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What Happened to Change We Can Believe In?

By FRANK RICH

PRESIDENT Obama, the Rodney Dangerfield of 2010, gets no respect for averting another Great Depression, for saving 3.3 million jobs with stimulus spending, or for salvaging GM and Chrysler from the junkyard. And none of these good deeds, no matter how substantial, will go unpunished if the projected Democratic bloodbath materializes on Election Day. Some are even going unremembered. For Obama, the ultimate indignity is the Times/CBS News poll in September showing that only 8 percent of Americans know that he gave 95 percent of American taxpayers a tax cut.

The reasons for his failure to reap credit for any economic accomplishments are a catechism by now: the dark cloud cast by undiminished unemployment, the relentless disinformation campaign of his political opponents, and the White House's surprising ineptitude at selling its own achievements. But the most relentless drag on a chief executive who promised change we can believe in is even more ominous. It's the country's fatalistic sense that the stacked economic order that gave us the Great Recession remains not just in place but more entrenched and powerful than ever.

No matter how much Obama talks about his "tough" new financial regulatory reforms or offers rote condemnations of Wall Street greed, few believe there's been real change. That's not just because so many have lost their jobs, their savings and their homes. It's also because so many know that the loftiest perpetrators of this national devastation got get-out-of-jail-free cards, that too-big-to-fail banks have grown bigger and that the rich are still the only Americans getting richer.

This intractable status quo is being rubbed in our faces daily during the pre-election sprint by revelations of the latest banking industry outrage, its disregard for the rule of law as it cut every corner to process an avalanche of foreclosures. Clearly, these financial institutions have learned nothing in the few years since their contempt for fiscal and legal niceties led them to peddle these predatory mortgages (and the reckless financial "products" concocted from them) in the first place. And why should they have learned anything? They've often been rewarded, not punished, for bad behavior.

The latest example is Angelo Mozilo, the former chief executive of Countrywide and the godfather of subprime mortgages. On the eve of his trial 10 days ago, he settled Securities and Exchange Commission charges for $67.5 million, $20 million of which will be footed by what remains of Countrywide in its present iteration at Bank of America. Even if he paid the whole sum himself, it would still be a small fraction of the $521 million he collected in compensation as he pursued his gambling spree from 2000 until 2008.

A particularly egregious chunk of that take was the $140 million he pocketed by dumping Countrywide shares in 2006-7. It was a chapter right out of Kenneth Lay's Enron playbook: Mozilo reassured shareholders that all was peachy even as his private e-mail was awash in panic over the "toxic" mortgages bringing Countrywide (and the country) to ruin. Lay, at least, was convicted by a jury and destined to decades in the slammer before his death.

The much acclaimed new documentary about the global economic meltdown, "Inside Job," has it right. As its narrator, Matt Damon, intones, our country has been robbed by insiders who "destroyed their own companies and plunged the world into crisis" — and then "walked away from the wreckage with their fortunes intact." These insiders include Dick Fuld and four other executives at Lehman Brothers who "got to keep all the money" (more than $1 billion) after Lehman went bankrupt. And of course Robert Rubin, who encouraged Citigroup to step up its investment in high-risk bets like Countrywide's mortgage-backed securities. Rubin, now back as a rainmaker on Wall Street, collected more than $115million in compensation during roughly the same period Mozilo "earned" his half a billion. Citi, which required a $45 billion taxpayers' bailout, recently secured its own slap-on-the-wrist S.E.C. settlement — at $75 million, less than Rubin's earnings and less than its 2003 penalty ($101 million) for its role in hiding Enron profits.

