The Big Casino

By Doug Orr

Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.

— John Maynard Keynes (1936)

On April 13, 2014, Flash Boys, by business writer Michael Lewis, opened at number one on the New York Times Best Seller list. Reviews of the book had appeared on the front page of every major business publication in the U.S. and most of the major news outlets, both in print and on the web. The book explains how new technological advances in stock market trading have given an unfair advantage to some wealthy traders and have allowed them to make billions of dollars at the expense of everyone else in the market.

Lewis’s books are always highly readable. He conveys technical detail by couching it in a story with heroes and villains. In this case the villains are high-frequency traders. The hero is Brad Katsuyama, an employee of the Royal Bank of Canada, who unraveled a mystery that even some of the biggest brokerage houses did not understand. Over the course of two years, Katsuyama was able to discover how differences in milliseconds in communication networks allow high-frequency traders to “front-run” other traders [see side bar - 1]. Katsuyama is the hero because he created a new stock market exchange to thwart the villains.

In his book, Lewis provides details on how high-frequency trading works and how it affects other traders. But Lewis glosses over a much more fundamental aspect of stock markets. Lewis quotes Katsuyama saying “Building a stock market is like building a casino.” This is a truth that anyone whose income did not depend on ignoring the truth has recognized forever. Every night on the evening news we hear something like this: “In economic news, the Dow is up by 1.5%, the S&P is up by 1.2% and the NASDAQ is down by 0.3%, based on … blah, blah, blah.” Reporting these numbers so prominently and giving a supposed link to the events of the day gives the impression that the stock market plays a central role in moving the economy forward and that everyone has a stake in these daily changes. In fact, the movement of these stock indices on a day-to-day basis has very little to do with the actual economy and, except in times of economic crisis, the stock market has almost no positive impact on the lives of most Americans. Fewer than half of American families own a single share of stock, and only about a third own shares totaling more than $5000. The stock market is the realm of the elite, and for the past several decades has had a negative impact on the real economy.

Who Really Are the “Investors”?

Economic textbooks tell us that financial markets play an important role in the economy, linking saving to investment. Some individuals have more income than they currently want to spend, so they engage in saving. Other individuals need money to engage in investment. “Investment” in this context means the creation of new, physically productive resources. If a firm builds a new factory, installs new machines, or buys new software to do its accounting, that is investment. When students spend time and money to acquire new skills that make them more productive, that is investment. So when a bank takes people’s savings and lends it to the owner of a restaurant to buy a new stove, the bank plays an important economic role. Savers can get their money back if they need it in the future, because loans get repaid and other savers are putting new money into the bank.

When you put money in the bank you receive interest. This is your reward for saving and giving the bank the use of your money. But you are not engaging in investment. The person who borrows the money and puts it to productive use is the investor. When you put money in the bank, you are a saver, not an investor.

Corporations can bypass banks and gain access to financial capital by issuing stock. When a company issues new shares of stock, the money raised from the sale can be used to engage in productive investment. The issuing of new shares is called an “initial public offering,” or IPO. IPOs are not done on stock exchanges. They are handled by investment banks. These IPOs transfer saving to firms and the firms can use the money for real investment. If these investments are successful, GDP will rise as consumers gain access to new products, the firm will grow and become more profitable, the price of their shares will rise, which provides savers a long-term capital gain as a return on their saving. This usually occurs over an extended period of time.

No one would buy a share of stock if they could not get their money back when they needed it. The useful role of the stock exchanges, what we call the “stock market,” is to provide “liquidity.” One individual who has money to save today can buy a share of stock from someone who needs to get their past savings back. The role of brokers is to provide this liquidity. Brokers must be able to accurately assess the quantity and prices of stocks available in order to bring buyers and sellers together. Anything that makes this information more accurate will make the markets more liquid and “efficient,” but anything that makes the information less accurate makes the market less liquid and less efficient, and this is the problem Lewis addresses [see side bar - 2].

The words we use to describe things matter. Investors are usually seen as contributing to the economy because they hire workers to build new factories, new machines and
other productive assets, and these assets can make the real economy more productive. Workers create the assets, and the investors are given the credit. On the other hand, gamblers and speculators are usually seen as frivolous and destructive.

