RALPH NADER RADIO HOUR EPISODE 473 TRANSCRIPT

Steve Skrovan: Welcome to the *Ralph Nader Radio Hour*. My name is Steve Skrovan, along with my co-host, David Feldman. Hello, David.

David Feldman: Hello, Steve.

Steve Skrovan: And the man of the hour, Ralph Nader. Hello, Ralph.

Ralph Nader: Hello. You're going to hear about banking in language everybody can understand.

Steve Skrovan: That's right. Up first on today's program we'll welcome back economist Nomi Prins. In her latest book, *Permanent Distortion*, she chronicles how central banks and government leadership artificially juice the financial sector in response to the Great Recession of 2008. She argues that in the 15 years since, the market grew addicted to that sweet, sweet central bank money, an addiction enabled by compliant policymakers. What did that get us? A huge gap between the high-flying stock market versus back down here on Earth where average people struggle to make ends meet. And we wonder why so many people distrust government institutions and gravitate toward right-wing demagogues. We'll speak to Ms. Prins about the causes and consequences of our financial fund house as well as the need for dramatic course correction. As always, we'll check in with our corporate crime reporter, Russell Mokhiber too, but first, how did our economy become so fragile? David?

David Feldman: Nomi Prins is an economist, author, geopolitical financial expert and financial historian. She's the author of several books, including *Collusion: How Central Bankers Rigged the World, All the Presidents' Bankers, Other People's Money: The Corporate Mugging of America, and It Takes a Pillage: Behind the Bonuses, Bailouts, and Backroom Deals from Washington to Wall Street.* Her latest book is *Permanent Distortion: How Financial Markets Abandoned the Real Economy Forever*. Welcome back to the *Ralph Nader Radio Hour*, Nomi Prins.

Nomi Prins: Thank you so much for having me back on. Crazy times.

Ralph Nader: Well, welcome back, Nomi. David didn't cover your business experience in Wall Street. Could you give us an idea of who you worked for and when you left?

Nomi Prins: Certainly, yes. I worked for four banks. I was a managing director at Goldman Sachs, and that was the last bank that I worked at when the Enron crisis popped up, and WorldCom and so forth, and I wound up leaving the industry because of all the corruption that bubbled into those events and the bank's role in it. I had been in banking for 15 years at that point. I had worked as well for Bear Stearns in London where I was a senior managing director. I created and grew my own analytics group that covered financial investments across the world, prior to which I was at Lehman Brothers in New York, and prior to that, I got my start on Wall Street when at the Chase Manhattan bank when I was 19. Apparently some records had to be changed on that one. So keeping score, two of the banks that I worked at are the largest investment bank and the largest commercial bank in the United States right now—JPMorgan

Chase, Goldman Sachs. And two of them were casualties of overleverage and the subprime crisis of 2008. And what we're seeing right now has to an extent, a lot of similarities to that period.

Ralph Nader: So before we get into that, why did you leave what we can call Wall Street, where you had very responsible positions? You decided you've had enough?

Nomi Prins: A couple of things ultimately coalesced for me at the same time. When I left over 20 years ago in 2002, my position at Goldman Sachs, which was a very high position; I had a corner office, the whole nine yards. One, it was right after 9/11 and the general atmosphere of what had happened, not just because of the World Trade Center attacks, but because of the general corruption that was going on before that and during that and after that on Wall Street, for example, -what banks were enabling other corporations to do in terms of misleading investors, cooking their books, tanking the economy and so forth. And at that point, I had also come from —prior to being at Goldman Sachs—Bear Stearns where, into the late '90s of course there was an accumulation of debt around the world. While I was working in banking at the time in London, I was also marching in demonstrations for Jubilee 2000 in Birmingham. So even at the time—it took me a couple of years to ultimately quit—I recognized that what we were doing and how we were doing it inside the banking system was deeply painful economically to millions of individuals, perhaps billions, and also to countries around the world. And I wanted to talk about it. At the time I left, I think I was the only person from inside Wall Street who was openly talking about on the news through my first book, *Other People's Money*, which I know you saw, Ralph, back in the day, about what was really going on inside. And other people have added to that over the years, but I needed to do it. I could not be inside without being public about what was going on. So I quit.

Ralph Nader: And you did it. You were predicting right time and time again. We've had people on the show talking about money and banking and they almost leave the audience behind. It's really an interesting cultural situation. We've been described as a materialistic society interested in money over the generations, and yet, the vast majority of the people are not given an opportunity to learn about money in banking and the Federal Reserve and everything's sort of a mystery and it isn't really a mystery. As one prosecutor once said when he was asked about all the complicated schemes that go under the rubric of corporate crime, when you get down to it, it's all about lying, cheating and stealing. And you've been able to really clarify all this. So the theme of your book is when you say, quote, "It is abundantly clear that our world is divided in two very different economies. The real one, for the average worker, is based on productivity and results under the traditional rules of money and economics. The other doesn't abide by these rules. It is the product of loose money poured by central banks into a system dominated by financial giants powerful enough to send stock markets higher even in the face of a global pandemic and threats of nuclear war." Give us the elaboration on that because people see it every day. There are people who make a lot of money from money, the old money lenders' legacy, and there are people who make not as much money from producing real goods and services.

