

# How the wall street chiefs were not prosecuted for the financial crisis

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Kareem Serageldin remains the only banker to go to jail due to the financial crisis of 2007-2008. The lack of prosecution of Wall Street executives for causing the financial crisis can trace its roots to the ambitious Justice Department under George W. Bush. The economic damage of prosecuting Wall Street firms ultimately frightened and made the Justice Department more willing to reach settlements and avoid prosecution. Other contributing factors included the difficulty of proving criminal intent of Wall Street executives, exacerbated by the lack of experience prosecuting such trials due to the falling number of prosecutions pursued by the Justice Department. The fear of prosecuting firms that are inexorably linked to the health of the economy resulted in only one executive banker serving time behind bars and only upholds the idea that banks are “too big to fail.”

In a collaborative investigation between The New York Times and ProPublica, they explored the question of why only one executive banker involved with the financial crisis of 2007-2008 was found guilty and sentenced to prison. Kareem Serageldin, a banking executive at Credit Suisse, who was several rungs below the top-tier level of executives, was sentenced to 30 months in prison for concealing the hundreds of millions in losses of Credit Suisse's securities. While other executives at Credit Suisse and other financial institutions committed the same crimes and some that were far worse like concealing billions in losses and selling toxic sub-prime loans. The Times and ProPublica investigation found that the lack of prosecutions stems from the Justice Departments fear of hurting financial institutions that are linked with the health of the economy.

The history is much more complex, but for brevity, the Justice Department's prosecutorial inaction can be traced back to George W. Bush's Justice Department, led by criminal division chief Michael Chertoff. Chertoff saw an opportunity after watching his colleagues take down entire corporations like Enron and large swaths of mob families. Chertoff decided he was going to take down Arthur Andersen, the accounting firm that enabled Enron, which resulted in the conviction of Arthur Andersen and tens of thousands of employees losing their jobs when the firm shutdown. The mass layoff of faultless employees and later the overturning of the conviction by the Supreme Court resulted in Chertoff and the Justice Department to become gun-shy.

The lack of conviction from the Justice Department continued under the Obama Administration. In 1999, then deputy Attorney General, Eric Holder released a memo that discussed the implications of prosecuting financial institutions and that their effect on the national and world economy need to be taken into consideration when the decision to prosecute is made. Now the attorney general under Obama, Holder did oversee large settlements with Wall Street firms that resulted in billions of dollars in fines paid, but individual wrong doings remained protected from prosecution. No individual executives of Wall Street were fined, instead shareholders footed the bill for the fines paid to the government. Instead, Wall Street executives walked away with bonuses. Along with the fear of prosecuting firms, the increased number of settlements prevented the Justice Department from becoming seasoned in prosecuting big cases. The few occasions the Justice Department

did take bankers to court, they ended in acquittals, which further promoted the idea of aiming for settlements over prosecutions when it came to Wall Street.

While settlements with Wall Street firms have resulted in billions of dollars in fines paid, very few individuals were punished for causing the financial crisis. In large part, the Justice Department's fear of harming the economy and the lack of experience of prosecuting big cases against Wall Street firms. Wall Street firms are directly linked to the wellbeing of the world's economy and the Justice Department is well aware of this fact.