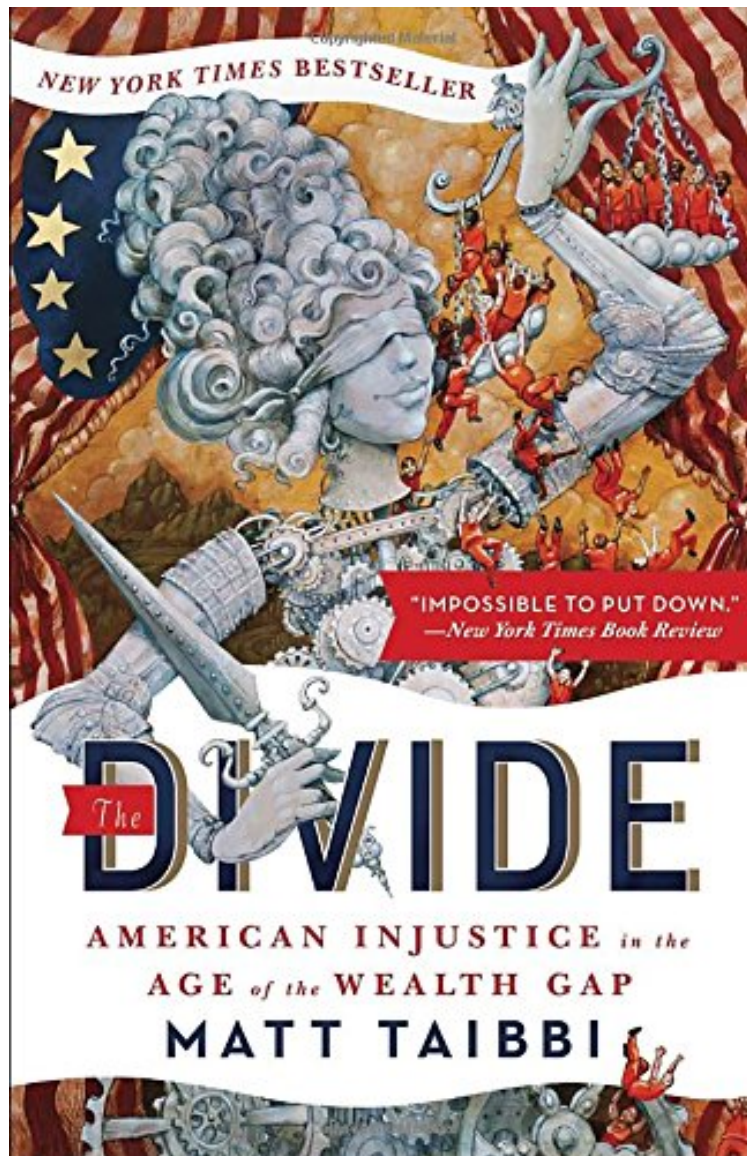


(Download) The Divide: American Injustice in the Age of the Wealth Gap

## The Divide: American Injustice in the Age of the Wealth Gap

*Matt Taibbi*

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#51341 in Books Matt Taibbi 2014-10-21 2014-10-21 Original language: English PDF # 1 8.00 x .90 x 5.20l, .0 #File Name: 0812983637448 pages The Divide American Injustice in the Age of the Wealth Gap | File size: 23.Mb

**Matt Taibbi : The Divide: American Injustice in the Age of the Wealth Gap** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Divide: American Injustice in the Age of the Wealth Gap:

213 of 218 people found the following review helpful. Whatever your viewpoint, this book likely will change it. By

Steven G Duff You could bookend this with Christa Freeland's "Plutocrats." But where that recounts a lot of dry history and statistics interspersed with its revealing interviews, Taibbi isn't afraid to roll up his sleeves and go to the story. This is a book written with a wry sense of the absurd situations it details. Corruption at both the top and the bottom of our society. But to very, very different ends. Remember: this is the guy that went to the Florida "rocket docket" court, recording how thousands of people were stripped of their homes under the flimsiest pretexts, often with outright fabricated evidence. In "Divide" he goes again where the stories are: to Bed-Sty, the outer NYC boroughs, and the courts. And documents how miserably the system treats the disadvantaged. What you think you know from "Law And Order", believe it: you don't. Kafka himself couldn't improve on some of this. At one point Taibbi refers to all this as a "descent into madness." And after reading it, it's hard to argue with that. The "Divide" of course is cash. But this is no screed against "the rich." If that's what you think you've not read the book, or completely missed the point. To wit: if you commit a massive, white-collar crime, but you've got enough (i.e. near-infinite) cash, you're now too much trouble and risk to even indict, let alone prosecute. And if -- like me - you've wondered why none of the people who committed these global frauds on a massive scale have ever been prosecuted for any of it, this book gives you a detailed, compelling, and depressing answer. Taibbi points out most of us will never see any of this. Out of sight, out of mind. The poor are segregated away. And the corrupt wealthy never have to interact with any of the people who are so profoundly impacted by their frauds. These are the guys who ripped off us off, burned down our 401Ks, rigged Libor rates to line their own pockets with our mortgages. And then moved on to other cushy positions, presumably doing much the same. One review here (by someone who claims to have read all of 3 pages) complains about Taibbi's assertion of "a miserable few hundred bucks" collected by welfare cheats in San Diego. But let's be clear: Taibbi never suggests these people should be let off. But he does spend considerable ink contemplating for example, about the corrupt execs at institutions like HSBC. Execs who brazenly laundered money for the Iranians and the Sinaloa cartel. (They actually opened a special teller window to fit the boxes of cash that were brought in!) About how these guys got off scot-free with a fine paid by HSBC. And never even saw the inside of a courtroom. While people who buy those street dime bags that HSBC so thoughtfully enabled can spend years, or a lifetime, in prison. Lose their kids. Their right to vote. And then even if they do get out can't get a job. "A billion dollars or a billion days." Does that seem like "equal justice for all?" Not to me. Not to Taibbi. And it won't to you after you read this. Taibbi suggests a larger, deeper, and more sinister subtext. About what we claim to profess as a nation: due process, equal justice, simple fairness. Money and power have always had their sway of course. But the inescapable takeaway from this is that we've simply given up on these ideals; they're now just too much trouble. As a nation we no longer give a damn. That's the real divide. And the real outrage. 