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The Battle for Bank Reform on Wall Street and K Street



By [Peter Dreier](#) - April 26, 2010, 4:14PM

Compared with the battle for health care reform, the fight for financial reform -- which the Senate is debating this week -- should be a slam dunk.

"There's only one group of people in this country who are more hated than insurance companies," observed Stephen Lerner, a veteran organizer with the Service Employees International Union (SEIU), who heads the union's campaign on bank accountability. "That's the banks and Wall Street. This is not complicated. A bunch of rich, greedy oligarchs crashed the economy and got bailed out by tax payers."

The battle for bank reform is a classic example of the key divide in American politics - organized money versus organized people. Without public opinion on its side, the banking industry and its corporate allies have to rely on the raw influence of campaign contributions and lobbying clout.

But public opinion usually takes a back seat to corporate power unless it is mobilized -- through get-out-the-vote efforts, lobbying campaigns, and direct action protest. That's why a coalition of major community organizations, unions, and religious groups are launching a campaign this week to challenge the economic and political influence of giant banks, beginning with a series of protests in San Francisco, Kansas City, Charlotte, Chicago, New York, and Washington, D.C. The protests will take place just as the Senate will be debating and voting on bank reform legislation.

Health care - with insurance companies, drug firms, hospitals, doctors, and many other components competing for attention -- is certainly more complicated than banking. During the health care debate, the insurance industry and its political allies tried to frighten the public with warnings about "socialized medicine," "big government" bureaucrats influencing doctors' decisions, and government "death panels" pulling the plug on ailing seniors. Their propaganda campaign helped divide public opinion about the "public option," federal mandates that all Americans get insurance coverage, and increased taxes to pay for subsidies for those who can't afford insurance premiums.

The banking industry has waged its own propaganda war -- hoping to scare Americans about the dangers of government regulation -- but the public isn't buying it. The public generally supports the Democrats' agenda on bank reform -- strong consumer protections, requirements that banks renegotiate mortgages for families facing foreclosure, limits on the size of banks (so that they are not "too big to fail"), and new regulations against Wall Street gambling with default swaps and derivatives.

A national survey conducted in March by the nonpartisan Pew Economic Policy Group found that 68% of the public have an unfavorable opinion of big banks. Two-thirds of the public blame either the big banks or Congress' failure to regulate banks for the current financial crisis. Seventy-nine percent think it is important for Congress to take action quickly to reform Wall Street's abuses.

Moreover, the battle for bank regulation provides advocates with two clear targets -- the mega-banks and the politicians who are in their pockets.

The shake-out of the American economy has left a handful of large banks at the pinnacle of the American corporate power structure. As a growing number of banks have collapsed and been gobbled up by larger institutions, the four biggest commercial banks - the Bank of America, Wells Fargo, JP Morgan Chase, and Citigroup - now control about 40% of the nation's \$8 trillion in bank deposits. The two largest investment banks - Goldman Sachs and Morgan Stanley - hold one-third of the securities industry's \$4.4 trillion in assets.

The banks' public relations operations can only do so much to counter public outrage at the financial sector's excessive profits in the wake of taxpayer bail-outs, the huge salaries and bonuses paid to top bank executives, and the epidemic of foreclosures that have victimized many middle class families as well as the poor. The public didn't need the Securities and Exchange Commission - which last week accused Goldman Sachs of defrauding investors - to tell them that Wall Street was corrupt as well as greedy.

But the banking industry and its business allies are pushing hard to weaken the proposed regulations. In the past few months, the major banks, along with the U.S. Chamber of Commerce, have dramatically increased their lobbying activities and campaign donations to thwart reform. So far, no Senate Republican has been willing to join the Democrats in supporting reform. And, not surprisingly, the a few Senate Democrats are reluctant reforms, too, forcing Majority Leader Harry Reid and Banking Committee chair Chris Dodd to promote a bill that is weaker than advocates wanted.

"The big banks shattered our economy and left workers and our communities to clean up the pieces. We've lost 8 million jobs, 1 out of every 8 mortgages is in default or foreclosure, and our cities, counties and states teeter on the edge of bankruptcy," said Heather Booth, executive director of Americans for Financial Reform, a coalition of unions, consumer, and community organizations. "Now the same banks that we bailed out with billions of tax dollars are pouring \$1.4 million per day into the Senate to stop real Wall Street reform."

"This is a fight about which side are you on -- Main Street or Wall Street? Main Street is organizing, forcing the politicians to decide whether they follow the money or support the American people," Booth noted.