Nomi Prins: Yeah, that's exactly right, and that has been a tenet of our current capitalism for some time. But what I try to do is look at how that's happened, beyond the corruption which is prevalent and beyond—and I'll add to your list of three there—the hiding of it. So there's the crime and then there's the cover-up, and that's generally a series of accounting maneuvers on the books of a lot of these institutions, and sheer lack of examining what's going on until it's too late on the part of regulators who are supposed to be doing that. The bottom line is, and what I talk about in *Permanent Distortion*, is that there is, a sort of new source, in a way, of money or an amplified source that has presented itself since the 2008 crisis. And that is the Federal Reserve, the central bank in the U.S., and other central banks around the world.

What do I mean by central banks? They're basically government or quasi-government, depending on the country, institutions that can effectively fabricate, create money out of nothing and inject it or give it to the financial system in return for what they take back out, which is generally government debt. And to unpack that, what it's basically saying is you got institutions who can decide how to create money and where it goes. And generally it goes through the financial system and it pumps up—more so from 2008, and there's been periods of ups and downs including the pandemic, but since that time, on an amplified basis—the markets—financial assets, things that don't have actual real tangible, physical value can be manipulated or pumped up very quickly because money is coming in so quickly and so abundantly to allegedly help that system. And then what gets left behind—the real work, real assets, companies that make real things, because it takes longer for any kind of money or money investment or wages, et cetera, to make its way through the real economy, through these companies, through building a bridge or fixing a highway or creating a hospital or enhancing an education system. All of these things take a lot of planning and time and will, and the money itself I look at in this particular book, *Permanent Distortion*, as just this external thing that flits about depending on where it's coming from and where it's going to. And it goes more quickly, again, into financial assets and into things that take more time and have more conversation and have more bureaucracy and have more attention, and just take longer.

And so this permanent distortion is something that we've seen for years. But in 2008, this became a new system. The monetary system, central banks, were able to in an unlimited fashion and they created money and gave it to the financial system that pumped up markets' financial assets. That happened again in the wake of the pandemic in 2020, where they basically doubled all of those efforts. So anything that had happened in the wake of the financial crisis that took a few years in terms of their policy, in terms of creating money to help the financial system, to help Wall Street, happened in turbo-boosted time in the wake of the pandemic, allegedly to help the real economy. And as I talk about in the book and as we have seen subsequently, the real economy did not benefit from the amount of money that was pumped through the banking system into the markets. We then have a situation where inflation gets high, the Fed steps back, money comes out a little bit, markets go down. And then we have a situation where a big bank collapses and it's all go again. And this is the idea of permanent distortion is that when the financial system needs it, it gets the money, a lot of it, and in an uncapped, unregulated, and non-transparent way. And when the real economy needs it, it's years of debate, it's a lot of headache, really, congressionally, regulatorily and for the average worker in the process.

Ralph Nader: Let's step back just historically, Nomi. About 90 years ago, the brilliant economist, John Maynard Keynes, sent off an alarm when he said stock markets—this is in the 1930s, are spending more money in speculation and less in investment. And I don't think people realize that the investment purpose of the New York Stock Exchange and Nasdaq is very minimal now, and that real investment in things that matter, like infrastructure, that creates real jobs, is coming more and more from government. And those are the Biden infrastructure bills. Fast forward, we've never had more speculation. It used to be that Wall Street would speculate in

bonds and stocks, and then some decades ago, they started going into options, puts and calls, which are bets on stocks and bonds, which in effect, are supposed to reflect the real economy, to the extent there is consumer purchases, investment, and the like. Now, they're into derivatives, which are bets on bets on bets.
And I've had people on Wall Street who were in at the beginning of the option industry, say they can no longer understand these derivatives. Only a few mathematicians can even understand the complexities. Well, some of them crashed in 2008, obviously, and brought the economy down, unemployed 8 million workers, produced a huge taxpayer bailout as a lot of people know. But the legitimacy of the banking industry is that they convey investment, not gambling, not speculation. The marketplace is a form of casino. Businessweek once had a cover years ago saying "Casino Capitalism". And that's what it really is. If you talk to brokers and you ask what are people doing here? They'll say brokers are just guessing; they're putting bets in the market. It's not quite as loose as Las Vegas, but it's pretty close to a sophisticated form of gambling. On the other hand, there's no sales tax on these purchases. So people in New York City, even people on Wall Street, will go to a delicatessen or a clothing store where they have to pay the 6%, 7% sales tax. But if someone bought $100 million worth of ExxonMobil stock, there's no sales tax, because Wall Street is powerful in Albany, and in Washington. You know all this and you've conveyed it, and you've even been participating in efforts led by the nurses labor union, of all unions, to get a less than 1% sales tax on all the stock, bond and derivative speculation, which would produce hundreds of billions of dollars a year. And it's basically a progressive sales tax because most of the trading is done by upper-income people. So let's say you were testifying before the Senate or House Banking Committee, especially after the shakiness of the Silicon Valley Bank that collapsed and Signature Bank, on whose board is Barney Frank, the former co-author of the Dodd-Frank bill, how would you structure the banking industry? People were asking what's its legitimacy? And why not just nationalize it? Right now, it owns the Federal Reserve. That's where the Federal Reserve gets its money. It doesn't get its budget from Congress; the only agency that doesn't, it gets it from bank fees and the bankers are all over the regional federal reserve banks in Dallas and New York and Philadelphia. How would you avoid all these cyclical collapses that taxpayers ultimately bail out, although they say it's not the taxpayer because the Fed can print money. How would you deal with this? This is basically a corporate state. It's Wall Street controlling Washington. When Citigroup was about to fail in 2008, it was bailed out with hundreds of billions of dollars, some subsidies, some loan guarantees, arranged in a private meeting with Secretary Henry Paulson and Ben Bernanke, head of the Federal Reserve. In Washington, they got together in an office in the US Treasury on Saturday and Sunday and before announcing the bailout on Monday. And Paulson told the *Washington Post*, and this is stunning, "We didn't have any authorities to do what we did, but somebody had to do it." Okay. How would you structure the system?