157 of 163 people found the following review helpful. Depressing, but necessary read. By Keith Sowa In this book, Taibbi further explores themes he touched on in Griftopia, where he discussed in exceptionally fine detail the various cons, swindles, and other criminal activity (to call it what it is, really, since it seems like so many avoid doing that) perpetrated by the American finance sector during the 2008 financial crisis. Although it's not really necessary, I'd read that book before I read this one, because it provides a lot of background, and just because the contents of that book explain that debacle better than anyone else could, or even bothered to. As opposed to recounting what happened like he did in Griftopia, The Divide explains how the crooks at places like Lehman Brothers got away with what they did, or rather, how they did so in full view of regulators and then dodged prosecution by the Department of Justice. He juxtaposes this with the "other" justice system the opposite end of the wealth spectrum is subject to. Perhaps this isn't a new concept that Taibbi or anyone else just figured out - fans of Chappelle's Show might remember the Law Order parody where Dave switched the white collar criminal and the drug dealer? - but in any case Taibbi draws this contrast to stark effect. The wealthy are more or less immune to prosecution no matter how egregious their crimes are, especially in the context of their work, due to any combination of the details being too arcane or the government being unable/unwilling to effectively investigate or prosecute. As for the poor, well, poverty is effectively a crime in itself, some people have more rights than others, something that's invisible to many people stuck somewhere between not caring and feeling they deserve it - after all, there must be a good reason all those people are going to prison even though violent crime is actually going down, right? It's easier just to not think about. Taibbi's greatest talent as a writer is his ability to convey extremely complicated topics into ordinary language just about anyone can understand, this is one of the main reasons I was a big fan of his over at Rolling Stone. I believe him to be the best reporter out there to cover the seas of mud in the finance sector, and make no mistake, Taibbi is definitely an old-school reporter at heart, digging up mundane data, going through dry, dusty documents nobody seems to care about for our benefit. This book doesn't have Taibbi's usual tone, which at times borders on irreverent/bombastic (I mean that affectionately), but understanding these problems are important if we're ever going to get anything done about it. 1 of 1 people found the following review helpful. Eye-Opening. By Book Shark The Divide: American Injustice in the Age of the Wealth Gap by Matt Taibbi The Divide is an eye-opening book that paints a clear picture of what is the biggest divide in our society, the wealth gap. Investigative journalist Matt Taibbi takes the reader on a journey of social injustice. Through a series of heartbreaking stories, Taibbi clearly shows the impact that this divide has on our citizens from each perspective. This troubling 448-page book includes the following nine chapters: 1. Unintended Consequences, 2. Frisk and Stop, 3. The Man Who Couldn't Stand Up, 4. The Greatest Bank

Robbery You Never Heard Of, 5. Border Trouble, Part 1, 6. Border Trouble, Part 2, 7. Little Frauds, 8. Big Frauds, and 9. Collateral Consequences. Positives: 1. Engaging, well-written, well-researched book that is accessible to the masses. 2. Even handed, equal-opportunity critique. Taibbi has his style of writing that consists of passion, sharp tone, and very descriptive. His interviewees take center stage and help him tell a compelling story of social injustice. 3. An excellent and an important topic, inequality and how it is manifested. We still have real jury trials, honest judges, and free elections, all the superficial characteristics of a functional, free democracy. But underneath that surface is a flord and malevolent bureaucracy that mostly (not absolutely, but mostly) keeps the rich and the poor separate through thousands of tiny, scarcely visible inequities. 