

Citizens Electoral Council of Australia

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JP Morgan Chase blowout fuels demands for Glass-Steagall now

Four years into the global financial crisis, the never-ending financial bailouts, the brutal impact of banker-dictated austerity, the rising fear of “contagion”, and the non-stop financial scandals, have pushed more and more experts to add their voice to U.S. physical economist Lyndon LaRouche’s call for a global Glass-Steagall reorganisation of the financial system: separate out the financial derivatives gamblers in the investment banks from the real economy, and let the gamblers eat their losses and collapse.

The Friday, May 11 admission by JP Morgan Chase CEO Jamie Dimon that the bank has blown \$2 billion in London-based derivatives bets has further fueled an already-ongoing outcry for Glass-Steagall. Calls for Jamie Dimon to be ousted from both his post as CEO of JPMC and the board of directors of the New York Federal Reserve Bank have been combined with demands for the breakup of the banks by restoring Glass-Steagall. Former New York Gov. Eliot Spitzer demanded both Glass-Steagall and Dimon’s resignation from the New York Fed in a May 15 column in *Slate*, titled “Flawed Dimon”. *Time* magazine’s Joe Klein issued a similar call under the headline “Jamie Dimon’s Worst Nightmare”. Klein cited a convoluted scheme to re-regulate the banks by former GOP Presidential candidate Jon Huntsman (who had also called for the reinstatement of Glass-Steagall) and then added, “Former Delaware Senator Ted Kaufman and others favor a more straightforward approach: an updated version of the Glass-Steagall law which separated commercial banking from investment banking, and kept the animal passions of Wall Street under control from the Great Depression to the late 1990s, when it was supplanted by Bill Clinton’s unfortunate deregulation.”

Elizabeth Warren, who is running for the U.S. Senate against Scott Brown, on May 15 sent out a mass emailing, calling for Glass-Steagall. Her call has been fully backed by the Progressive Change Campaign Committee, which has a banner headline call to reinstate Glass-Steagall on their website and is conducting a petition drive.

Forbes magazine’s website Monday also published a column

by the Small Business Authority headlined “Bring Back Glass-Steagall”, which called for the repeal of Dodd-Frank as well as the reinstatement of Glass-Steagall. “We think the Dodd-Frank bill, with its excess of 2,000 pages of regulation, does not help our current structural issues and that we should strongly consider bringing back Glass-Steagall. Our capital markets have grown significantly over the past 25 years, which reduces the need for banks to finance risky ventures as other financing vehicles and structures are well suited and available to fill that void. We think these changes would be great for small business and the health of the United States economy.”

Even from within the financial community itself, a growing chorus is demanding the return to Glass-Steagall. Al Jazeera quoted Martin Hennecke from the Hong Kong-based Tyche Group. Citing the JP Morgan \$2 billion loss, he told Al Jazeera, “We are particularly not fond of the U.S. banking industry, which is like a casino gambling industry, especially since the Glass-Steagall Act was repudiated. The Glass-Steagall Act needs to be implemented again, otherwise it seems the banks pretty much do what they want. If they mess it up, they get a bailout and if they do it right they don’t care about what limits were broken ... The much-chastised Chinese banks that everybody loves to hate are much safer to invest in than banks in the U.S. and Europe as well for that matter.”

U.S.A. Today quoted Stanley J.D. Crouch, chief investment officer at Aegis Capital, who also calls for the return to Glass-Steagall. “A

bank should be a bank. Proprietary trading is like a rock on a mountain. We are going to have an avalanche.”

Writing for *Business Insider*, Gary Anderson not only called for Glass-Steagall. He called for a ban on U.S. banks operating in the City of London: “Glass-Steagall should be accompanied with rules forbidding our [U.S.] banks to trade in the U.K. Square Mile [the City of London]. The financial system has lost a lot of money there. The bets are unlimited as you can rehypothecate collateral over and over there. That is not permitted on Wall Street ... The Square Mile is unregulated and the Parliament of the U.K. has no power over this financial



June 16, 1933 - U.S. President Franklin D. Roosevelt signed into law the Glass-Steagall Act, which separated the parasitical investment banks from legitimate commercial banking

center, the closest thing to a New World Order that we have. Even the Queen of England bows to the mayor of the Square Mile when going within the walls of this original settlement of the City of London.”

