The Blame Game:
Fingerpointing and Apologies

It is interesting in the aftermath of the crisis to correlate red ink and failed performance with apologies and admissions of culpability from those in a position of power, influence, and responsibility. In other words, it's interesting to see who does and doesn't feel accountable for the annihilation of so much wealth. In the past chapters I've mentioned all the different groups that contributed to the screwup – the question is, how many have actually owned up to it? Based on my admittedly unscientific review, there seems to be an entire spectrum that ranges from “genuine mea culpa” to “mistakes were made” to “not my fault.” But before I get into the specifics, let me set the stage by first looking at how some of the global political leaders reacted to the crisis.

The global leaders speak...

So, who did the world’s leaders think was responsible for this crisis? Not surprisingly, there’s a pretty strong consensus that the US was (is) solely to blame; only in a few cases did some of the world’s leaders also acknowledge their own national mistakes.

First up is Gordon Brown, who said in October 2008 that “This problem started in America. They have got to sort it out.” Furthermore: “People were taking risks that were excessive – and that was mainly in my view in America and we are paying a price for what has come out of America.” And then again: “Well it is pretty clear to me that this problem started in America, it started with irresponsible actions and lending by individual institutions. Some of it was hidden from the regulators, some of it was never reported in companies’ balance sheets, in some cases nobody actually knew in the board of the company what irresponsible lending was done.” Damn Yankees...

Still, let’s not forget that the City of London (or as Vince Cable has said, “Iceland-on-the-Thames”), has been at the forefront of toxic financial engineering for
many years. And that the big UK banks – RBS, HSBC, Barclays, HBOS – created as much of the toxic stuff as the US banks. And that the UK had its own real estate bubble built atop many poor lending practices. And that London enjoyed the benefits of light-touch regulation for many years. And that Northern Rock's collapse was unrelated to anything going in the US. You get the point.

In the end Brown was forced to admit that even the UK bankers kind of screwed up, too – but still always managed to bring it back to the US: “These [British] guys have taken irresponsible risks; that is completely unacceptable. The problem is they didn't know what they were buying from America.” Really? It wasn't widows and orphans buying supposedly AAA-rated mortgage securities, it was sophisticated institutional players. Why did they not do their analysis and due diligence? And again: “Now where there have been regulatory issues, such as on Northern Rock, the FSA have said that they could have done certain things better. But the problem essentially arises, starting out of the United States of America where we had this highly leveraged lending, it ran into trouble because people were not sure and taking huge risks about the products that they were involved in, it has become a problem for the whole banking system and we have got to deal with it.” Damn Yankees...

David Cameron was a bit of an enigma on this issue. In October 2008 he said “we will not allow what happened in America to happen here” – never mind that what had happened in America had already happened in the UK. And then, “[m]any bankers in the City were quite simply irresponsible. They paid themselves vast rewards when it was all going well and the minute it went wrong, they came running to us to bail them out.” True enough. Yet one month before that he had said “[w]hat you won't get from me this week is the sort of easy cheap lines beating up on the market system, bashing financiers. It might get you some easy headlines but it's not going to pay a single mortgage, it's not going to save a single job.” So, I'm not really sure...

In Germany things were very clear to an irate finance minister Steinbrueck, who said: “The United States, and let me emphasize, the United States is solely to be blamed for the financial crisis. They are the cause for the crisis and it is not Europe and it is not the Federal Republic of Germany...[it was] the Anglo-Saxon drive for double-digit profits and massive bonuses for bankers and company executives that were responsible for the financial crisis.” So, I guess a bunch of salespeople from Goldman and JP and Merrill went over to IKB and Sachsen LB and the other “yield chasers” and forced them to buy AAA subprime mortgage bonds? I don't think so. [N.B. Steinbrueck: check out Deutsche's or Commerz/Dresdner's US operations – they've been quite significant for the past decade, they've been every bit as involved in the same financial alchemy, and they've been paying the same bonuses as the other American big boys.] Furthermore, Steinbrueck said, “The world will never be the same as it was before the crisis. The US will lose its