Nomi Prins: Yeah, all that is just insane if you think about it in terms of the fact that all of what you just said, Ralph about how it has been presented to the public—and this is what I would say and have said to members of the Banking Committee over the past couple of decades—you need to understand that that Wall Street—a collective title for leveraged lenders like SVB, like Silicon Valley Bank, like Signature, like Silvergate, but also is representative of the asset managers as well as the banks—effectively gets a lot of money and a lot of help in terms of how it places that money when it is in trouble—more so than any individual, more so than any organization, more so than any union, more so than any initiative when that happens. As a result, it is always a tax on the American public. There's no such thing as this bailout didn't cost taxpayers money, because in the absence of there being a direct throughline that's made obvious to people and obvious to senators, to Congress, money that goes into the banking system does not go into the real economy, which means there is a shortfall in the real economy, which means that money can't be reallocated into the real economy, whether that is to build bridges or hospitals or enhance our education system or help workers, because it's going somewhere else. And that's the fundamental thing that first needs to be understood. If that can be understood, then no matter what you call it, it is misplacing money that could be going into the real economy and real people, into the financial system. That's just a platform.

Now, on from that, what do you do? Well, first of all, the Federal Reserve from the get-go was predicated on the lie that it was needed in order to help get money across the country from Wall Street when there was a problem in the Wall Street banking community. It was basically presented as some sort of a public institution that would help the smaller banks in the country when the larger banks couldn't lend and to allow them to continue to do that—help the farmers in the middle of the country and so forth through the rest of the country. The reality is, as you mentioned Ralph, and as is the case, the Federal Reserve is run by bankers, its members are bankers. That's not us speculating; that's actually what it is. Those members pay fees and have shares in the Federal Reserve. Yet, the Federal Reserve doesn't have to be accountable even though what it does is deeply impactful on the real economy to the government. And over the last hundred and something years, since December 1913, when it was created, there has been no action by Congress, which has not stood up and said, we need to basically have control over this institution or get rid of it, because it's dislocating the entire relationship between money, speculation and the real economy. And we have seen that again going back to Silicon Valley Bank. Isolated hearings took place on the Hill about what happened to this bank. And there was a teeny bit of conversation about how that relates to the general banking system. It should be the opposite. We should not look at Silicon Valley Bank, even though it was badly managed, as the only bad apple. We really do have to look at the full orchard. And the Senate and Congress do have to do that and understand that we don't have a regulated banking system, yet we support it when we need to support it. We don't have a distinction between the investment bank and the depositors of any institution. We got rid of that in 1999, when we abandoned and abolished the Glass-Steagall Act that separated the two. And there are people that will claim that, SVB has nothing to do with Glass-Steagall, which is simply wrong. Any overleverage in the banking system that can take down the rest of the banking system or that could create a lack of confidence, instability, creation of money to save it, that doesn't go into the real economy—is a part of that problem.

Ralph Nader: The questions that people always ask, that they've asked you, and they've asked anybody who has ever studied banking, is how can the Federal Reserve print money? How can the banks create money under the Federal Reserve System, and is there any limit to how much money the Federal Reserve can print?

Nomi Prins: I am so glad you asked that question. There is no limit. There is no Congressional limit. There is no internal Federal Reserve limit. There is no limit within the banking community where that even gets discussed. There is no limit. And before the financial crisis of 2008, when the Fed took its book from $800 or so billion, meaning they created $800 billion worth of money in return for treasury bonds from the banking system as reserves on the Federal Reserve's book against which they gave money over the years, it went from $800 billion to $4.5 trillion in literally a couple of years. During that process rates were brought rates down to zero so they made the availability of money, the cost of money to the banking system zero. The Federal Reserve doubled what was done in the wake of the pandemic. So it went basically went up to $9 trillion over the period of time between pre-2008 through 2020. And now it's a about that amount. They let some roll off—SVB happens; banking crisis happens; they create more money.

The other question you asked is how they do that. They do that electronically. They do that by effectively—as if they're the accountant to all of the banks that are member banks of the Federal Reserve that pay by giving reserves to the Federal Reserve as opposed to being like insurance if they do have problems; that's the entire supposed concept. But what actually happens is the reserves that the banks have at the Federal Reserve—the money or the bonds they give, don't mean anything relative to the amount of money that the Federal Reserve can create to get more of them. So that's what ultimately happens. But the Fed electronically creates this relationship with its banks wherein it agrees to take their treasuries and effectively provide them money in return for those treasuries. And the reality is that money doesn't actually exist until that transaction happens. And again, there's no limit. This isn't just the Fed; it includes other central banks around the world. But the Federal Reserve sets the tone, and certainly has done so since 2008 for what other central banks around the world do. I wrote about that in my book, *Collusion: How Central Bankers Rigged the World*. So that's how it happens, literally by electronic magic.

Ralph Nader: Yeah, but this money, as you point out in your book, never goes into the real economy to create jobs and public infrastructure, etc. It just swirls around; it's called liquidity, and it juices the stock market. Isn't that what happens?