It should pain the White House that its departing economic guru, the Rubin protégé Lawrence Summers, is an even bigger heavy in "Inside Job" than in the hit movie of election season, "The Social Network." Summers — like the former Goldman Sachs chief executive and Bush Treasury secretary Hank Paulson — is portrayed as just the latest in a procession of policy makers who keep rotating in and out of government and the financial industry, almost always to that industry's advantage. As the star economist Nouriel Roubini tells the filmmaker, Charles Ferguson, the financial sector on Wall Street has "step by step captured the political system" on "the Democratic and the Republican side" alike. But it would be wrong to single out Summers or any individual official for the Obama administration's image of being lax in pursuing finance's bad actors. This tone is set at the top.

Asked in "Inside Job" why there's been no systematic investigation of the 2008 crash, Roubini answers: "Because then you'd find the culprits." With the aid of the "Manhattan Madam" (and current stunt New York gubernatorial candidate) Kristin Davis, the film also asks why federal prosecutors who were "perfectly happy to use Eliot Spitzer's personal vices to force him to resign in 2008" have not used rampant sex-and-drug trade on Wall Street as a tool for flipping witnesses to pursue the culprits behind the financial crimes that devastated the nation.

The Obama administration seems not to have a prosecutorial gene. It's shy about calling a fraud a fraud when it occurs in high finance. This caution was exemplified most recently by the secretary of housing and urban development, Shaun Donovan, whose response to the public outcry over the banks' foreclosure shenanigans was to take to The Huffington Post last weekend. "The notion that many of the very same institutions that helped cause this housing crisis may well be making it worse is not only frustrating — it's shameful," he wrote.

Well, yes! Obama couldn't have said it more eloquently himself. But with all due respect to Secretary Donovan's blogging finesse, he wasn't promising action. He was just stroking the liberal base while the administration once again punted. In our new banking scandal, as in those before it, attorneys general in the states, where many pension funds were decimated by Wall Street Ponzi schemes, are pursuing the crimes Washington has not. The largest bill of reparations paid out by Bank of America for Countrywide's deceptive mortgage practices — $8.4 billion — was to settle a suit by 11 state attorneys general on the warpath.

Since Obama has neither aggressively pursued the crash's con men nor compellingly explained how they gamed the system, he sometimes looks as if he's fronting for the industry even if he's not. Voters are not only failing to give the White House credit for its economic successes but finding it guilty of transgressions it didn't commit. The opposition is more than happy to pump up that confusion. When Mitch McConnell appeared on ABC's "This Week" last month, he typically railed against the "extreme" government of "the last year and a half," citing its takeover of banks as his first example. That this was utter fiction — the takeover took place two years ago, before Obama was president, with McConnell voting for it — went unchallenged by his questioner, Christiane Amanpour, and probably by many viewers inured to this big lie.

The real tragedy here, though, is not whatever happens in midterm elections. It's the long-term prognosis for America. The obscene income inequality bequeathed by the three-decade rise of the financial industry has societal consequences graver than even the fundamental economic unfairness. When we reward financial engineers infinitely more than actual engineers, we "lure our most talented graduates to the largely unproductive chase" for Wall Street riches, as the economist Robert H. Frank wrote in The Times last weekend. Worse, Frank added, the continued squeeze on the middle class leads to a wholesale decline in the quality of American life — from more bankruptcy filings and divorces to a collapse in public services, whether road repair or education, that taxpayers will no longer support.

Even as the G.O.P. benefits from unlimited corporate campaign money, it's pulling off the remarkable feat of persuading a large swath of anxious voters that it will lead a populist charge against the rulers of our economic pyramid — the banks, energy companies, insurance giants and other special interests underwriting its own candidates. Should those forces prevail, an America that still hasn't remotely recovered from the worst hard times in 70 years will end up handing over even more power to those who greased the skids.

We can blame much of this turn of events on the deep pockets of oil billionaires like the Koch brothers and on the Supreme Court's Citizens United decision, which freed corporations to try to buy any election they choose. But the Obama White House is hardly innocent. Its failure to hold the bust's malefactors accountable has helped turn what should have been a clear-cut choice on Nov. 2 into a blurry contest between the party of big corporations and the party of business as usual.

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