

Taibbi: U.S. Finances 'Similar' to Russian Politics

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June 20, 2011



Matt Taibbi

Matt Taibbi, contributing editor at Rolling Stone, is known in the United States for his coverage of the financial crisis — he once memorably described Goldman Sachs as "a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money" — but in Russia, he is remembered for his time as editor of the satirical newspaper *The eXile* and by some at this paper for his brief period as a journalist at *The Moscow Times*.

The *Moscow Times* sat down with Taibbi in New York recently to chat about Russia's political future, his coverage of the financial crisis and being a reporter in Russia and the United States.

Do you still follow Russian politics?

Not anymore. A lot of the Russian friends I had either aren't in journalism anymore or have

moved on to other things, so I'm not as in touch with that world anymore. When I was in Russia, I was obsessed with the corruption and scams. I loved that stuff and still followed it for 2-3 years after I left. Part of the reason for that was that I didn't understand American politics as well. I thought there wasn't as much to follow here. But in the last 3-4 years I've gotten into the finance thing here, that's the reason I don't follow Russian politics as much.

When the financial bubble burst here, it became a lot like the Russian story. A very small group of businessmen with financial interests captured the government and used taxpayers and the public as a kind of insurance policy to bail themselves out when they got in trouble. They limit the political influence of ordinary people by manipulating elections. That story was so similar to the Russian story, I had that same feeling that the world is falling apart and you're searching for that corrupt inner circle, kind of like a mystery story.

What were you doing before you started writing about the financial world?

When I first came back, I tried to start The eXile in Buffalo [New York] but that was only for a year and a half. Then I started working for Rolling Stone, I was following the presidential campaign and after that I did contracting in Iraq and then went back to the election campaign. I hated the election story, I kept telling myself, it can't be this stupid. A whole bunch of politicians getting up, saying the same stuff over and over again, and they don't really say anything meaningful. I always thought there was something under the surface, like in Russia, who owns that newspaper, and where is this kompromat [compromise] coming from? We don't have that here. But the finance thing is that, so until that came along, I was really frustrated.

Who, in your view, was behind the economic collapse?

It was a combination of everything, specifically the mortgage bubble. People invented financial instruments that allowed them to take crappy subprime mortgages, chop them up and sell them as AAA-rated bonds, so it was kind of like Russia with GKO [Russian government bonds issued in the 1990s], where they were worthless and they were selling them as worthwhile stuff. It was a combination of factors, it was people who invented those derivatives, it was the regulators who deregulated. There was no oversight of the derivatives. There was a law passed in 2000 that made them effectively unregulated. The banks were all obviously at fault. They went to the government in 2004, and they lobbied to remove leverage limits. So it was a combination of everybody, regulators not doing their jobs, bankers being greedy, borrowing too much.

Do you think we'll see a change now that the Barack Obama administration is tightening the oversight of derivative trading?

I don't think there will be a meaningful change. The basic situation is no different at all. This crash received an enormous amount of public attention, and the government had the opportunity to make changes with the Dodd-Frank bill, but they decided to not do anything. Unless there is another crash, I don't see anything changing.

Do you see any difference between President Obama's and President George W. Bush's financial policies?

I think it's absolute continuity. In the last years of Bush's term, [Ben] Bernanke and [Timothy] Geithner were the architects of the bailout. Then Obama gets elected, he retains Geithner and he re-nominates Bernanke, so the bailout policy remains exactly the same.

I think they could've not repealed the Glass-Steagall Act in 1998, and then there was the Commodity Futures Modernization Act of 2000 that deregulated derivatives. The big thing is that everyone should've seen that they were selling these crazy billion-dollar deals full of subprime mortgages where people had only put 1 percent of their mortgages down, and somehow that was a AAA-rated security. Everyone should have known this stuff was really dangerous. So there was a situation when everyone, even the press, failed their job. There were reporters saying that housing prices will continue to go up forever — it's irresponsible. Someone should've looked at it and said this can't be real growth.