Nomi Prins: That's what happened. It juices the leverage or the risk that's inherent in the banking system. Because what happens is this: Let's say I'm JPMorgan Chase, one of the largest shareholders—there's a percentage shareholdership of the Federal Reserve. So, I basically get money back each year from the Federal Reserve anyway, like I would from buying a share. I get dividends back from the Federal Reserve. But let's say I have a problem—a liquidity issue, meaning I need money quickly because of something that happened in my books on other banks that I deal with or whatever, confidence crises, et cetera. So, the Federal Reserve agrees to create $1 trillion. I'm just making this up because we don't know what went to JP Morgan Chase going back to the prior question, but let's call it $1 trillion. For that $1 trillion given, Chase gives the Fed $1 trillion worth of some of the bonds on its book– treasuries, mortgages. We'll take them, keep them for you and we'll give you money. You may ask how that money goes into the markets instead of into the real economy? Well, JPMorgan Chase has the option—because, again, there's no regulation to tell them otherwise or to make them do otherwise—to use any and all of that money to trade their own positions, to invest in speculative securities, to not give out to small businesses, to not give out to small depositors in different or cheaper forms of credit, like they would to corporations. They have all of the discretionary choice.

And what happens in practice is that it's easier to speculate, it's easier to bet on the markets with that extra money backing you than it is to lend to a small business. Why? Because it's faster. The returns are quicker. And even if it's a bet and it goes wrong, you can be on both sides of that bet. I'm oversimplifying JP Morgan's business, but this is what happens throughout the banking system and this is why the money doesn't get into the real economy. Or if it does, it's in tiny little bits. I think of it like a teacup where you fill the teacup and that's all the money that goes into the markets through the banking system. And yeah, it dribbles along the side and yeah, some of it gets into the real economy. There is still lending going on, but the banks control what that is. And there is no string attached to the money that they get in terms of where that money has to go. And as a result, it goes to the easiest, quickest place that's speculative, and that's why we see crisis after crisis. If it's not with JPMorgan Chase, because they have the benefit of having such a large bank, having so many depositors and having such a strong relationship with the government and with the Fed, then it's these sort of mid-sized banks, some of which are poorly managed, some of which are currently caught in a policy shift by the Federal Reserve that shows them for the risky banks that they are. But in either case that money doesn't have to go into the real economy. There is no mechanism to make that happen. Ralph. I spoke at the Fed in 2015. Janet Yellen was in the room, she talked about how the banking system was sound. It was for an internal conference. And the question they asked me at the time was how come Wall Street isn't lending more to Main Street. This was the topic I was supposed to address inside the Federal Reserve. And I said very simply, "Because you have not made them." And that remains true that there is no string attached to the money banks can get, particularly the bigger ones, when they are in trouble.

Ralph Nader: Everybody now knows these big banks are too big to fail, which means the government, i.e., the taxpayer, is always required to bail them out. Required by who? By a toady Congress and a Federal Reserve. So we have basically a giant financial industry that is too big to fail with all the perverse incentives of taking more and more risks with the other people's money — the title of one of your books—because they know that if something teeters over the edge, Uncle Sam will pull it back and make sure that none of the top executives get any pay cut. The top executives make about $15,000 an hour on an 8-hour day, 40 hours a week. Okay, George Will, who is about as conservative a syndicated columnist and television commentator as you could get, once said, "If these big banks are too big to fail, they should be too big to exist." And he never wrote the consequence of that comment, which would be the nationalization of these banks.

So one time I was campaigning in Arkansas and a guy came up and started talking about monetary theory and fiat money and all that. And another guy jumped up, when we were talking about the Federal Reserve creating money, printing money, and he asked, if the Federal Reserve prints as much money as it wants, how can he get some of that. Well, you see, that's the point. They live in two worlds. The financial world is a cocoon that swashes around money with the Federal Reserve juicing it. And then there's the real world that makes the day daily producing goods and services by the electricians, the plumbers, the auto workers, the what they now call the refuse workers (garbage collectors), the nurses, etc. And they're the ones who sweat it out and can't pay their bills. So do you think we're ever going to have enough pressure on Congress by an aroused public? Unless they know at least something about the money system, the way the farmers did in 1887, when they actually had discussions about different financial reforms, very sophisticated compared to today. Isn't that where the hope is that there's got to be at least 1% or 2% of the people in congressional districts who know what kind of changes have to be made?

Nomi Prins: That's a hope and I think, and you've certainly been doing this way more and way longer than I have. But in the 20 years I've been talking to Washington and congressional members and just sort of looking at that entire expanse of time on both sides of the aisle, people in and out, long-term, short-term, is that there remains, except in the hands of a few people, a sheer lack of understanding of why and how the financial system and the Federal Reserve and the acquiescence of Congress comes together to basically sort of steal from the real economy and from all those groups that you mentioned. Even today, there's this idea that Federal Reserve Chairman, Jerome Powell, can somehow change inflation supply and demand, service cost, et cetera, by attacking the labor force, raising rates and wanting the economy, quote, "to cool down". And then on the other side of that you get a bank failure like the couple we just had recently, and they print $300 billion that goes into the financial system. That $300 billion can be used in a lot of different ways.

And I'm not advocating for the Fed to be in charge of financing the country, but what needs to happen is for Congress to specifically understand how the current scenario - the current makeup of the federal relationship – the Treasury, Fed and the banking system, the financial system, the markets and so forth, implicitly takes away from the real economy, again as a base. And only that can make change. I would have thought that in the financial crisis period and when Dodd-Frank was being discussed that there would have been a lot more, including a resurrection of a Glass-Steagall, a true divide so that if a bank fails, their depositors are not the negative recipients of any other speculation or overleverage they've done in other parts of the bank, i.e., they're separate like the FDIC is supposed to insure them and we don't therefore bail out to a much larger extent any part of the financial system each time there's a crisis.

