



Stop the propaganda against Dubai

Dr. Manahel Thabet argues that Dubai is much better off than the US, which has had to deal with rampant corruption in recent years.

I am surprised at the American propaganda against Dubai and the corruption that has been exposed lately. At least the Dubai government has been transparent about punishing those who have been found guilty. Let's look at the American example. In case you believe that there are only a couple of bad apples in the US, I would like to share an off-the-top-of-my-head list of corruption by the leading pillars of American society.

Let's start with the senior military officials who stole approximately US\$125 billion out of Iraq reconstruction funds, dwarfing Madoff's US\$50 billion Ponzi scheme. The looting, which is now occurring under the bailout/stimulus programs, will far surpass US\$150 billion, according to official statistics. The Treasury department has released US\$294 billion as of last month, with most of it going to the banking industry in exchange for preferred stock and other bank securities. When the department launched the banking rescue plan last fall, it set up a process for awarding the massive sums of money outside of public view with criteria that were not disclosed, even to Congress.

The secrecy fuelled suspicion that political influences would be difficult to restrain with so much money at stake and with the banking industry in such disarray. Within months, reports began to surface that banks were actively lobbying for the funds and that members of Congress were exerting their influence on Treasury officials to give money to specific banks. Concern about potential influence peddling was heightened after the disclosure that a bank in Massachusetts received US\$12 million in TARP funds after Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, had

inserted language in the TARP legislation that was aimed specifically at helping the bank. The story was first reported in January by *The Wall Street Journal*.

More recently, Goldman Sachs is in docks for failing to disclose to investors vital information about collateral debt obligations (CDOs), in particular the role that a major hedge fund played in the portfolio selection process and the fact that the hedge fund had taken a short position against the CDO. The Securities and Exchange Commission (SEC) alleges that one of the world's largest hedge funds, Paulson & Co., paid Goldman Sachs to structure a transaction in which Paulson & Co. could take short positions against mortgage securities chosen by Paulson & Co. based on the belief that the securities would experience credit events.

The list goes on. Texas billionaire Robert Stanford and three of his companies were charged by the SEC for running a multi-billion-dollar fraud scheme and orchestrating a fraudulent, multi-billion-dollar investment scheme centred on a US\$8 billion CD program. Senior judges in Pennsylvania pleaded guilty to falsely convicting and imprisoning hundreds of youths (they got kickbacks from the prisons). The government-endorsed ratings agencies, which were supposed to accurately rate the creditworthiness of companies and nations, committed massive fraud.

Hundreds of similar stories of corruption have come out recently. But surely government employees would have done something to stop such corruption if they had known about it, right? Well, actually not. Whistleblowers alerted the government about the looting of Iraq reconstruction funds, but nothing was done. A whistleblower "gift-wrapped and

delivered" the Madoff scandal to the SEC, but they refused to take action.


The Treasury department allowed banks to "cook their books". The man at the centre of a fraud scandal at the Treasury department has been allowed to quietly quit and retire from his job as a government regulator, despite allegations that he allowed a bank to falsify financial records and amidst outcries from investigators, who say the case shows how cozy government regulators have become with the banks.

There's more. A government regulator helped a bank hide its shaky financial condition.

Darrel Dochow, the west coast regional director at the office of thrift supervision, who investigators say allowed IndyMac to backdate its deposits to hide its ill health, quit last Friday. Prior to his leaving, Dochow was removed from his position but remained on the government payroll while the inspector general's office investigated the allegations against him.

In another instance, the Pennsylvania Supreme Court refused to hear a case regarding corrupt judges. A month later, only after the judges confessed to criminal wrongdoing, the Supreme Court changed its mind and took interest.

In addition, the government knew about mortgage fraud a long time ago. The FBI warned of an "epidemic" of mortgage fraud in 2004. However, the FBI, the DOJ and other government agencies did nothing.

The above are just some of many examples of the US government aiding and abetting corruption. As an economist, I believe that Dubai is in better position. 

The author is a well-known specialised writer and researcher in the field of economics. She holds a PhD in financial engineering and has occupied several prominent positions at a number of international economic organisations. Opinions expressed in this article are those of the author and do not necessarily represent those of the MONEYworks group of magazines. This article should not be misconstrued as financial advice.