The biggest propaganda coup of the 20th century was convincing the media and the general public to call the speculators on the New York Stock Exchange (NYSE) “investors.” They did it by blurring the positive role of the stock market with the speculative role. If you buy a share of Pacific Gas and Electric (PG&E) stock on the stock exchange, you will get a quarterly dividend payment, just like the interest you get from the money you put in a bank. But, PG&E does not get any new money to use for actual investment. The price you pay for the stock goes to the previous owner of the stock, not PG&E. Buying stock on the NYSE is not investing, but rather seeking a return on saving. But unlike saving at a bank, this saving involves a risk and is a form of speculation.

On December 31, 2013, the Dow-Jones Industrial Average hit a new record high of 16,577. The media cheered this result and proclaimed that happy days are here again. Yet that same day, they reported that income inequality is continuing to increase, median family income is still 9% below what it was at the start of the recession, and the index of consumer sentiment is still 25% below pre-recession levels. Millions of people are still unemployed and Congress let long-term unemployment benefits expire. It appears that all of this suffering on Main Street is good for the stock market.

That day, NYSE market volume was 735 million shares, and another 1.34 billion shares were traded on the NASDAQ. It was a slow day because of the holidays. More than $200 billion changed hands, yet not a penny of all this money went to a corporation for use as productive investment.

The biggest casino in the world is located at the corner of Wall Street and Broad Street in New York City. Calling the players on the NYSE “investors” completely changes our understanding of the role they play. Consider rewording some recent Wall Street Journal stories: “Gamblers bet big on new Genentech drug,” or “Speculators made 73% in one day buying Twitter’s IPO in the morning and reselling later in the day to suckers caught up in the excitement.” The Wall Street Journal does occasionally tell us the truth when they report on the “bets” made by “players” on the NYSE. Speculators betting that the price of a share will rise want to buy it and those betting that the price will fall want to sell it. If there are more buyers than sellers, the price will rise, regardless of anything that is happening in the real economy. Reporting a record high for the NYSE has about as much importance as reporting a record amount of gambling in Las Vegas. Except the gambling on the NYSE can have a much larger negative impact on the real economy.

Big Gambling does Big Damage

The reason why the volume on the NYSE is so high is because speculators engage in high-frequency trading. An analyst predicts that, based on breaking news, the price of a particular stock may go up. If s/he can be the first to buy the stock before the price goes up, s/he can sell it a few minutes later (or even fractions of a second, later) and make a profit. This is why brokerage houses now rely on “program trading.” Computers can see price differentials and make trades much faster than humans can. Brokerage firms need to have the fastest possible computers and the fastest network connections because milliseconds matter. By 2010, this type of high-frequency, or “quant” trading made up 70% of the bloated stock trading volume.

If a speculator buys a share of stock for $100 and sells it 3 minutes later for $100.50, s/he makes a return of 50 cents, or 0.5%. If s/he buys a million shares, s/he makes half a million dollars for 3 minutes of “work.” But the “work” was done by a computer program and the speculator has done nothing to make the economy more productive, to create jobs, or to increase GDP. All the speculator has done is to bring a large pile of money to the table at the casino. S/he has redistributed money from one person at the table to another, and for this, the Wall Street Journal calls speculators an “investor.” Speculators can use their winnings to hire the best and brightest minds to give them an edge at the table, and they will pay them well.

We are told how important it is to get students into STEM fields (science, technology, engineering and math). Yet government funding for these fields is being cut and jobs prospects are uncertain. Stock market speculation diverts the best and brightest minds away from solving real problems facing the world. Instead they are writing software to “read” news feeds looking for key phrases that might indicate a change in speculators’ sentiment toward a particular stock, so that instantaneous trades can be made. They are writing algorithms to find the minutest correlations between economic indicators and changes in share prices. Landing a job at a big Wall Street firm can lead to
annual bonuses in the millions of dollars. Jobs in basic scientific research and engineering cannot hope to compete.

Corporate managers are rewarded with bonuses for increases in stock prices, regardless of the long-term impacts on the firm. It forces managers to focus on quarterly profits and not on long-term economic growth. Cutting jobs and driving down wages can increase stock prices, but this has devastating impacts on the lives of ordinary people and reduces demand for products. If the price of a company's stock starts to fall, management can use the cash held by the company to buy back shares in order to prop up the price. This diverts resources that could have been used for productive investment into the hands of stock market speculators.