4. This book is about inequality shown through a series of real-life examples. Taibbi removes the fog and shows what is really happening. Were creating a dystopia, where the mania of the state isnt secrecy or censorship but unfairness. Obsessed with success and wealth and despising failure and poverty, our society is systematically dividing the population into winners and losers, using institutions like the courts to speed the process. Winners get rich and get off. Losers go broke and go to jail. It isnt just that some clever crook on Wall Street can steal a billion dollars and never see the inside of a courtroom; its that, plus the fact that some black teenager a few miles away can go to jail just for standing on a street corner, that makes the whole picture complete. 5. The consequences of legislation. Moreover, even within the United States there had been intentional, lobbied-for changes in corporate structure: the repeal of the Glass-Steagall Act, which had prevented the mergers of commercial banks, investment banks, and insurance companies (this repeal led to the creation of megafirms like Citigroup), and Supreme Court decisions rolling back bans on interstate banking (which led to a string of mergers, resulting in the formation of giant national banks like Wachovia and Bank of America). In the finance sector at least, these changes allowed companies to be more enormous and difficult to regulate than they ever had been before. 6. Doesnt mince words about financial fraud. Specifically, this was a massive criminal fraud scheme, something akin to a giant counterfeiting operation, in which banks mass-produced extremely risky, low-quality subprime mortgages and with lightning-quick efficiency sold them off to institutional sucker-investors as highly rated AAA bonds. The hot potato game targeted unions, pension funds, and government-backed mortgage companies like Fannie Mae on the secondary market. 7. A look at the infuriating stop-and-frisk abuse. In 2011, the year before Tory got arrested, another year when exactly nobody on Wall Street was arrested for crimes connected to the financial crisis, New York City police stopped and searched a record 684,724 people. Out of those, 88 percent were black or Hispanic. 8. An interesting and troubling look at the legal system in practice and how it applies to the poor. Prosecutors wont say so openly, but privately, they will admit that when their cases are weak, they drive their cases through this Lincoln Tunnel of a procedural loophole, dragging things out as long as possible to force a plea. It usually works. 9. How the legal system applies to banks. Big banks get caught committing crimes, at worst they pay a big fine. Instead of going to jail, a check gets written, and it comes out of the pockets of shareholders, not the individuals responsible. 10. Taibbi makes a compelling argument that the most outrageous and damning behaviors are conducted in such a way that its too complex to define. The real issue wasnt legal or illegal? But seen or unseen? While some of the most dangerous behaviors in American big business were indeed against the law, they were often, more importantly, outside the law, executed in an undefined legal space, in darkness. You cant police what you cant see, and you cant see in the dark. 11. One of the best examples of outrageous, irresponsible behaviors of banks is illustrated through the Lehman story. The creditors were thrust face-first into the immovable principle that underlies everything modern that Wall Street does: if a crime is complicated enough, and sanctified by enough reputable attorneys and accountants, then American law enforcement will inevitably be too slow or too weak to stop it. 12. The compelling argument for a permanent oligarchical bailout state. The deals the government and Wall Street worked out that weekend to save the likes of AIG, Goldman, Deutsche Bank, Morgan Stanley, and Merrill Lynch were unprecedented in their reach and political consequence, transforming America into a permanent oligarchical bailout state. This was, essentially, a formal merger of Wall Street and the U.S. government. 