That's another lesson they've learned from the health care battle. For a year, activists

watched the Democrats, including President Obama, waffle in response to insurance industry lobbying, Tea Party protests, and the persistent propaganda of Fox News, Rush Limbaugh, and the right-wing echo chamber. It wasn't until health reform activists began a series of protest actions at insurance industry headquarters and CEOs' mansions -- along with the miscues of several major insurance giants who raised rates just as Congress was about to vote on reform legislation -- that Obama and many Democrats discovered their backbone.

"We want to use this moment and the rage that the American people have at banks as a way to get into the bigger issues of how Wall Street banks and corporate power have sabotaged the economy and enriched themselves," explained SEIU's Lerner.

The organizing campaign is spearheaded three community organizing networks - PICO, National People's Action (NPA), and the southeast region of the Industrial Areas Foundation (IAF) - along with SEIU and the AFL-CIO.

This Tuesday (April 27), organizers expect more than a thousand consumers, union members, and clergy to march through downtown San Francisco to Wells Fargo's annual shareholder meeting at the Merchants Exchange Building. Some of the protesters who have purchased Wells Fargo stock will confront the board of directors with a list of demands. On that day in Kansas City, family farmers, retirees, veterans and union members from Missouri, Kansas, and Iowa will march through that city's financial district to the Bank of America, an action that organizers are calling "showdown in the heartland."

The following day in Charlotte, N.C., veterans, clergy, and working families hurt by foreclosures and lay-offs will rally at the First United Presbyterian Church and then, proxies in hand, march to Bank of America's annual shareholder meeting at Belk Theater, while in Chicago, unions, community groups, and faith-based activists will march to the corporate offices of Goldman Sachs, whose outrageous executive bonuses, illegal practices, and political influence-peddling have made it the poster child for public anger against big banks.

NPA started the ball rolling last month by announcing and organizing the April 29th march on Wall Street. Organizers now predict over 5,000 protesters, joined by AFL-CIO President Richard Trumka, will march on Thursday.

The protest actions will culminate in three-day "Showdown on K Street" in Washington, D.C. from May 15 to 17. The DC mobilization will focus attention on the connections between the banking industry's political clout through its huge campaign contributions and lobbying warchest. It will include a series of protests at the offices of corporate lobby groups and members of Congress - Democrats and Republicans -- with close ties to the banking establishment.

The protestors have a list of demands for each bank. In San Francisco, for example, they'll insist that Wells Fargo CEO John Stumpf resign from the board of the Financial

Services Roundtable, the powerful lobby group that represents the nation's largest banks and which is using its muscle to thwart the proposed federal Consumer Financial Protection Agency, one of the top priorities of the Obama administration and Congressional Democrats.

The grassroots delegation will also ask Wells Fargo to stop rampant foreclosures and evictions of homeowners and tenants.

"Everyday Americans from all walks of life are going to be challenging banks like Wells Fargo to keep families in their homes, to stop predatory and payday lending, and to start investing to create jobs and rebuild our communities" explained Adam Kruggel, director of CCISCO, a PICO affiliate in northern California. "Wells Fargo was one of the biggest subprime lenders in the United States and it has modified less than 8% of the troubled mortgages eligible under the president's Making Home Affordable program. That is unacceptable. It has an awful track record of predatory lending, including offering payday loans to its own customers at annual interest rates of 240%."

The activists hope that the public protests will help strengthen President Obama's resolve to reign in Wall Street, despite the fact that the financial sector was a major contributor to his and other Democrats' campaigns, and despite the presence of two major Wall Street sympathizers -- National Economic Council director Larry Summers and Treasury Secretary Tim Geithner -- as the president's key advisors.

To rally public opinion, President Barack Obama gave a speech last week at Cooper Union in New York, close to Wall Street, and insisted that Congress needed to rein in the risky practices that led to the financial crisis and the recession. He criticized the "battalions of financial industry lobbyists descending on Capitol Hill, as firms spend millions to influence the outcome of this debate."

"It is essential that we learn from the lessons of this crisis, so we don't doom ourselves to repeat it," Obama said. "And make no mistake: That is exactly what will happen if we allow this moment to pass. And that's an outcome that is unacceptable to me, and it's unacceptable to you, the American people."

"Unless your business model depends on bilking people, there's little to fear from these new rules," Obama said to an audience of 700 people that included Goldman Sachs CEO Lloyd Blankfein and executives from JP Morgan Chase, Morgan Stanley, Bank of America, and other financial powerhouses.