I think journalists should've done more. It's a bit hypocritical of me to say, because I didn't do it, I wasn't a business reporter back then.

What inspired The eXile?

Spy was a prototype for The eXile. We tried to do a Russian Spy magazine. In 1998 Mark [Ames] and I approached Psychology Today, which actually owned Spy back then, we did a mock-up of a Russian version of it. But Spy itself had a pretty limited natural readership, too intellectual, great magazine though. [Spy ceased publication in 1998 after 12 years.]

What did you think about the Vanity Fair piece about The eXile? [In 2010, Vanity Fair published an article about the creation and closure of The eXile. During the interview with the reporter, Taibbi threw coffee at him.]

No comment. That reporter [James Verini] was extremely obnoxious and very intrusive. Never talk to a journalist who is going to do a hit piece on you.

Why did you come to Russia?

My favorite writers were Russian as I was growing up — [Mikhail] Zoshenko, [Nikolai] Gogol, [Sergei] Dovlatov — all the comics. I wanted to read in Russian, that's why I went to St. Petersburg, Leningrad Technical University to do a private program.

One of the main problems foreign publications face in Russia is that most Russians don't read English. How did The eXile approach this issue?

I wrote in Russian for the Stringer, for Komsomolskaya Pravda, Trud, but that was just PR to get people to read The eXile. We marketed The eXile toward young, educated Russians, people who went to clubs, and we were a bit successful at doing that. We also tried to do things that would get us in the news in the Russian media, like being involved in a political protest, doing a prank. The idea was to get us on the Russian television, to get other people to cover us — that was a way of drawing Russian readers.

You worked as a freelance journalist in Uzbekistan, in Russia at The Moscow Times and at The eXile. What were the stories you did that you were most proud of, and do you miss anything from being a journalist in the post-Soviet Union.

I think I'm most proud of those long provincial features I did at The eXile, like the thing I did about Vorkuta coal miners, or the bit about cattle thieves in Siberia, or maybe the High School 666 piece, which were all about getting to know people in strange places going through hard-to-imagine problems. Those stories were really fun. My current work is not so much about that kind of reciprocal discovery, i.e. there's not much of an emotional payoff in getting to know Goldman Sachs (not for me and definitely not for them). I really loved Russia, and I'm sure that came through in those stories — definitely it's not the same for me now.

In retrospect, do you wish you had covered any topics more extensively?

Looking back, I didn't understand a lot of the financial stuff that was going on in Russia. I tried, I had some friends who worked as investment bankers over there, and I'm sure there was a lot of corruption that went on that I just didn't catch, because I didn't understand it. It's hard enough to follow Russian politics in a foreign-language newspaper. We did catch a bit of the 1998 default, we actually were the only paper that predicted it, but I didn't understand it all that well.

Did you realize, when [President Vladimir] Putin came to power, that freedom of the press was going to be curtailed?

Freedom of the press was very negligible under [President Boris] Yeltsin, too. I had friends in the Russian media who were attacked. The problem under Yeltsin wasn't government repression; the problem was mafia ownership of the newspapers. The issue you had as a journalist back then wasn't being afraid of the government, it was which gangster am I going to offend by doing this story.

Back then, the Russian press was freer than American journalism. Here it's very monolithic, a few companies control most of the media. But Yeltsin had many other highly negative qualities, and he ran the state much more like a mafia don. What does a mafia don do? He is not a dictator, but he allows freelance criminals to operate, and then he takes tribute from each one of them, takes taxes. Putin has consolidated power. Under Yeltsin it was criminal federalism, and now it's a centralized autocracy.

Do you think Russia will ever be truly democratic?

I actually heard this more from Russians than I did from Americans when I was over there: that it's not in our character, we just have an autocratic society, that's the way we think. The evidence suggests that it's always been that way, in one form or another. I'm not terribly hopeful.

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