In recent economic news, Attorney General Eric Holder has received attention for his comments to the Senate Judiciary Committee that many of the big banks in the United States are beyond criminal prosecution. On March 6, he stated:

"I am concerned that the size of some of these institutions becomes so large that it does become difficult for us to prosecute them when we are hit with indications that if we do prosecute—if we do bring a criminal charge—it will have a negative impact on the national economy, perhaps even the world economy. I think that is a function of the fact that some of these institutions have become too large." (Riley 2013)

The media, which quickly picked up on the story and has dubbed it “Too Big to Jail/Too Big to Fail,” has stirred up controversy around the issue. Freshman senator Elizabeth Warren (D – MA), who has already gained national attention for her positions on the banking industry, immediately challenged Holder’s position. In a statement from Wednesday, March 6, 2013, Warren claimed:

“It has been almost five years since the financial crisis, but the big banks are still too big to fail. That means they are subsidized by about $83 billion a year by American taxpayers and are still not being held fully accountable for breaking the law. Attorney General Holder’s testimony that the biggest banks are too-big-to-jail shows once again that it is past time to end too-big-to-fail." (Reilly 2013)

This controversy can be explained by applying Marx’s theory of ideology, that the economic elite also controls the dominant ideas (Marx 1846:172). To admit that the banks have gotten so large that the world economy cannot function without them is a powerful statement. Any challenge to it is a direct challenge to the dominant ideology that capitalism is the best and only economic system for the United States and suggests that it could fail the common good.

However, as we can see from the lack of prosecution and repercussions against the banks after the 2008 financial crisis, despite some challenges from the Left, the economic elites have retained their grasp on the ruling ideas and the end of capitalism in America in response to the 2008 economic crisis is unlikely.
While capitalism has certainly evolved since the mid-nineteenth century, the conceptions of the bourgeoisie and the proletariat, and the ideas of relationships embedded in this analysis of capitalism, can still be applied to this situation. As we have transitioned to a service-based economy that focuses on guaranteed wealth rather than tangible goods, the role of the bourgeoisie takes many new forms, including those who run the major corporate banks.

The banking industry is responsible for generating wealth in America far more than a small manufacturing plant, by creating wealth both directly and indirectly. Directly, the banks are responsible for creating a large amount of wealth in our society. This is done through various kinds of investment and by utilizing complicated economic management or manipulation. One of the more positive examples might be granting loans to small businesses, whereas a more negative example would be feeding the housing bubble through adjustable-rate mortgages that eventually caused the sub-prime mortgage crisis. Indirectly, this speaks more to Marx’s conception of the ruling class generating the ruling ideas. By creating a socio-economic system where people have been taught to put all of their faith in the capitalist system, which disproportionally benefits Wall Street, the banks have set up “the ruling ideas [to be] … the ideal expression of the dominant material relationships.” (Marx 1846: p. 172)

Despite the anger and frustration that many Americans have been feeling towards the banks since the crash in 2008, few people believe that the financial crash was inevitable, as many Marxists do, and a symptom of capitalism’s collapse or inherent instability. Many individuals believe that it was a fluke, due to many complicated factors converging at once. Even if people do recognize that CEOs and other individuals in the banking world were responsible, these people, due to their economic power, have created a system that can fail, but not for them. They can escape problematic situations relatively unscathed.
In this way, the Marxist conception of the connection between class and ideology becomes very clear. We cannot fully know what would happen if every individual on Wall Street involved in decisions that lead to the crisis in 2008 were prosecuted. The “experts,” who are of course ingrained in the dominant capitalist ideology, tell us that such behavior would lead to world financial ruin. This is possible, but whether or not it is true is almost insignificant, because the fear of such a disaster prevents any such action from taking place, as seen from Eric Holder’s comments.

While Holder’s comment might be interpreted as resignation and/or frustration with the size of the banks, and their seeming control, it also demonstrates his subtle support of the current system, by implying by omission that continuing on the current path will not lead to disaster, but rather to economic growth and stability. Though he is critical that these banks will get a “free pass” he thinks, due to advice from economists, that non-prosecution will lead to recovery and growth, as determined by the banks themselves. He still believes in capitalism. Even as he is criticizing the behavior of the banks, he maintains his faith in the system, by standing by the idea that allowing the banks to continue in their role is unavoidable and necessary, not that this is an opportunity to rebuild a broken system, as Warren, a relative Washington outsider, claims.

MM,

Good job as usual. Your work seems to have a subtle trend underlying much of what you produce, at least for my classes, which is at least half of your academic output so far this year. You combine liberal political news bites with radical subterfuge. It works. You mention at the end that Warren is an outsider. I guess one could make more of this, and I assume you meant to imply that she’s not yet ensconced in the Washington consensus. So is it only a matter of time? Above you also put experts in quotes. I almost edited your document to put the word
“economists” in quotes too. By now, I see that you “get: this assignment. Do you want me to think of something more challenging you can do instead?

Works Cited

