

Heterodox Economics Newsletter

HOW WALL STREET FLEECES AMERICA: PRIVATIZED BANKING, GOVERNMENT COLLUSION AND CLASS WAR, by Stephen Lendman, Atlanta, GA: Clarity Press, 2011; 190 pages. ISBN: 978-0-9833539-4-2.

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2011 was a year marked by the uprising of the masses. The public voiced their frustration and demanded actions against the worsening economic and social inequality. Over the course of the year, the Arab Spring and the “Occupy” movement dominated public debate and commended significant media coverage. “We’re the 99 percent,” Occupy Wall Street slogan went viral with the aid of social networks, spreading worldwide and encouraging similar protest movements in major cities. Stephen Lendman, a Research Associate at the Center for Research on Globalization (CRG) and a regular radio host on *The Progressive Radio Network*, was one of the first authors to address these issues in his *How Wall Street Fleeces America: Privatized Banking, Government Collusion and Class War*.

Lendman produced an in-depth coverage of how “privatized banking let innovative Wall Street manipulators transform America into an unprecedented money-making racket, facilitated by government collusion at the highest federal, state and local levels” (p. 5). As a result, Lendman argues that “working Americans” end up footing the bill with their “savings, jobs, homes and futures” while allowing the “elite” to gain more wealth and power (p. 5).

Lendman points out the “root of today’s problems” right from the beginning of his book: the ability of central banks to create money out of thin air. While Lendman gave a neat and concise history of the Federal Reserve System, he was quick to identify the harm to public welfare caused by the Fed. The list includes “inflation’s invisible tax,” the Fed practicing usury, wealth transfer from the poor to the rich, and bailout money for the too-big-to-fail financial institutions (p. 18). Furthermore, Lendman not only blames the Fed for permanent instability, but also for rising consumer debt, federal budget and trade deficits, personal bankruptcies and home foreclosures, and for shipping “high-paying/good benefits jobs” abroad (p. 20). Lendman’s solution to these ills is to remove the Fed from the equation and allow Congress to assume control of the printing presses. He is also in favor of public banking, citing the Bank of North Dakota (BND) as an example in contributing towards the prosperity of the state—North Dakota has a large budget surplus and the nation’s lowest unemployment rate of 3.3 percent (p. 176).

In *How Wall Street Fleeces America*, Lendman dedicated two chapters to criticize two of the biggest proponents of free markets: Milton Friedman and Alan Greenspan. Economic freedom, in terms of “unfettered markets” and limited government, was prioritized ahead of matters such as human rights, social justice, and civil liberties (p. 34). Not only that, the federal

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treasury was “massively looted for the rich” behind the public’s back, and it came about as a result of endorsement from both the Republican and Democratic parties. The Quantitative Easing programs, according to Lendman, are just another method for the Fed to destroy the economy for Wall Street’s benefit (p. 62). The list goes further.

Lendman also attacks regulators for assisting in financial frauds, largely by being the “facilitator” in pretending to “look the other way.” What results from this action—or lack thereof—is the continuous “Wall Street tradition” of market manipulation and financial frauds (p. 110). It is also a zero-sums game: Wall Street and the elites emerge as victors and Main Street as losers. Lendman expects Obama’s “Simple, Smarter Regulatory System” to further exacerbate the disregard of the needs of society.

Lendman’s book provides many good ideas to revamp the banking system. Chief among them is the establishment of a public banking system, where there is an existing model in the form of the Bank of North Dakota and on-going feasibility studies in struggling states like Illinois, California and New York. However, the book falls into a general, one-sided argument portraying only the evils of the existing system without giving merits where it is due—at times Lendman appears to embark on a lengthy rant. From the start of the first chapter to the end of the book, Lendman attributes majority of the economic decline and instability to the Fed, and goes on to call for the abolishment of the fiat currency system in favor of a return to a sound, hard currency system, where “virtually no inflation existed under the gold standard except during times of war” (p. 163). He also fails to consider the fact that America now exist in an increasingly global competitive economy, and makes no mention of its role in the international economy.

Lendman’s compelling account of the private banks serving the interest of corporate executives over public interest is certainly a thought-provoking book. As Lendman asserts, “this book is dedicated to working Americans and everyone who is for government of, by and for all the people, not just for the privileged few, rewarded generously at the expenses of all others” (p. 5). The current system has let us down. The way forward, according to Lendman, is “public banks serving all Americans equitably and fairly for sustainable long-term growth and prosperity” (p. 184). But it remains to be seen whether society would place social justice, equity, and democratic values over profits, wealth, and power. This book is a good read for an undergraduate audience or the general public. It addresses some pressing economic issues from a very progressive perspective, but unfortunately it lacks a solid theoretical framework to support its policy recommendations.