13. A look at immigration. (Gainesville) This small Georgia city is ground zero for enforcement of a ferocious federal immigration rule called 287(g) that essentially deputizes any and all state and local law enforcement officials to arrest undocumented aliens on behalf of the U.S. Immigration and Customs Enforcement agency (ICE). So the undocumented alien who kills a room full of Rotarians with an ax has a right to counsel, a phone call, and protection against improper searches. The alien caught crossing the street on his way to work has no rights at all. 14. A look at the corrections industry. The jailing-Hispanics business is the perfect mix of politics and profit. Companies like CCA donate generously to politicians everywhere, particularly at the state level. The firm has spent as much as \$3.4 million lobbying in a single year and on average spends between \$1 million and \$2 million a year. Its lobbyists are everywhere, and in every major anti-immigrant bill, you can usually find a current or former CCA lobbyist lurking in the weeds somewhere. Arizona governor Jan Brewer, for instance, had two exCCA lobbyists on her staff helping write the legislation when she pushed through her notorious 1070 law, which essentially legalized racial profiling in the cause of catching illegal immigrants. 15. One of the most disturbing tales in the annals of Wall Street, the Fairfax story. The Fairfax fiasco is a tale of harassment on a grand scale, in which the cream of Americas corporate culture followed executives, burgled information from private bank accounts, researched the Canadians sexual preferences for blackmail purposes, broke into hotel rooms and left threatening messages, prank-called a cancer-stricken woman in the

middle of the night, and even harassed the pastor of the staid Anglican church where the Canadian CEO worshipped on Sundays.<sup>16</sup> Startling facts. There are no real regulatory audits of hedge funds, and no government body checks hedge funds trades or verifies their claims. It even came out, in the famous Bernie Madoff case, that despite numerous complaints to the SEC over the years from reputable sources, nobody in the government even checked to make sure Madoffs hedge fund even made trades at all. Madoff actually went more than thirteen years without making a single stock purchase and yet somehow survived several SEC investigations that's how flimsy government regulation of hedge funds has been and still is.<sup>17</sup> A look at programs such as Project 100% (P100) that investigated welfare fraud cases. P100 generates, by the thousand, stories that sound like testimonials culled from refugees of some distant, low-rent, third-world despotate. The stories are terrible, humiliating, abusive. So the standard is, anyone who receives aid from taxpayers forgoes his rights, because the state has a strong interest in rooting out fraud. Twenty-six billion dollars of fraud: no felony cases. But when the stakes are in the hundreds of dollars, we kick in 26,000 doors a year, in just one county.<sup>18</sup> Case involving GOP candidate John Kasich. For instance, in 2011, the state of Ohio the same state that lost tens of millions in the early 2000s when its pension fund bought severely overpriced mortgage-backed securities from a Lehman Brothers banker named John Kasich, who would later become governor tried to recoup some of its losses by sending out 22,000 notices to Ohioans seeking overpayments in either welfare or food stamps.<sup>19</sup> The whistleblower case of Linda Almonte. In Riverside, California, you get a hundred bucks and a thank-you for bringing a fraud case to light. When you scratch the same civic itch at JPMorgan Chase, you lose everything you own and end up living the life of a financial fugitive. Linda and her kids, when I met them, seemed like a family on the run.<sup>20</sup> Unequal justice. The problem is, if the law is applied unequally enough over a long enough period of time, at some point, law enforcement becomes politically illegitimate. Whole classes of arrests become (circle one) illegal, improper, morally unenforceable. Negatives: 1. At over 400 pages it requires a commitment of your time. 2. Some of Taibbis outrage may be overblown. The attorney general of the United States had just admitted, in front of a room full of reporters, that he asks Wall Street for advice before he prosecutes Wall Street. Is that really deserving of outrage? I consider it research, which by the way is what Taibbi does so well for his own books. 3. Taibbi does a fantastic job of describing the problems but no much delving into potential solutions. I would have added a chapter on solutions by the subject matter experts. 4. No formal bibliography and no notes. 5. Very few charts and visual material to complement the narrative. 