Former U.S. Labor Secretary Robert Reich has been regularly pushing for the reinstatement of Glass-Steagall, and he is part of a network of progressive Democrats who are waging a drive for Glass-Steagall that began before the Friday news about JPMC. What the JPMorgan Chase losses have catalysed is the recognition that nothing has changed, that Obama has protected Wall Street like no other President before him, and that we are in the middle of another blowout far worse than 2007-2008.

Democratic Party Congresswoman Marcy Kaptur’s bill for reinstating Glass-Steagall, House Resolution 1489, is already before the U.S. House of Representatives with over 50 co-sponsors from both parties.

More calls for Glass-Steagall:

- The Morgan affair shows that the “too big to fail” banks are too big to manage and should be broken up, and that continued opposition to the Volcker Rule is ridiculous, said Simon Johnson, a former chief economist at the IMF and a senior fellow at the Peterson Institute for International Economics.
- Fox News: Peter Morici calls for a “modified” Glass Steagall: “the simplest solution is to once again separate commercial and investment banking, as was required by the Glass-Steagall act, with some modest exceptions ...”
- Washington Times—Terry Ponick: “At this point, the easy, simple solution is to junk Dodd-Frank and the as yet-unwritten Volcker rule and reactivate the good old Glass-Steagall Act ...”
- Washington Post—Allan Sloan: “I’m all in favour of reining in banks that hold federally insured deposits. I opposed repealing Glass-Steagall ... But Congress, in its wisdom, repealed Glass-Steagall.”
- David Kotok, chairman and chief investment officer of Cumberland Advisors: “It’s pretty clear that when the US removed the Glass-Steagall Act years ago, it opened a Pandora’s Box, which has been open for decades and we

now have the results. The results are ugly and continue to be so.”

- “We had Glass-Steagall for over half a century ... and it worked until the late ’90s,” Rolling Stone editor Matt Taibbi said on Eliot Spitzer’s Viewpoint TV show May 10. “Dodd-Frank is so full of holes it’s ineffective.”

- Former French Prime Minister Michel Rocard, interviewed May 10 on radio said: “I’m referring to the absolute separation of deposit banks—when you manage the deposits of others and of the economy, no risk should be taken. That should be prohibited. And it was prohibited for 70 years, thanks to Franklin Roosevelt in 1933, but then it was repealed. It was called the Glass-Steagall Act, a name you hear from time to time. Around 1995-98, it was given up, both in the United States and Europe, and since then, we’ve had major financial crises every five years.”

- The Italian Teachers Union published an article by La-Rouche representative and physics teacher Flavio Tabanelli, calling for going back to the classics and for Glass-Steagall, as the solution to the decadence of the public school system. The Union has published Tabanelli’s article on its website and is going to publish it also in its magazine which has a print run of 50,000.

Citizens Electoral Council leader Craig Isherwood commented today, “As part of a global Glass-Steagall, nations should seriously look at imposing economic sanctions on the City London, which has proven itself to be the rogue state of international finance, the lawless enclave protected by the British Crown which harbours the world’s financial pirates and terrorists who have wreaked such havoc on the world economy. All of the worst derivatives blowouts have occurred in London, from trading that is illegal in every other country. Furthermore, London is the centre of: tax evasion; the legalised theft known as privatisation; the oil speculation that drives up the world’s energy costs; most other commodity speculation; and its newest financial derivatives scam—carbon trading.

“Glass-Steagall is the first step in nations regaining control over the financial system for the good of their people,” he said. “The CEC is leading this fight in Australia. I urge all Australians to join the CEC’s ‘Develop or Die’ resolution campaign to build such a groundswell of support among elected officials and other community leaders for Glass-Steagall and a national bank, that the decision-makers in Canberra will be forced to act.”

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