The Whistleblowers' Weekly Lemons Award Goes to Dr. Ben Carson

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The Bank Whistleblowers United announce an early winner of our second Financial Fraud Lemons of the Week award, and it relates to our inaugural winner, the Department of Justice (DOJ) for its lies about the latest humiliating settlement with Morgan Stanley. If DOJ had actually prosecuted the elite Morgan Stanley bankers that led its mortgage fraud epidemic the new winner of our lemons award could not have said what he did about that settlement with a straight face.

Our second financial fraud lemons of the week award goes to Dr. Ben Carson, candidate for the Republican nomination for President in the latest GOP debate. The *Wall Street Journal's* Kimberly Strassel asked the following questions of Carson and received this wondrous response.

> KIMBERLY STRASSEL:
> 10:13:14:00 Moving subjects. Dr. Carson. This week Morgan Stanley agreed to pay a $3.2 billion fine to state and federal authorities for contributing to the mortgage crisis. You have a lot of Democrats out saying that we should be jailing more executives. So two questions. Should financial executives be held legally responsible for financial crashes? And do you think fines like these are an effective way to deter companies from future behavior like that?
> DR. BEN CARSON:
> 10:13:43:00 Well, first of all, please go to my website, BenCarson.com, and read my immigration policy. (LAUGHTER) Okay? Because it actually makes sense. Now, the– as– as far as these– fines are concerned, (CLAPPING) you know, here's the big problem. We've got all these government regulators and all they're doing is running around looking for people to fine. And we've got 645 different federal agencies and sub-agencies. Way, way too many. And they don't have anything else to do.
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> 10:14:14:00 I think what we really need to do is start trimming the regulatory agencies rather than going after the people who are trying to in– (CLAPPING) increase the viability, economic viability, of our society. Now, that doesn't mean that there aren't some people out there who are doing bad things.

> 10:14:33:00 But I'm not sure that the way to solve that problem is by increasing all the regulatory burden. You know, when you consider how much regulations cost us each year, you know, $2 trillion per family. $24,000 for a family. That happens to be the same level as the poverty level (BEEPING) for a family of four. You wanna get rid of poverty? Get rid of all the regulations. (APPLAUSE)

Carson did not answer either question, and passed up the opportunity to answer "Yes," "financial executives" should be held "legally responsible" for the crimes they led that caused the "financial crashes." This question was the perfect opportunity for Carson to respond "yes" and announce that he had pledged to implement the Bank Whistleblowers United's plan to restore the rule of law to Wall Street. Note that Carson, who has every incentive to criticize President Obama's policies, could have accurately charged Obama with failing to prosecute a single elite banker that led the three fraud epidemics that drove the financial crisis. The question was a 75 mph not-so-fastball down the heart of plate waiting to be smashed into the upper deck. Carson could have answered accurately, hit Obama at one of his weakest points, and announced that Carson had signed on to a detailed plan to take a series of steps – none of them requiring new legislation or rule-making – as soon as he was elected to fix the problem. That answer would have been widely popular with Republican voters and gotten national publicity.

Instead, Carson used the questions to go after regulation and fining corporations for violating the law. Note that he did not go after DOJ for fining corporations rather than prosecuting the "financial executives" that led the three epidemics of "accounting control fraud" (appraisal fraud, "liar's" loans, and the sale of fraudulently originated mortgages through fraudulent "representations and warranties" to the purchaser). Our inaugural Whistleblowers' Lemons award went to DOJ for repeatedly portraying its civil settlement with Morgan Stanley for the fraudulent sales of tens of billions of dollars of toxic mortgage paper – a settlement in which no executive was held "legally responsible" for anything – as a triumph of holding the fraudulent senior executives personally responsible.