For the activists, the battle to overhaul federal banking regulations is one part of a broader strategy.

"We have one eye on winning significant financial reform now and one eye on building a movement for corporate accountability," explained George Goehl, executive director of NPA, which has 25 community organizing affiliates in 14 states.

To help channel public outrage, the coalition's short-term goal is to push Congress to enact strong consumer protection regulations on the financial industry. Their intermediate goal is to pressure banks to stop the epidemic of foreclosures and renegotiate mortgages so owners can keep their homes. Their long-term goal is to limit the banking industry's political clout and its economic influence. They believe banking should be reorganized so it invests in good jobs, affordable housing, and environmentally-friendly businesses.

Just as activists hope that voters will reward Congressmembers in November who supported health care reform, they want voters to re-elect politicians who support bank reform and punish politicians who are in the pockets of the bank lobby.

The bank reform coalition hopes to popularize a "move the money" campaign to help channel public anger with the banking establishment. Drawing on the boycott tactics of the civil rights and labor movements, and the divestment efforts that helped dismantle apartheid in South Africa, the campaign is based on the idea that Americans should move their money from mega-banks that destroy jobs and communities to financial institutions that act more responsibly.

"Can you imagine what would happen if we could get the major labor unions and religious denominations, and even some local governments, foundations, and universities, to take their pension funds, endowments, and deposits out of banks that engage in abusive practices and into banks that support our families and communities?" asked Gerald Taylor, the southeast director for IAF, a community organizing network with seven chapters in North Carolina, including one in Charlotte, where the Bank of America is headquartered.

In addition to mobilizing for federal reform legislation and pushing banks to address the foreclosure crisis, the coalition wants to draw attention to the banks' responsibility for state and municipal budget crises.

"Cities and states are cutting vital services, and laying off teachers and other employees, because the banks crashed the economy and starved local and state government of the revenues they need," explained Gordon Whitman, director of public policy for PICO, which has 1,200 religious congregations as members in over 150 cities.

"The compensation bonus pool for the big six banks - over \$130 billion -- would solve the entire budget crisis for all the states," noted Lerner, the SEIU organizer.

Activists in different cities have been organizing people to push for municipal legislation to hold banks accountable for exacerbating local economic problems. In Oakland, for example, SEIU and several community groups have pressured the City Council to demand that banks renegotiate or cancel interest-rate swaps that cost the city \$5.2 million in fees. In Los Angeles, SEIU, LA Voice (a PICO affiliate), and the Alliance of Californians for Community Empowerment (a new organization formed by former leaders and staff of ACORN) worked with City Council member Richard Alarcon on legislation to renegotiate swap deals on municipal bonds and would require the City to

move its investments (including \$25 billion in pension funds and almost \$1 billion in deposits) from financial institutions that failed to cooperate with local, state and national foreclosure-prevention efforts.

At least five states have introduced legislation to explore how their deposits in banks can be used to guarantee reinvestment in their state and more responsible lending practices.

Grassroots organizing against the power of banks goes back to the agrarian Populist movement in the late 1800s. In the 1970s, community organizing against redlining - racial discrimination in mortgage lending and bank divestment from inner cities - led to passage of the Community Reinvestment Act (CRA) in 1977, led by NPA. Over the past decade, ACORN, along with the National Community Reinvestment Coalition, the Center for Responsible Lending, and NPA, led the fight against predatory lending and the foreclosure epidemic. NPA is now mobilizing people in cities around the country to hold banks and bank regulators accountable. Two years ago, for example, NPA brought over 500 people to a protest at Federal Reserve Chairman Ben Bernanke's house in Washington, D.C. Since then, NPA leaders have met with Bernanke three times, pushing him and his staff to toughen regulations on rip-off "pay day" lenders and to update the CRA.

The battle for bank reform has triggered new alliances. This is the first time that PICO, NPA, and IAF have worked together on a common campaign. And the recent involvement of the labor movement in the battle against Wall Street and the big banks injects additional political clout into the activist coalition.

"We need stronger reform of Wall Street, but we also need a new business model for banking," said PICO's Whitman. "We need to get back to the day when people could trust their banks and banks made their money by lending to homeowners and small businesses, not speculating in the Wall Street casino. We want to squeeze speculation out of the banking system. This is about rebuilding our communities and our economy."

More information about the activities in each city and the coalition's broader agenda can be found at: <http://showdowninamerica.org> and <http://www.ourmoneyourvalues.org>.