6. Its a very good book to help you understand through stories whats at the heart of the divide, however, its not as good as a quick reference. In summary, this is a very good book on social injustice, inequality. Through a series of stories Taibbi illustrates clearly whats at the heart of our social divide. Its infuriating to see how this divide takes place in America; the rich get away with crimes that have far bigger ramifications on our society and in doing so causes the law in many respects to lose its legitimacy. My biggest complaint about the book is the lack of references and supplementary material. A very interesting read, I recommend it! Further suggestions: Inequality by Anthony B. Atkinson, The Economics of Inequality by Thomas Piketty, The Great Divide by Joseph Stiglitz, Winner-Take All Politics by Jacob S. Hacker, The Great Escape by Angus Deaton, Screwed the Undeclared War Against the Middle Class by Thom Hartmann, The Monster: How a Gang of Predatory Lenders and Wall Street Bankers Fleeced America by Michael W. Hudson, Perfectly Legal by David Cay Johnston, The Looting of America by Les Leopold and The Great American Stickup by Robert Scheer.

**NEW YORK TIMES BESTSELLER NAMED ONE OF THE BEST BOOKS OF THE YEAR BY THE WASHINGTON POST, NPR, AND KIRKUS REVIEWS** A scathing portrait of an urgent new American crisis Over the last two decades, America has been falling deeper and deeper into a statistical mystery: Poverty goes up. Crime goes down. The prison population doubles. Fraud by the rich wipes out 40 percent of the worlds wealth. The rich get massively richer. No one goes to jail. In search of a solution, journalist Matt Taibbi discovered the Divide, the seam in American life where our two most troubling trends growing wealth inequality and mass incarceration come together, driven by a dramatic shift in American citizenship: Our basic rights are now determined by our wealth or poverty. The Divide is what allows massively destructive fraud by the hyperwealthy to go unpunished, while turning poverty itself into a crime but its impossible to see until you look at these two alarming trends side by side. In The Divide, Matt Taibbi takes readers on a galvanizing journey through both sides of our new system of justice the fun-house-mirror worlds of the untouchably wealthy and the criminalized poor. He uncovers the startling looting that preceded the financial collapse; a wild conspiracy of billionaire hedge fund managers to destroy a company through dirty tricks; and the story of a whistleblower who gets in the way of the largest banks in America, only to find herself in the crosshairs. On the other side of the Divide, Taibbi takes us to the front lines of the immigrant dragnet; into the newly punitive welfare system which treats its beneficiaries as thieves; and deep inside the stop-and-frisk world, where standing in front of your own home has become an arrestable offense. As he narrates these incredible stories, he draws out and analyzes their common source: a perverse new standard of justice, based on a radical, disturbing new vision of civil rights. Through astonishing and enraging accounts of the high-stakes capers of the wealthy and nightmare stories of regular people caught in the Divides punishing logic, Taibbi lays bare one of the greatest challenges we face in contemporary American life: surviving a system that devours the lives of the poor, turns a blind eye to the destructive

crimes of the wealthy, and implicates us all. Praise for *The Divide* Ambitious . . . deeply reported, highly compelling . . . impossible to put down. *The New York Times Book Review* These are the stories that will keep you up at night. . . . *The Divide* is not just a report from the new America; it is advocacy journalism at its finest. *Los Angeles Times* Taibbi is a relentless investigative reporter. He takes readers inside not only investment banks, hedge funds and the blood sport of short-sellers, but into the lives of the needy, minorities, street drifters and illegal immigrants. . . . *The Divide* is an important book. Its documentation is powerful and shocking. *The Washington Post* Captivating . . . *The Divide* enshrines its authors position as one of the most important voices in contemporary American journalism. *The Independent (UK)* Taibbi [is] perhaps the greatest reporter on Wall Streets crimes in the modern era. *Salon* From the Hardcover edition.

