

OBAMA'S FINANCIAL FRAUD ENFORCEMENT TASK FORCE - SAME OLE, SAME OLE?

by Brian Mahany

In many ways, the United States government is more about public relations and propaganda and less about action. Take the recent press event in November announcing the creation of the Financial Fraud Enforcement Task Force.

Facing rising public and political pressure in the aftermath of the last year's financial meltdown, President Obama signed an executive order on November 17th creating the high level task force to combat financial fraud. Every elected official wants to be seen as tough on white collar crime, tax evasion and fraud.

At the press event, Attorney General Eric Holder announced "This task force's mission is not just to hold accountable those who helped bring about the last financial meltdown, but to prevent another meltdown from happening. We will be relentless in our investigation of corporate and financial wrongdoing, and will not hesitate to bring charges, where appropriate, for criminal misconduct on the part of businesses and business executives."

Treasury Secretary Tim Geithner, who has his own tax compliance problems, added, "Through the Financial Fraud Task Force, we are making clear that the Obama Administration is

going to act aggressively and proactively in a coordinated effort to combat financial fraud.”

One member of the public told a news commentator after the press event that it was “about time” the government focused on financial fraudsters. Looking back in history, however, I recall then President George W. Bush reacting similarly to the press and public in the wake of the Enron scandal.

Bush told reporters back in 2002, during the signing ceremony creating the Corporate Fraud Task Force, that a task force was needed to restore public and investor confidence following a wave of corporate scandals. He also vowed to work proactively to prevent another crisis.

Reading the two press releases makes one wonder if Bush and Attorney General Holder share the same speech writer. Interestingly, after almost 7 years, the Bush task force was still in place and actually issued a press release on January 9, 2009. The release, issued after Obama’s election and just days before his inauguration, announced the adding of new member agencies to the group. Those same agencies are now part of the new task force.

Will Obama’s task force be more successful? Probably not. What will make a difference, however, are the thousands of newly IRS and FBI agents and a host of new disclosure laws. Obama’s task force itself is nothing more than a renamed interagency working group with a similar mission statement and many of the

same members.

I expect it will be at least another year before the federal enforcement efforts really show any results. Under the Obama administration, expect an increase in prosecutions of Americans with unreported offshore holdings, Ponzi scheme promoters and financial industry insiders.

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