If enough of these speculators believe prices will continue to rise, they will pour more money into stocks, and share prices will rise. Speculation can be self-fulfilling and create price bubbles. The Dow-Jones was up by more than 35% for the year in 2013. This run up in stock prices had several causes. Economists tell us that stock prices should reflect expected profitability, and despite the anemic recovery, corporate profits are soaring. The share of total national income going the owners of capital is now higher than at any point in modern US history. But this is at the expense of the vast majority of the population. The share of national income going to wages and salaries continues to fall and is lower than in 1960. In the thirty three years since 1980, adjusted for inflation, labor productivity has gone up by 141% and wages have stagnated, going up by only 8%.

The idea that each generation is better off than their parents is no longer true. In the current recovery, 95% of the income gains have been taken by the top 1% of the population. The rise in stock prices is a reflection of the declining standard of living of the majority of Americans and the increasing incomes of the already wealthy. A recent Pew Center poll revealed that 64% of the population responded "no" when asked "does the US offers everyone the same chance to get ahead." The share of income going to the richest 10% is higher than at any time since 1917. It is this richest 10% that own 91% all stocks, including all 401(k) accounts and mutual funds and 94% of other financial securities.

Some of the run up in stock prices may reflect this rise in profit, but larger part is the result of speculation. Since the start of the recession, the Federal Reserve has pumped almost $4 trillion into the financial markets. All of this money has to go somewhere. Banks are not lending it to businesses to engage in real investment. Some of it is being used by speculators to buy up foreclosed houses and either turning them into rentals or doing minor maintenance and then "flipping" them for a tidy profit (See Darwin BondGraham, "Whose Housing Recovery?" D&S March/April 2013). This is resulting in a massive redistribution of wealth from the middle class to the top 10% of wealth holders. In some cities, this is reigniting the house bubble. But much of the money is finding its way into the stock market and this flood of money is driving up stock prices.

When speculators are optimistic they create bubbles. But if speculators turn pessimistic, they can also create stock market crashes. If this only affected the gamblers it would not be a problem. But as a company's stock price falls, it may be harder for the firm to borrow from banks or the bond market to pay for day-to-day operations. If this happens to enough companies, this can crash the real economy and drive up unemployment. As stock prices fall, the retirement savings of millions of workers (who have seen their defined-benefit pensions stolen and converted into 401(k) savings accounts) will also decline. Ordinary people reap little benefit from the daily speculation on the stock market, but millions experience real losses when the bets go bad. The Big Casino does very real damage to the real economy.

**Key Step toward Taming the Casino**

One way to reduce the damage would be to put a tax on this socially destructive behavior. We tax cigarettes and alcohol because of the damage they do. We tax gambling in Atlantic City at 8% and in Las Vegas at 6.25%. The sales taxes on socially useful items like shoes and computers are often more than 7%. There should also be a sales tax on the speculative buying and selling of stock.

To be sure, Wall Street lobbyists will try to scare the public in thinking that taxing speculation will somehow kill "investment" and jobs. Because unemployment is still high, anything that reduces employment growth will be seen as negative. But this tax will not reduce job creation. In fact, it is stock market speculation that does that. Between 2008 and 2013, the dollar value of shares repurchased by corporations was higher than the amount raised by IPOs. So the stock market has actually drained resources away from real investment and job creation.

In 2007, the year before the most recent collapse of a speculative bubble, $43.8 trillion in stocks changed hands on just the NYSE and the NASDAQ. That same year, only $65.1 billion was raised in IPOs. That is $673 dollars of speculative trading versus productive financing.

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<th>Speculative Trading versus Productive Financing (figures for 2007)</th>
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<tr>
<td><strong>Existing Stocks Traded</strong></td>
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<td><strong>$43.8 trillion</strong></td>
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<td><strong>Percent of trades going to productive financing = 0.15%</strong></td>
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What we need is a "speculation-reduction tax." Some proponents of this type of tax call it a "financial transactions tax," or FTT. But the tax would not be on all financial transactions, just on speculation in the stock and bond markets. Gamblers and speculators are seen as frivolous and destructive, and a tax that would restrict their behavior would be positively received. To be fully effective, the tax should be "progressive" with respect to time. If a stock is held for less than a day, the tax on the trade should be 5% of the value of the trade. The tax on a stock held for a
week would be 2%; for a month, 1%; and, for a year, 0.5%. But opponents will make the case that this is too complex and too costly, so a flat-rate tax is a more feasible starting point.