Ambitious . . . deeply reported, highly compelling . . . impossible to put down. *The New York Times Book Review* These are the stories that will keep you up at night. . . . *The Divide* is not just a report from the new America; it is advocacy journalism at its finest. *Los Angeles Times* [Matt] Taibbi is a relentless investigative reporter. He takes readers inside not only investment banks, hedge funds and the blood sport of short-sellers, but into the lives of the needy, minorities, street drifters and illegal immigrants, to juxtapose justice for the poor and the powerful. . . . *The Divide* is an important book. Its documentation is powerful and shocking. *The Washington Post* Captivating . . . *The Divide* enshrines its authors position as one of the most important voices in contemporary American journalism. *The Independent (UK)* Taibbi [is] perhaps the greatest reporter on Wall Streets crimes in the modern era. *Salon* [Taibbis] warning is all about moral hazard. . . . When swindlers know that their risks will be subsidized . . . they will surely commit more crimes. And when most of the population either does not know or does not care that the lowest socioeconomic classes live in something akin to a police state, we should be greatly concerned for the moral health of our society. *The Wall Street Journal* Trenchant . . . a scathing, accessible, and often riveting look at the U.S. finance industry and justice system. *Publishers Weekly* Readers with high blood pressure should make sure theyve taken their medication before reading this devastating account of inequality in our justice, immigration, and social service systems. Taibbis chapters are high-definition photographs contrasting the ways we pursue small-time corruption and essentially reward high-level versions of the same thing. *Kirkus* s (starred review) From the Hardcover edition. About the Author Matt Taibbi has been a contributing editor for *Rolling Stone* and the author of five previous books, including the *New York Times* bestsellers *The Great Derangement* and *Griftopia*. He lives in New Jersey. From the Hardcover edition. Excerpt. Reprinted by permission. All rights reserved. Chapter 1 Unintended Consequences Tuesday, July 9, 2013, a blisteringly hot day in New York City. Im in a cramped, twelfth-story closet of a courtroom, squeezed onto a wooden bench full of heavily perspiring lawyers and onlookers, watching something truly rare in the annals of modern American criminal justice the prosecution of a bank. The set for this curiosity is the citys 100 Centre Street courthouse, a beat-up old building located far downtown, just a stones throw from the thicket of gleaming skyscrapers housing the great financial powers of Wall Street. Its a pretrial hearing. The defendants nineteen individuals plus the corporation itself are here today to argue a motion to dismiss. There is no press here that I can see, despite the historic moment. And it is historic. This case, filed by New York County District Attorney Cyrus Vance Jr., represents the only prosecution of a bank to take place anywhere in America since the collapse of the world economy in 2008. (In fact, its the first since the early 1990s.) So whos the defendant? Is it Citigroup? Goldman Sachs? Wells Fargo? JPMorgan Chase? Bank of America? After all, these companies had all been involved in countless scandals since the financial crisis of 08, a disaster caused by an epidemic of criminal fraud that wiped out some 40 percent of the worlds wealth in less than a year, affecting nearly everyone in the industrialized world. If ever there was a wave of white-collar crime that cried out for a criminal trial, it was this period of fraud from the mid-2000s. And it would make sense that the defendants should come from one of these companies. In the years since the crash, all of them, and a half-dozen more too-big-to-fail megafirms just like them, had already paid hundreds of millions of dollars in civil settlements for virtually every kind of fraud and manipulation known to man. Moreover, District Attorney Vance had once seemingly had all these Wall Street firms in his sights. He had sent subpoenas out to Goldman and other companies the previous year. So surely one of these banks in those big skyscrapers a few blocks south of here must be the one on trial. Nope. In the end, the one bank to get thrown on the dock was not a Wall Street firm but one housed in the opposite direction, a little to the north a tiny family-owned community bank in Chinatown called Abacus Federal Savings Bank. As a symbol of the governments ambitions in the area of cleaning up the financial sector, Abacus presents a striking picture. Instead of a fifty-story glass-and-steel monolith, Abacus is housed in a dull gray six-story building wedged between two noodle shops at the southern end of New Yorks legendary Bowery, once the capital of American poverty. This is the bank in court today, dragged to the cross to take the blame for the many sins of the financial sector. It is a grimly comic scene. The judge, the Honorable Renee White, is a legendary city curmudgeon, a wraithlike woman with a long turtlish neck and orange hair who seems unhappy not only to be listening to a motion to dismiss but to be on planet Earth at all. Before the hearing began, in fact, she barked at a young Chinese woman who had the audacity to dip her head near the floor to sneak a drink from a water bottle in her bag, trying to fight off the stultifying heat. No refreshments! the judge yelled. You should have had your lunch before you came to this courtroom! The young woman meekly put her bottle back into

