
SEC “starved of resources”: New Yorker

By Editor Test *Wed, Jun 29, 2011*

"The market has become more of an exclusive gambling club for the very rich than a level playing field open to the ordinary investor," wrote journalist George Packer.

In a compelling article on the prosecution of Galleon hedge fund manager Raj Rajaratnam (“A Dirty Business,” June 27, 2011), George Packer of *The New Yorker* reported the following:

Nearly three years after the financial crisis, Wall Street still relies on reckless practices to create wealth. An investment banker recently described the meltdown, with some chagrin, as a “speed bump.”

The SEC remains so starved of resources that its budget this year falls far short of Raj Rajaratnam’s [the hedge fund manager recently convicted of insider trading and the subject of the article] net worth at the time of his arrest.

The agency lacks the technology to keep track of the enormous volume and lightning speed of algorithmic trades, like the ones that caused last May’s “flash crash of the market.” The market has become more of an exclusive gambling club for the very rich than a level playing field open to the ordinary investor.

As for the larger financial system, in Washington, D.C., implementation of the Dodd-Frank regulatory reform law has been slowed, if not sabotaged, by lobbying on the part of the big banks and a general ebbing of will among politicians.

Neil Barofsky, the former inspector general of TARP, said, “Is Tim Geithner going to have the political will to take on the size and interconnectivity of the largest banks? Nothing in his previous career suggests that he would.”

Barofsky went on, “It is a remarkable failure of our system that we’ve not addressed the fundamental problems that brought us into the financial crisis. And it is cynical or naïve to imagine it won’t happen again.”