The European Union is likely to implement a FTT rate of 0.1% in 2014. This rate is too small to have much of an impact on speculation. The UK has had a tax rate of 0.5% since 1986. It has not restricted the basic functioning of their stock market. In fact, we keep hearing stories about how "the City" is becoming more important to world finance than the NYSE. But a tax of this amount makes the short-term trade described above unprofitable. Since 2009, ten different FTT bills have been introduced in the U.S. House and four in the Senate, most at a rate less than 0.5%. If a 0.5% tax were implemented in the United States, the Congressional Research Service estimates revenue generation of $1.64 to $2.64 billion per year, depending on the decline in speculative trading. The left-leaning Center for Economic and Policy Research (CEPR) estimates revenues will be $110 to $220 billion for a 0.5% tax. To really reign in speculative trading, the tax should be set at 1.0% and an additional tax of 0.1% should be charges on all cancelled orders [see side bar - 2].

If the U.S. government implements this type of speculation-reduction tax, it will reallocate much needed resources to productive public investment and away from job-killing stock speculation. This idea, first proposed by John Maynard Keynes in 1936, is long overdue. As Dean Baker, co-director of CEPR, put it in 1994: "Government is perfectly willingly to tax Las Vegas, Atlantic City and the lotteries, where working people place their bets with virtually no consequence to the country’s economic future. Why then should it not also tax the preferred gambling venue of the wealthy, especially given the serious costs their activities impose on the economic prospects of the majority?"


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Side bar - 1: Flash Boys and “Investor” Outrage

In his book, Flash Boys: A Wall Street Revolt, Michael Lewis describes how high frequency traders are able to “front run” the market. The classic image of the stock market is a bunch of men standing on the floor of the New York Stock Exchange yelling back and forth. Stock sellers are yelling their asking price and stock buyers are yelling their bidding price and the guy in the middle writes down the trade when an agreement is reached. All of the traders can hear the bidding and when the trade is posted, all of the traders can see the new market price at the same time. To participate in the market, the traders have to have access to the trading floor. This requires a “seat” on the exchange and these seats are very valuable.

This image of the stock market is now ancient history. Today, bids and asks are placed through an electronic trading system. Traders post bids and asks on computers and other computers at various exchanges recognize and record the trades. Now, more than 60 different exchanges record trades. Because the computer systems require a significant amount of space, these exchanges are located in lower-rent cities in New Jersey. These computers are all connected by networks, most of which are the telephone lines put in place years ago by tele-communications companies. Orders placed this way are on the Consolidated Data Stream (CDS).

Brad Katsuyama was working as a trader at the Royal Bank of Canada office in Manhattan. When he had a large order, he would break up the order and send smaller bids to several different exchanges based on the current posted price. He noticed that as soon as he posted the bids, the price of the stock would rise before his bid could be posted. At first he thought this was a localized software problem, but he came to realize this was happening to almost all of the traders at other banks.

It took Katsuyama two years of research to unravel the mystery. High-frequency traders had built their own communications system to “front-run” other traders, and had built an exchange, known as BATS, in Weehawken, NJ to give them an informational advantage. BATS is short for the Better Alternative Trading System. These and other high-speed traders also built proprietary high-speed fiber optic and microwave communications systems to the other exchanges in New Jersey.

A millisecond is one thousandth of a second. That is the time it takes for one pixel on a computer screen to change color. A fast blink of a human eye is 100 milliseconds. On the CDS, BATS is 2 milliseconds from Wall Street in Manhattan. On the CDS, it is a minimum of 120 milliseconds from Weehawken to the NASDAQ exchange in Carteret, NJ. On the fiber optic cable system built by the high-frequency traders it is less than half that time.