a bag. Judge White craned her long neck and glared. A burly bailiff, acting as many bailiffs do as the physical manifestation of his judges whimsy hovered angrily past to make sure the offending bottle was no longer visible. Is she always like this? I whispered, to no one in particular. What are you talking about? a lawyer in front of me answered. She's in a good mood today. Judge White frowned and then went about the dreary task of reseating the courtroom. She sent Cantonese-speaking defendants to her left, Mandarin-speaking defendants to the right, and had a single translator plopped into the middle of each bewildered group. Some of the accused were low-level loan officers, immigrants mostly, who had been as young as twenty-one or as old as seventy at the time of arrest. None of them were what one would describe as wealthy persons. None were millionaire CEOs of the Jamie Dimon/Lloyd Blankfein ilk. Instead, they were mostly Chinese immigrants in cheap blouses and worn suits, people who spoke little English or none at all, and who looked white with shame and confusion as they huddled around their respective translators. Many of these criminal masterminds had been earning as little as \$35,000 a year at the time they were hauled in for what the state described as a far-reaching scheme to falsify loan applications for home mortgages that their bank, Abacus, ultimately went on to sell to the government-sponsored mortgage dealer, Fannie Mae. What were these nineteen people charged with? The case had been sold to the court and to the public by Vance, mostly as having something to do with the financial crisis, setting up the bank as a scapegoat for the 2008 blowup. Vance bragged that it was the first indictment in New York of a bank since the BCCI crisis in 1991, and he subtly compared Abacus to the aforementioned bailout all-stars like Citigroup and Bank of America, ostensibly the true villains of the financial crisis, by warning that Abacus's crimes might ultimately lead to the taxpayer footing the bill. If we've learned anything from the recent mortgage crisis, he said, it's that at some point, these schemes will unravel and taxpayers could be left holding the bag. Vance made sure to play rough with the defendants, just to let them know how angry The People were about the financial crisis. In an extraordinary scene over a year before, on May 31, 2012, Vance had hauled all nineteen of the Abacus defendants into court to face indictment. For the benefit of the press, he had them chained not only at the hands and feet but to one another. This otherworldly chain gang of bewildered immigrants had been led into the courtroom like a giant, slow-moving snake. It was like a scene out of Bagram or Guantanamo Bay all that was missing were the hoods. Incredibly, three of the nineteen people who were put in chains had already been arraigned by Vance and released on bail. Prosecutors had asked them to voluntarily report to court that day, and they came, having no idea what for. When they appeared, Vance had had them cuffed and chained all over again, then paraded into court to be rearraigned, purely for the benefit of the cameras. I'm no softie on crime, says Kevin Puvalowski, the attorney for Abacus and a former federal drug prosecutor. But I've seen death penalty defendants treated with more dignity. Again, on the same day as this bizarre photo op, Vance had stood up in a press conference and described the indictment of Abacus as a direct blow against the behavior that had caused the financial crisis. The lessons of the financial crisis are still being learned, he said sternly. And in its limited coverage of the case, the press mostly upheld the notion that the Abacus indictment was aimed at the heart of the financial crisis. The indictment against the bank and its employees describes the sort of scheme that led to the financial crisis of 2008, wrote The New York Times in a typical account, when the risk of mortgages to borrowers was disguised and passed on to investors. As for Vance, he got what he wanted out of the presser: a trophy. In subsequent coverage in newspapers like The Wall Street Journal, he would henceforth be referred to as the DA who indicted a bank for mortgage fraud. But this case had nothing to do with the financial crisis. In fact, it was clear just from reading the indictment that the improprieties uncovered at Abacus were highly idiosyncratic and