But that's not the case because even though it's over 1000 pages, that bill was not strong enough, and subsequent to which is a bipartisan passed bill, subsequent to which we've had more deregulation in the banking system of the kind that's enabled banks like Silicon Valley Bank to skirt even basic regulatory necessities—having money aside in case they have a crisis, and being required to manage their assets better. We need to basically divide out the banks and make them small; we do need to keep the depositors away from the speculation because it's only in that way that we don't, whatever you call it, have these bailouts that impact the overall economy by moving money into the places that don't benefit it. And that's what's necessary. That's just the bottom line. Do I think that's going to happen? And if it didn't happen after the financial crisis, and isn't even being discussed right now... I do know that there's a couple of things that could also happen. I know that Marcy Kaptur of Ohio is reinstituting a Glass-Steagall resurrection act through Congress in the wake of SVB and she's been very focused on that over the years as well. Of course, there was a companion bill through the Senate that should be reissued as well through Bernie Sanders, Elizabeth Warren and so forth. So all that stuff needs to be resurrected, but more people need to understand this is not about the government overstepping or overregulating or nationalizing the banks. We're nationalizing the banks every single day by bailing them out. This is about creating a real economy that actually benefits from the money that's sloshing around our system as opposed to is the victim of wherever it goes. And I think that ultimately is what we need.

Ralph Nader: I know some of our listeners, because they give us feedback, are saying to me, "Ralph, ask Nomi about modern monetary theory." It was only a matter of time before somebody came up with that. And others want to know about alternative currencies like the Ithaca dollar at the local level, or the Time Dollar/Time Bank system where currency is in hours. People basically provide hours of time to other people and they reciprocate, whether it's tutoring students in return for the students shoveling the sidewalk or cutting their grass. First tell us what's your take on modern monetary theory. Explain it very briefly, and then what's your opinion?

Nomi Prins: So my opinion on modern monetary theory is, first of all, it's not modern. It's been kicked around since the '70s. But the idea of it and how it's been reintroduced more recently in the wake of the pandemic more so is that if we can create money, which we know we can, how come that money can't go more directly into the hands of the real economy—into specific initiatives and be used more equally? My problem with that is that in our current system where the Federal Reserve is constructed as it is, with no cap on how much of that money can go into the banking system, and we don't have a paper or electronic trace of where it goes and how it goes, and no strings are attached to it. And on a lot of levels we have such a dysfunctional Congress in terms of figuring out what needs to be done and where money needs to go, that in practice, I see it as a very challenging theory. And also, if we can create money, then one of the other things I think about it is that, talking about currencies, with the dollar being the major currency, the idea of creating money is happening now with banking too; it would not be different with money also being created and going into the real economy. All of this really creates a mirage of how we should be positioning the real economy. I think we should have, for example, an infrastructure bank, a national bank of some sort that is specifically funded. If we're going to do monetary theory or if we're going to even do some sort of strings attached to what the Fed can create that is specifically funded with our debt as it already exists and not re-funded with new taxes, but that is specifically charged with putting money into the real economy, into real projects. I think that's a more efficient way of doing it, from the government standpoint, than even any other type of mechanism that relates to the Fed or the Treasury Department.

Now, on the issue of currency, obviously the idea of cryptocurrency, Bitcoin, time currencies, etc., there's different ways of looking at it. On the idea of the barter currency system or effectively time swaps and service swaps, I think that is happening more and more anyway. And I write about this through the ending chapters of *Permanent Distortion* regarding what's the retaliation or what's the future expectation of how money can work and where it can go. And of course, there's a lot of uncertainty and volatility in this, but part of it is in the crypto market—not in like crazy, speculative cryptos, but in something more consistent that should be more regulated that people can actually transact in amongst themselves, and that the Fed isn't involved in but yet your regulators are, like Bitcoin, like a solid thing.

But also, there are a lot of, I'll call them apps, but basically the equivalent of B2B, P2P or direct lending and exchanging of money online that takes place outside of the banking system. And I see this as growing, specifically because the current financial system is so messed up and because people do want to have a direct relationship between what they buy and what they do and who's buying it and who's using that. I see that happening more and more. I think it should be regulated from the standpoint of these platforms not being criminal enterprises. I'm not saying they are; I'm just saying there should be some scrutiny of them. But I do think there's more that have been developed and I think there will be more that will be developed.

Ralph Nader: What we saw as cryptocurrency increased is the banking industry started melding into them and 15% of the deposits in the Silicon Valley Bank were cryptocurrency deposits. And of course, you alluded to it, but it is a way to circumvent international laws and engage in criminal activity. Cryptocurrency is very, very hard to control. But you do dwell on that in your book. We've been speaking with Nomi Prins, who is out with another book of revelations, welldocumented, called *Permanent Distortion: How the Financial Markets Abandoned the Real Economy Forever*, and the publisher is Public Affairs. But before we have David and Steve make their comments or ask their questions, Nomi, there is a real alternative that has some consumer groups behind it from New Jersey to California, and a bill has been introduced in California and other states. It's to create state public banks like the Bank of North Dakota, which honestly has been around for over 100 years. It didn't experience the crash; it provides traditional banking services, including student loans. What's your view on that? Governor Murphy of New Jersey, who was recently re-elected, comes from Wall Street, and he has spoken out in favor of it, but he hasn't gone any further.