When an order is placed on the BATS it is possible to see whether the order will “move” the price of the stock. If it does, the computers of the high-frequency traders will send an order for the same stock to the other exchanges. These orders will arrive before the orders placed from Wall Street in Manhattan, which is called “front-running.” The high-speed traders are able to buy the stock at the original price, which pushes the price up, wait for the Wall Street order to arrive and push the price up even more, then immediately sell to make a profit.
Because many traders might be front running, these traders put limits on their orders. If the price had already started to rise, the order is cancelled before the trade occurs. With many bids coming in, the price of the stock will be artificially inflated even more. The Wall Street order will be recorded at this inflated price, which will immediately drop when the high-speed cancellations are recorded.

This is a modern version of a "pump and dump." In a pump and dump, a very wealthy speculator buys a large block of a stock, which moves the price up. He will buy another large block a few minutes later, which moves the price even more. Other speculators see a "trend" and jump on the bandwagon. As the share price continues to rise, the original speculator sells all of the shares for a profit. In this case, the high-speed traders do not need to "pump," they just need to be able to front-run the other orders.

Katsuyama provides data on a single 100 millisecond burst of trading on General Electric stock on December 19, 2013 (just days before the record high of the NYSE on December 31st). In that blink of an eye, a total of 847 bids and asks were posted, and 44 trades were completed. It is impossible to believe, unless you are paid to believe it, that this had any positive impact on the real economy or the lives of most Americans. Yet this is what the media wants us to believe.

Katsuyama estimates that the profit made by the high-speed traders using this strategy is usually less than 0.1% of the total price. Given that the average daily trading volume in the U. S. stock market is $225 billion, front-runners can make an average daily profit of $160 million, which adds up to more than $8 billion per year. So, a better name for BATS might be Beating All the Turkeys to the Stocks.

Gamblers at a Black Jack table know they will occasionally lose. But if they see a player who can take his bets off the table if he is losing and can take part of every pot as well, they will be very upset. This is why Lewis’s book has raised such a furor in the business press. Gamblers like playing the game, but not if the game is rigged. When they finally find out how it is rigged they will protest loudly.

On April 3, 2014, Charles Schwab issued a statement calling high-speed trading a “growing cancer” that threatens to destroy faith in the fairness of the markets. Schwab points out, that while the total number of trades stayed relatively flat from 2007 to 2013, the number of trade inquiries rose from 50,000 per second to 300,000 per second! He calls this “an explosion of head-fake ephemeral orders” designed to “skim pennies off the public markets by the billions.” He claims “high-frequency trading isn’t providing more efficient, liquid markets,” but rather it is “picking the pockets of legitimate market participants.” He points out that some high-frequency traders claim to be profitable on over 99% of their trading days, which is statistically impossible unless the game is rigged.

High-speed trading is only one of the many forms of front running. Another can occur in what are called “dark pools.” Dark pools occur when trades are carried out entirely within a single bank, brokerage firm or hedge fund. A bank or brokerage may have a large institutional financial institution, such as a pension fund, that wants to sell a large block of a particular stock. Bidding such a large sale on a public exchange is likely to “move the market,” because the depth of the market will be transparent. If the bank or brokerage can arrange for a trade with a group of other clients that want to buy that particular stock, the buyers and seller can negotiate a price without the public market being aware of the transaction. The bank or brokerage could also decide to buy part of the block using their own proprietary funds. When the transaction is finally recorded, the market may move. It is here that the bank can use the information from the “dark transaction” and use their propriety funds to make a 100% accurate bet on the movement of the price. This is part of the reason the Volker Rule proposes to restrict banks from proprietary trading.

Lewis writes “The trouble with the stock market — with all of the public and private exchanges — was that they were fantastically gameable, and had been gamed: first by clever guys in small shops, and then by prop traders who moved inside the big Wall Street banks.” Both Katsuyama and Schwab see the game as rigged, but they both still cling to the idea that if it were not rigged, it would efficiently channel capital to productive invest. Given that not a single dollar from any trade on the secondary markets goes into productive investment, this refusal to see the stock market as nothing more than a big casino is incredibly self-serving.

The bottom line is that modern electronic trading does not necessarily make financial markets more efficient or provide increased liquidity. Rather it sets up a situation of “haves” and “have-nots.” The “haves” can use their existing wealth to build high-speed trading systems and other forms of front-running. They will use these systems to strip wealth from the “have-nots.” While this is often a case of the “richest” stealing from the “rich but less rich,” it is also draining wealth from pension funds and defined contribution savings plans, such as 401(k)s. The ongoing allocation of resources to maintaining an edge in the market drains those resources from more productive uses in the real economy. It also makes the financial markets more unstable.

