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Wall Street Is An Illegal Cartel That Needs To Be Busted Up: William Cohan

By Henry Blodget | Daily Ticker – Thu, Jan 19, 2012 9:11 AM EST



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How Wall Street Turned a Crisis Into a Cartel: William D. Cohan

By William D. Cohan | Jan 8, 2012 7:00 PM ET | 35 Comments [ADD TO QUEUE](#)

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About William D Cohan

William D. Cohan is the author of the recently released "Money and Power: How Goldman..."

Almost 65 years ago, in 1947, the U.S. government sued 17 leading Wall Street investment banks, charging them with effectively colluding in violation of antitrust laws.

In its complaint -- which was front-page news at the time -- the [Justice Department](#) alleged that these firms had created "an integrated, overall conspiracy and combination" starting in 1915 "and in continuous operation thereafter, by which" they developed a system "to eliminate competition and monopolize 'the cream of the business' of investment banking."

The U.S. argued that the top Wall Street investment banks -- including [Morgan Stanley \(MS\)](#) (the lead defendant) and Goldman...

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The big Wall Street banks have achieved so much control over their industry that they amount to an illegal cartel, says William Cohan, a former banker and the author of many books and articles about Wall Street, including "[Money And Power](#)," a book about Goldman Sachs.

The pricing power and profits that the big banks have is similar to that of Standard Oil, Cohan argues, referring to the gigantic oil monopoly owned by John Rockefeller that was broken up a century ago.

Cohan observes that prices of transactions like IPOs and M&A deals are basically fixed across the industry and produce

humongous profits. And smaller "boutique" firms are not able to compete on price because they lack the distribution and influence of the biggest banks.

Cohan believes that the government should intervene, breaking the cartel's stranglehold. He notes, however, that a prior case brought against the industry 60 years ago failed. And even if the government were to successfully intervene, the specific remedy is not clear.

Do you agree with Cohan? Tell us what you think in the comments below or on our [Facebook](#) page.

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