Nomi Prins: Yeah, I know. I'm really glad you brought that up, Ralph. So public banks as well as a national infrastructure bank, which would be in the public interest, could work together. These are a very necessary form of banking for where we're at. You mentioned North Dakota, student loans and so forth, which has some of the lowest student loan costs to students in that state while it also has had the benefit of helping the budget of that state by investing in local and community-based initiatives. And so this idea of a public banking system at the smaller local level on up to the state level—when I say idea, I mean the necessity for public banking is real—and I think we should even expand the definition of what some people think of as public banking into banks that actually do what banks were supposed to do for individuals, localities, communities and states, which is fund growth and lend to individuals and not speculate outside, to avoid a situation where, for example, Wells Fargo was in some small California town during the pandemic, instead of helping any of the local business owners on any level, other than with paycheck protection program loans and other things on the federal government level… the point is, as a bank, as a lending facility, they didn't have the relationship or obligation to the local community, whereas part of the modus operandi of public banks is to have that connection, which is more economic than anything else. If a bank is involved in a locality/in a community initiative then it ought to exhibit financial caring about the well-being of what goes on and generate a mutually reinforcing situation where the people that need it are getting money or keeping their money in an institution that actually gives back to them and to the greater community by supporting community businesses. And the reality is that giving back actually reinforces the foundation of our economy, an economy that happens at that ground level and on up. There's a greater benefit even to public banks than simply being more stable, which they are because they would not be allowed to leverage to the extent that the other kinds of banks can by charter, and that actually benefits the entire real economy.

Ralph Nader: Well, the way the bills for public banking are structured, they are assiduously avoiding retail banking services to get the banking lobby off their back and they're basically taking the trillions of dollars in state and local funds—the budgets, the pension funds—and basically saying, we're not going to operate at the whim of these gigantic fees that Wall Street is charging cities like Los Angeles and New York and Chicago and smaller cities; we're going to save those fees and we're going to use public funds that come from taxpayers in state and local budgets and municipal and state, other activities, for the public interest. That is something that could become a reality. It almost got through the California legislature, but the business press doesn't dwell on it at all. Before we run out of time, I want your take on postal banking which used to exist until 1967 when the banks got rid of it. People would walk into the post office and they'd be able to deposit money, get interest on it, have checking services. There's now another push by progressive forces for reinstating postal banking. They had four pilot projects under the

Republican Postmaster, General DeJoy, Trump's friend, and they were designed to fail. They weren't well-publicized at all. One was in the Virginia suburbs. Give us your up-to-date take on postal banking.

Nomi Prins: What just popped to mind when you were saying that, Ralph, is that public and postal banking are the quintessential by the people, for the people. The idea, banking by the people, i.e. the taxes from us actually go to securing our foundational economies through the public banks and local banks, is actually very American in terms of the ethos. And from the standpoint of postal banking, it's sort of the same thing, because the idea in a postal banking environment is that the government doesn't have to worry about bailing out banks, which it seems to not care about when it actually happens. They talk about it, not much change occurs. But the reality is, a postal banking system, like a public banking system, would not have the kind of MO to take money elsewhere. They would do actual banking activities, like you mentioned—checking deposits, interest rates that would be more like Treasury bond rates as opposed to close to zero, even with treasury yields going up that the larger institutions do, and less fees because a lot of times these large banks charge such fees kind of on a usury basis to small depositors. There's a much higher fee for people with lower amounts of money in their accounts than there is for people with larger amounts of money in their accounts. That's just the reality.

Ralph Nader: Even worse, there are millions of Americans who are unbanked. The banks don't want them. They don't make enough money. So if they're unbanked, we've got to have postal banking in post offices all over the country. Isn't that one of the arguments?

Nomi Prins: Yes, exactly. And also you have all the other benefits that you have with banking. You just have people participating with whatever money they do have in more of a democracy type of process but also with their money.

Ralph Nader: Well, listeners, one thing you can all do is when you meet a candidate for local, state or national office who run around shaking hands before the election, just ask them questions, like what's your position on public banking? If they get enough people asking the question, they go back to Washington where they meet their buddies in the corridors, and say, we're getting questions about public banking here. And maybe the two committees will start having hearings. The House Committee had perfunctory hearings on public banking, but it didn't get much press at all. And we haven't had any success in getting Senator Sherrod Brown, Democrat from Ohio and having thorough public banking hearings. They've got to hear from you back home, people. They need to hear that it's on your mind. It's like putting your hand on your pocketbook to make sure it isn't lifted. We're running out of time, Nomi. Let's go to Steve and David. Steve?

Steve Skrovan: Yeah. Thanks, Nomi. My question is could you really concretely connect the dots between what's going on in the banking system and the unrest on the ground that is driving people to right-wing demagogues?

Nomi Prins: Yeah, great question. I cover that thematically, stringing it through the book *Permanent Distortion*, because what we saw even before the pandemic was a rise in this polar populism idea and moving towards popular candidates, more right-wing populist candidates and to an extent going back after that. We saw that in a series of individuals from Trump to Bolsonaro. And I think that part of what drives that, aside from other issues but on the financial side, on people's economy side, is the fact that whatever their political beliefs, people are disenfranchised from this entire financial system. They see that it's corrupt, unfair, unjust, and they see it's not benefiting them; they see that it's benefiting a few at the top. I think when you are economically fragile, which most people are, the idea of anybody who can come in there and do something different, whether they have a proven track record or not, whether they're a billionaire and have nothing to do with you or not, it's appealing, because you're in a situation where you are afraid, you are concerned, you have economic anxiety, which I talk about in the book, and you need to turn somewhere. And somewhere is generally away from the middle, because the middle is not helping you, and the middle is mostly where a lot of politics happens. And so you're more going to take a look at those promises from the fringes.