Charles Schwab suggests that all of these practices should be made illegal. But history teaches us that “entrepreneurs” will always find a way around rules. A better solution would be to make this part of a speculation reduction tax package. Since the average profit from front-running by high-speed traders is less than 0.1%, a tax of 0.1% on every order and cancellation should greatly reduce the practice. Placing a speculation reduction tax of 0.5% on every stock trade, whether it occurs in a public market or in dark pools, would greatly increase the stability and fairness of financial markets.
Side bar – 2: How to Rein in the Gambling

A speculation-reduction tax is only one small part of the change necessary to rein in the financial sector’s impact on income distribution and the real economy. Between 1970 and 1986, the financial sector never accounted for more than 16% of corporate profits. By 2007, at the start of the financial crisis, the financial sector received more than 41% of all corporate profits. That sector has become a massive drain of resources away from the real, productive economy and has made the overall economy more unstable.

Salaries are a payment for work, while capital gains are a payment just for being wealthy enough to own an asset that goes up in price. The 3-minute trade described in the accompanying article results in a capital gain of half a million dollars. A salary of $500,000 would be taxed as ordinary income at a rate of 39.6%, but capital gains are taxed at only 20%. Taxing those who work at a higher rate than those who speculate is an insult to working Americans.

These sorts of trades are often carried out by “hedge fund” managers. These managers do engage in what some might call work, but their work is similar to the work of the dealer at a casino, and it pays much better. They help speculators gamble at the Big Casino. They often increase a company’s stock price by buying a controlling share in the company, replace existing managers with ones who are willing to lay off workers and drive down the wages of those who remain. The bonuses given to financial sector managers are often much larger than their base salary. These bonuses often take the form of “carried interest,” which is a mechanism for redefining salaries, which would otherwise be taxed as ordinary income at a 39.6% rate, as long-term capital gains, which are taxed at only 20%.

These two special tax breaks are how Warren Buffett and Mitt Romney end up paying a smaller percentage of their incomes in taxes than their secretaries do. It is time to insist that capital gains should be taxed at the same rate as ordinary income.

Payments to corporate executives and financial-sector employees represent more than half of the income growth to the top 1% of the income distribution since the start of the recovery in 2008. Bills to eliminate the special treatment for capital gains and to put a cap on executive bonuses have been introduced repeatedly in Congress, but financial sector lobbying and campaign contributions have blocked their passage.

While eliminating special tax breaks for the financial elite would help reduce income inequality and generate revenue to fund essential government projects, it is not enough to stabilize the financial sector. Canada’s banking sector is more highly concentrated than the U.S. banking sector, yet Canada weathered the financial crisis much better because finance had not been deregulated as it had been in the United States. Future financial-sector stability will only be possible with the recreation of a 21st-century version of the Glass-Steagall Act. This new act must recreate the firewall between commercial banks that service the real economy and the speculative parts of the financial sector. Tighter regulations must be put on all financial institutions, including the new forms that have grown up since the 1980s, which are often referred to as “shadow banks.” [see “The Housing Bubble was No Accident,” Doug Orr, Real World Banking and Finance, 7th edition] But Congress also needs to rescind the Gramm-Leach-Bliley Act (1999) and put in place regulations to restrain the creation of increasingly arcane financial derivatives. Regulated derivatives served the housing market very well from 1935 to the 1980s. Unregulated derivatives helped to create the financial collapse that began in 2007.

While none of these are likely given the current political composition of Congress and the lack of legal limits on corporate campaign contributions, in the short term the Obama administration could rigorously enforce the financial reform laws already on the books. That includes writing stronger rules to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) and vigorously enforcing existing rules.

An example of this is the Volker Rule. This rule seeks to prevent “proprietary trading” by banks and brokerage firms. Proprietary trading gives these firms the possibility of “front-running” their clients in much the same way as high-frequency traders [see side bar]. Yet since the passage of Dodd-Frank, the Volker Rule has been weakened and watered down.

The Obama administration could also hold financial institutions and their leaders accountable when they break the law. This would require criminal prosecution of corporate executives and not just the slap on the wrist penalties being imposed on financial institutions. Whether the Obama administration has the will or courage to do any of this is an open question.