Carson, however, is horrified that DOJ even sought recovery from Morgan Stanley for a portion of the losses caused by its fraudulent sales of tens of billions of dollars of fraudulent mortgages. The American people suffered billions of dollars in losses due to these frauds, as did many firms. Carson was plainly unfamiliar with the settlement and Morgan Stanley's senior managers' epic frauds. Carson wants there to be no prosecutions and no recovery for the victims of Morgan Stanley's frauds. He thinks the rule of law for systemically dangerous institutions (SDIs) such as Morgan Stanley should be eliminated. Polls suggest that Americans are overwhelmingly appalled by the virtual elimination of the rule of law for Wall Street.

Carson is famously random in his statements at these debates, but let's take his response in segments. First, there are hundreds of federal government agencies, departments, and subsections and Carson states that "all they're doing is running around looking for people to fine." "And they don't have anything else to do." Well, no. The Defense Advanced Research Projects Agency (DARPA), the Defense Intelligence Agency (DIA), and a host of anti-terrorism task forces are subsets of the Department of Defense (DOD). Carson is a big supporter of DOD and its agencies and they have a great deal to do other than "running around looking for people to fine." Rather than fining businesses, hundreds of agencies and their sub-agencies work every day overwhelmingly to aid American businesses. Even at agencies with the authority to fine, fining violators is typically done by a small, often tiny portion of the staff. They spend the vast bulk of their time trying to prevent workplace accidents, cribs that kill babies, pollution, oil spills, and fraud by elite bankers. They investigate the causes of air and rail crashes to learn vital safety lessons to save lives and they ensure that cars are tested for survivability in crashes. All of this saves many lives. We award our first lemon for Carson's false claim that banking regulators have nothing to do other than "running around looking for people to fine."

We award our second lemon for Carson's implicit assumption that when an agency takes an enforcement action against elite bankers' violations of the law the agency is acting improperly. Similarly, he claims that Morgan Stanley's fine for violating the law is a "regulatory burden" rather than what it is -- a penalty for committing tens of thousands of frauds.

We award our third lemon for Carson's claim that DOJ's civil settlement with the serial fraudsters at Morgan Stanley was "going after the people who are trying to in– (CLAPPING) increase the viability, economic viability, of our society." No, they were doing the opposite. They were defrauding their customers by through the sales of tens of billions of dollars of toxic mortgages. Their fraudulent sales were major contributors to the failure of Fannie and Freddie, harming their "economic viability" and that of our Nation. We urge him to read the FHFA complaint against Morgan Stanley instead of creating a fiction about Morgan Stanley.

We award our fourth lemon for Carson's claim that the answer is to further slash the staff of the financial regulatory agencies. "I think what we really need to do is start trimming the regulatory agencies rather than going after the [bankers]." He has the situation exactly reversed – and he again passed up a perfect attack against Hillary Clinton – who he loves to attack. It was Bill Clinton who launched an unholy war against the banking regulators. Clinton (with a follow-on assist from his successor George W. Bush who shared his anti-regulatory agenda) slashed the FDIC personnel by over three-quarters and the Office of Thrift Supervision personnel by over half, ordered the regulators to treat bankers as their "customers," and appointed a deregulatory and desupervisory leader who advised the agencies to not waste "one second" going after "fraud." Clinton destroyed the effectiveness of the banking regulatory agencies and Bush made it even worse.

This was the perfect opening for Carson to hit two of his rivals – Bush and Clinton – by telling the truth about Morgan Stanley and to also get in a free shot at Obama for failing to prosecute the any of the elite frauds. In economics we call this "revealed preferences." Carson was so eager to curry favor with the Wall Street banksters that he passed up a golden opportunity in a single answer to truthfully reveal actions that would have been deeply embarrassing to Clinton, Obama, and Bush. Further, he passed up adding – "but I'm going to fix it, and here is my detailed plan to do so – the Bank Whistleblowers United plan that I have pledged in writing to implement." He could have transformed his reputation for giving loopy responses during the debates.

Carson then ended with some make believe $2 trillion figure for the purported annual cost of regulation and claimed that if we got rid of rules we would end poverty. That deserves a whole bushel of lemons, but it is not in our field so we only award him a total of **Four Lemons.**