Ralph Nader: David?

David Feldman: So the China and America war drums are deafening right now. Earlier you were talking about how we can't audit the Fed. Well, we also can't audit the Pentagon. Could you speak to the connection between the strength of the dollar, the dollar serving as the global currency, and the strength of our military? And if we end up going to war with China, they'll tell us it'll be over Taiwan but is it about the dollar?

Nomi Prins: That's a great question. Again, so a little mini-throughline in the book but something I've looked at in collusion as well, i.e., the relationship between a global hierarchy status as having the number one global currency through the dollar and how that's helped us militarily. This is something that was established in the wake of World War II that actually established the superpower nature of the United States. The whole military-industrial complex thing from Eisenhower after that to me—and I wrote about this in my book, *All the Presidents' Bankers*. My book was basically predicated on having a strong dollar because the financial economy, the currency economy and the military are very linked. Without having both, which we do as a nation, you can't control trade, financial sanctions or similar things, and also the size and the positioning of the military. And as it turns out, banks have expanded into areas in other nations throughout the world where we have military presence. It's not an accident that we have an expansion of our financial system specifically into areas in the world where we have military presence. Those two things are very connected. From China's perspective, the People's Bank of China also pumps money into their country and into surrounding allied countries. It just does so in a different way than the Fed. The Fed pumps it into our financial system, into our banks. People's Bank of China actually pumps it into the more government related activities and building activities and alliances. So they have a different way of using their money. But it helps to back *their* position from a military standpoint, not so much as a currency, but using the money they create to finance other initiatives—militarily, in oil, relationships with Russia and so forth. So, in the limit, if we were to have a full-out war with China over Taiwan or not, I think you're asking if that's just kind of potentially a ruse for…

David Feldman: Yes.

Nomi Prins: …duking it out. And I think when you look at almost any war, there's always those things that catalyze what's a bigger volume of tension that is happening around it. There is economic, monetary, and currency tension between the United States and China. And the military is just one manifestation of it, same as in any of the wars. So we have yet to see how that's going to play out obviously, but in the wake of the financial crisis China actually cemented more of its superpower status, because it effectively looked at our banking system and said this, and I have an inclusion and lots of speeches and so forth in the government central bank, how badly we weren't managing money as a country—I'm paraphrasing, but that was their ruse for establishing more of those relationships, economically and militarily, around the world. So it's a question of what each of our countries use to have both the economic and military senior superpower status.

David Feldman: Is the Belt and Road Initiative as benevolent as we are led to believe? Is it as bad as the IMF?

Nomi Prins: That's a really great question. It depends which country you ask. For the most part, there is a very steep price to pay for countries that take or receive money that's lent from China in terms of the relationship that they then have to have with China. If you build some infrastructure in, say Sri Lanka, how much money from that, from a poorer country, China can use in their own increasing global alliance. So it's like a mixed sword. Countries will take their money but at the same time, it comes at a steep price, increasingly so stronger countries, for example like Australia, has a lot more tension with China even though they're not in the middle of the Belt and Road thing, like a Thailand, Sri Lanka, and some of the other Southeast Asian nations. But they certainly have tension over how China gives out money and what it requires in return. That said, there are areas throughout the world outside of Belt and Road, like in Africa, where China will come in and say, we're going to give some money; we're going to pay off some officials, and we're going to get access to this particular mine and these particular supplies. I was just in Australia talking about this with a number of people, and those are other ways that China destabilizes some countries. But at the same time they're helping them. So it's a very double-edged sword.

Ralph Nader: Hannah?

Hannah Feldman: Just briefly, in your book you touch on Charles Ponzi and the Ponzi schemes as an analog for some of what has been going on in our financial system. Could you explain a bit more about that? It seems like a much more accessible way to approach this house of cards. As someone educated in America, I didn't learn much about monetary or financial policy in my K-12 schooling. So Ponzi scheme seems like a pretty accessible way to understand it.

Nomi Prins: Yeah. No, thanks for that. The story of Charles Ponzi himself is really fascinating. He was an Italian immigrant who came to Boston and tried to get banks to lend him money. When they didn't, he got annoyed, and came up with a system that's ultimately called the Ponzi scheme. Basically, it's a way of taking money from small and large investors. As people started to hear of that in return for government stamps. And effectively, he promised a higher return on that process, because of a loophole and just how US government stamps were working at the time. And he promised to return a lot more than people could get by just keeping their money in a bank—the interest they would get on a deposit. So that was in the recession period going into 1920 where the country was in a recession; it was post-war, and people were desperate; there had been a Spanish flu—a lot of kind of similarities to now. But he basically managed to capture a lot of attention. He was very salesman-y.

The system itself is the more people that buy into his promises of a higher return, that he can't necessarily reach, the more people are needed to fund those people. So, the thing about a Ponzi scheme is it's always the people that are first in get paid by the people who come in next. And that keeps happening until there's no next people or next money coming in. And the promise of the system isn't enough to fulfill everybody, it totally collapses and anybody who's left in it loses what they have. That's what happened with Ponzi. And he wrote his memoirs from jail, where he basically talks about how much people were willing to believe what he said and how he said it. And so that's kind of intrinsic to this. They believed his story. It wasn't so much about the scheme, it was about the story of the scheme.

