include climate change in their assessments of future economic and financial risks when setting monetary and financial supervisory policy,” writes Glenn Rudebusch, senior policy adviser and executive vice president at the San Francisco Fed.

Bernie Sanders And The Myth Of The 1 Percent | New York Times (Paul Krugman)
Even now, most Americans don’t seem to realize just how rich today’s rich are. At a recent event, my CUNY colleague Janet Gornick was greeted with disbelief when she mentioned in passing that the top 25 hedge fund managers make an average of $850 million a year. But her number was correct.

One survey found that Americans, on average, think that corporate C.E.O.s are paid about 30 times as much as ordinary workers, which hasn’t been true since the 1970s. These days the ratio is more like 300 to 1.

Why should we care about the very rich? It’s not about envy, it’s about oligarchy.

With great wealth comes both great power and a separation from the concerns of ordinary citizens. What the very rich want, they often get; but what they want is often harmful to the rest of the nation. There are some public-spirited billionaires, some very wealthy liberals. But they aren’t typical of their class.

Lehman Brothers, A Family Saga, As Viewed By Some Who Lived It | New York Times
Thomas Russo, the chief legal officer at Lehman Brothers when the Wall Street colossus filed for bankruptcy and threatened to melt down the global financial system, was recalling that frenzied final weekend in September 2008.

“I remember that Sunday like it was yesterday,” he said. “In the morning we were told we were going to be saved.” They weren’t.

He had just come from “The Lehman Trilogy,” a three-hour-plus theatrical recreation of the real-world drama in which he had taken part. I had invited him to see the performance, and now he was digesting it over a vodka martini.

When a black screen at the Park Avenue Armory rose to reveal a stark glass box, a stripped-down version of Lehman’s emptied offices hours before the bankruptcy filing, Mr. Russo let out a gasp: “Oh, my God.”

Watch: Democrats Take On Corporate Profits And CEO Pay | Late Night With Seth Meyers