specific to Chinatown's immigrant population. Though tax evasion wasn't part of the case, it lurked in the background. Clearly, many mortgage applicants, who worked in cash businesses in the immigrant Chinese community, had not wanted to declare all their income. After the Abacus indictment, in fact, I heard whispers from a police source with long experience in Chinatown that some of the bank's customers may have been involved in schemes like trademark counterfeiting—not exactly a surprise, since it's hard to visit Chinatown and not run into someone selling phony Prada bags or Rolex watches out of the back of a van somewhere. Thus the underlying crime in this case seemed to be that Abacus's customers could afford to pay for a mortgage but didn't want to say how, exactly. They had been, in other words, not overreporting but underreporting their incomes. There was also a bizarre racial component to the case. Buried in the charges was the thinly veiled assumption that Abacus senior management encouraged their borrowers to commit fraud in their applications because they knew they could rely upon the generally accepted cultural proposition that Chinese people, like the evil Lannisters in Game of Thrones, always pay their debts. Vance's indictment more or less says this out loud, claiming that Abacus management falsely told employees that the exceptionally low default rate of Abacus-originated loans made the underlying accuracy of loan documents insignificant. The description had been true—the Abacus mortgage holders had paid their debts. In fact, from the date of the first offense as defined by the prosecutors, the quasi-governmental Fannie Mae had made a profit of \$220 million on Abacus-issued home loans. In all, Abacus had one of the lowest default rates in the entire country. It was about 0.5 percent, roughly ten times better than the average. Thus this was a very different kind of case from the more common fraud of the financial crisis era, which mostly involved gigantic banks and mortgage lenders selling the toxic and ultimately worthless subprime mortgage loans of broke and underemployed middle Americans as AAA-rated investments to state pension funds, foreign trade unions, and other suckers. Abacus was almost certainly a case about

hiding income; the financial crisis was caused by a snake-oil scheme to sell worthless loans as gold. Everyone got what they wanted from the Abacus prosecution. The city got to say it was being tough on financial crime. The press got to run a thrilling picture of harsh justice. Vance got a line to add to his rsum. The only losers were the public, who had no idea that the real culprits for the financial crisis were being set free, while the bank on trial had nothing to do with the losses that had been suffered by almost every ordinary American in the crash. As one city investigator put it, Abacus was the Lee Harvey Oswald of banks a patsy. In any case, this same collection of freaked-out immigrant patsies were back in court now, this time without their chains. Most of the defendants had their own lawyers, as did the bank itself, so the courtroom was fairly packed with defense counsel. Most of these defense lawyers had filed Clayton motions, a New York state legal procedure in which a defendant can ask a judge to dismiss charges on the general grounds that doing so would be in furtherance of justice. Among other things, a Clayton motion asks the judge to consider the purpose and effect of punishment and the impact on the public interest of a dismissal. They are motions, in other words, that ask a judge to consider the consequences of prosecution, balanced against the public interest. One by one, defense counsel stood up to argue to the ostentatiously bored Judge White why their clients should be let go. Some argued their clients were too old or too young, or had been at the bank for only a few months, or had never in their whole lives been in trouble with the law. (They virtually all argued that.) Some said their clients had been new on the job and had simply filled out a few papers incorrectly according to the instructions of superiors. The list of reasons for leniency went on and on. But finally one of the defense lawyers, a former city prosecutor named Sanford Sam Talkin, a man with a deep tan and a neatly shaven head, got to a larger and more dangerous point. Gently waving a hand in the direction of the Abacus defendants, Talkin confronted Judge White. Your Honor, he said, I want you to compare them to Citigroup. Just last week Citigroup settled for \$968 million for either underperforming or defaulted home loans. . . . But this pales in comparison to Bank of America, which paid \$6.8 billion dollars, with a b, for underperforming or defaulted home loans. Civil settlement, no criminal charges . . . Wells Fargo Bank, \$3.3 billion, no criminal prosecution . . . Ally GMAC, \$3.3 billion, civil settlement, no criminal charges. JPMorgan Chase . . . another \$3.3 billion for the same purpose, civil settlement, no criminal charges.