And I liken this to the Federal Reserve in that the story of the Federal Reserve of central banks is that they are helping the real economy when in fact they're actually taking money from the real economy and giving it to part of the system, the financial system that uses it as they want, time and time again, especially since again 2008. And as long as there's banks that are behaving, as long as money's coming into the system, as long as they're all sort of balanced, everything looks stable. But then you get an SVB or you get a Bear Stearns back in 2008 or whatever, Lehman Brothers, and it's obvious it's not so stable. And that's when things collapse. The might of the Fed is greater than the might of Charles Ponzi, because they have an unlimited ability to get money, as we talked about earlier. But to me, the idea is very similar.

Ralph Nader: We're almost out of time. Is there anything you want to say before we conclude? We're talking with Nomi Prins, the author of another great book on the financial markets, called *Permanent Distortion: How the Financial Markets Abandoned the Real Economy Forever*. Any final comments?

Nomi Prins: Well, I think the main thing, and thanks so much all of you for having me on and talking about this issue because the main thing about why I keep writing these books is to try and give people material to educate themselves so that they can act, whether it's on behalf of their own money to learn more and to have more of a voice and potentially changing how their money is treated in the system itself. And although not everybody is going to be doing that, the education is very important. The reality is we have a permanent distortion between the financial markets that get lots and lots of money, inhale it, it's a speculative driver, and we have a lot less going into the real economy, which is why we basically stumble there. And while the stock market might go up and down, generally up, sometimes down, but ultimately in that trajectory, the real economy really doesn't to the same extent. And people need to really understand why, and I hope that *Permanent Distortion* is one other piece of work that I wrote and it's out there that can help people better understand why they feel that something is just wrong, but give them some tools to do something about it.

Ralph Nader: Well, I hope your books get into some courses on money and banking at universities and colleges at the undergraduate level and the graduate level. I learned about the Federal Reserve by going to my economics class at Princeton and the professor handed out free booklets, called "This is Your Federal Reserve", and it was published by the Federal Reserve. It didn't make things easier that he was on the Board of Governors of the Philadelphia Federal Reserve Bank. So what's going on, listeners, is a huge propaganda machine. And it's interesting that the destabilization of the real economy comes so frequently from the speculation of the paper or the money or the financial economy. Thank you very much, Nomi Prins, for the book and for your work over the years. And I hope you'll get on NPR's Marketplace with "Ikai" Kai Ryssdal.

Nomi Prins: Thank you.

Steve Skrovan: We've been speaking with Nomi Prins. We have a link to her book *Permanent Distortion* at ralphnaderadiohour.com. Now let's check in with our corporate crime reporter, Russell Mokhiber.

Russell Mokhiber: From the National Press Building in Washington, D.C., this is your *Corporate Crime Reporter* "Morning Minute" from Friday, March 31, 2023, I'm Russell Mokhiber.

Corporate punishment has a branding problem. Criminal sanctions should call out wrongdoing and condemn wrongdoers, but corporate punishment falls short of these ambitions. For punishment to convey its intended message, society must be able to hear it. That's according to a new article by Iowa Law professor, Mihailis Diamantis and Michigan Business professor, Will Thomas. The article is titled, "Branding Corporate Criminals". Diamantis and Thomas argue that a new sanction would brand corporate criminals. While the brand sanction could take many forms, different visual marks of varying sizes, the authors call for, at a minimum, appending a criminal designation to corporate felons' legal name and mandating its appearance on products and communications.

For the *Corporate Crime Reporter*, I'm Russell Mokhiber.

Steve Skrovan: Thank you, Russell. Welcome back to the *Ralph Nader Radio Hour*. I'm Steve Skrovan along with David Feldman and Ralph. I want to thank our guest again, Nomi Prins. For those of you listening on the radio, that's our show. For you podcast listeners, stay tuned for some bonus material we call "The Wrap Up". It's going to feature Francesco DeSantis and "In Case You Haven't Heard." A transcript of this program will appear on the *Ralph Nader Radio Hour* Substack site soon after the episode is posted.

David Feldman: Subscribe to us on our *Ralph Nader Radio Hour* YouTube channel. And for Ralph's weekly column, it's free, go to nader.org. For more from Russell Mokhiber, go to corporatecrimereporter.com.

Steve Skrovan: The American Museum of Tort Law has gone virtual. Go to tortmuseum.org to explore the exhibits, take a virtual tour and learn about iconic tort cases from history.

David Feldman: We have a new issue of the *Capitol Hill Citizen*. It's out now. And to order your copy of the *Capitol Hill Citizen* "Democracy Dies in Broad Daylight", go to capitolhillcitizen.com. The producers of the *Ralph Nader Radio Hour* are Jimmy Lee Wirt and Matthew Marran. Our executive producer is Alan Minsky.

Steve Skrovan: Our theme music "Stand Up, Rise Up" was written and performed by Kemp Harris, our proofreader is Elisabeth Solomon, our associate producer is Hannah Feldman, our social media manager is Steven Wendt.

David Feldman: Join us next week on the *Ralph Nader Radio Hour*. We'll welcome national security expert, William Hartung, to talk about the military budget, and peace activist, Cindy Sheehan will be here to discuss the 20th anniversary of the US invasion of Iraq. Thank you, Ralph.

Ralph Nader: Thank you, everybody. The latest edition of the *Capitol Hill Citizen* is about to come out. Check out the website, capitolhillcitizen.com. Everybody who reads it loves it.