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OBAMA MUST GO!

Dodd-Frank ‘Financial Reform’ Bill Is a Sellout to Wall Street

by Jeffrey Steinberg

June 27—One of the very rare honest comments uttered by President Obama since he took office 17 months ago, was issued in brief remarks from the White House Rose Garden, on June 25, following the all-night House-Senate conference committee session that produced the so-called Dodd-Frank financial reform bill. Obama proudly declared that the final product “represents 90% of what I proposed when I took up this fight.”

That much was true: The bill had Obama written all over it. And Wall Street. And London. The rest of his prepared remarks on the Dodd-Frank bill were the kind of pathological lies that only a man suffering from severe narcissism could deliver with a straight face. “We are poised to pass the toughest financial reforms since the ones we passed in the aftermath of the Great Depression,” the President declared, adding that the threat of “too big to fail” banks had been eliminated.

The reality of the situation could not be more radically different. The final bill that emerged from the marathon conference session, stripped out the few sections that were opposed by the Obama White House and by Wall Street, particularly Sen. Blanche Lincoln’s (D-Ark.) Article VII, which would have forced the Big Six banks to divest their swap desks and cease derivatives trading with Federal government-insured and -lent funds.

And the efforts by a handful of Congressmen and Senators to restore the Glass-Steagall separation of commercial banks from investment banks and insurance companies, was killed by Sen. Christopher Dodd (D-Conn.) and Rep. Barney Frank (D-Mass.), before the Senate and House bills were voted on. In that move against any meaningful reform, Dodd and Frank had the full backing of President Obama and his economic team. There was not an iota of the Franklin Roosevelt-style crackdown on the power of Wall Street in Dodd-Frank bill, which has already been appropriately labeled the “Dudd bill.”

The fact that the bill was released the very same day that the Senate gave up on passage of a fund to extend unemployment insurance by $35 billion over ten years, indicated just how much the current House and Senate—along with the Obama White House—are owned, lock, stock and barrel, by Wall Street and London. As the result of that action, 2 million Americans will have been kicked off the unemployment insurance rolls by mid-July, with millions more to follow. The message from Washington: The too-big-to-fail banks will live on, while the American people can drop dead!

When the reality of what just happened dawns on the American people over the immediate days ahead, the mass-strike process, which began in August 2009 in reaction to Obamacare, is going to reach a new explosive level. For President Nerobama, Rome is already burning.

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'The President Is a Liar!'

In his June 26 international webcast, American economist and statesman Lyndon LaRouche made clear, repeatedly, that Obama must go. Until the President is forced out of office—Nixon style—the United States stands no chance of reversing the economic breakdown collapse, and returning to the kind of recovery that President Franklin D. Roosevelt led, the last time that the United States faced such a total crisis.

LaRouche's strongest statement, to that effect, came in response to a lengthy question from the office of a U.S. Senator, who provided a detailed account of how the President, on behalf of Wall Street, wrecked any chance at serious action.

"Despite overwhelming revulsion of the U.S. population to the bailout of Wall Street and of the banks," the Senate spokesman said, "and despite the fact that our President said repeatedly that he would veto any measures that did not include reining in derivatives, the fact is that exactly the opposite occurred. And, in fact, I do very much regret to report that it seems that the President is a liar."

After giving a detailed account of what happened during the House-Senate conference deliberations (see excerpts, below), particularly, how the Lincoln derivatives ban was stripped out of the final bill, the questioner asked: "It seems to be a great contradiction. If the President of the United States said he would veto any legislation that did not rein in derivatives, then why did he send half of the White House to Capitol Hill to make sure that those derivatives were not reined in?"

Indeed, the *Wall Street Journal* reported, just hours after the Dodd-Frank bill passed out of conference on strictly partisan lines, that the final wording, permitting the Big Six Wall Street banks—Goldman Sachs, JP Morgan Chase, Morgan Stanley, Bank of America, Citicorp, and Wells Fargo—to maintain their trading in foreign exchange derivatives, interest rate swaps, and most credit default swaps, was actually written by Treasury Department officials on the night of June 24!

As the conference members closed in on final language, Treasury Secretary Tim Geithner, Federal Reserve Chairman Ben Bernanke, and a team from economic advisor Larry Summers' office at the White House, hovered around the Senators, lobbying to strip the bill of any last vestiges of real regulation.

The final version that came out of the conference, in fact, guaranteed that taxpayers will foot the bill, again and again, for the Big Six banks, and even tightened the grip of these megabanks over the U.S. financial system.

An Open Secret

The stealth action by Team Obama, to kill off any shadow of Glass-Steagall, did not go unnoticed. On June 25, *Newsweek*'s Michael Hirsh warned, under the banner headline, "Financial Reform Makes Biggest Banks Stronger—The too-big-to-fail monster lives: How the Dodd-Frank bill maintains the status quo":

"Glass-Steagall, meet Dodd-Frank.... The nearly 2,000-page bill marshaled through Congress by Sen. Chris Dodd and Rep. Barney Frank falls short of that earlier, Depression-era standard. Whereas Glass-Steagall substantially altered the structure of the financial system and required the creation of brand-new kinds of firms, Dodd-Frank effectively anoints the existing banking elite. The bill makes it likely that they will be the future giants of banking as well. Legislators touted changes that would restrict proprietary trading by banks and force them to spin off their swap desks into separate capitalized operations. But banks get to keep the biggest part of their derivatives business, which is dominated by interest-rate and foreign-exchange swaps. Some 80 to 90 percent of that business will remain within the banks, and JP Morgan, Goldman Sachs, Citigroup, Bank of America, and Morgan Stanley control more than 95 percent, or about $200 trillion worth of that market."

Hirsh quoted a former Treasury Department official, who lamented: "The bottom line: this doesn't fundamentally change the way the banking industry works. The ironic thing is that the biggest banks that took the most money end up with the most beneficial position, and the regulators that failed to stop them in the first place get even more power and discretion. We've consolidated the position of the five banks that were most central to the crisis. In my mind, they created six new GSEs [government-sponsored entities like Fannie Mae and Freddie Mac—ed.]. These mega-institutions are now the nodes of the financial system."

'Close to the Cliff-Edge'

Last month, LaRouche issued a chilling warning: The entire global financial system is heading into a new

breakdown phase, by mid-July. This means that the intervention by the Obama White House and Treasury Department, on behalf of Wall Street and London, to block the return to the Glass-Steagall Law, will have immediate and devastating consequences for the United States and the world.

LaRouche is not alone in this assessment. On June 27, the *Daily Telegraph*'s Ambrose Evans-Pritchard reported that the Royal Bank of Scotland's credit chief, Andrew Roberts, has been circulating an advisory to the bank's clients, warning that the Federal Reserve is soon going to have launch another "monster" taxpayers' bailout of the banks. "We cannot stress enough," Roberts warned, "how strongly we believe that a cliff-edge may be around the corner, for the global banking system (particularly in Europe) and for the global economy. Think the unthinkable."

Royal Bank of Scotland is a flagship of the Inter-Alpha Group, the Rothschild-created Europeanwide banking consortium, at the very center of the onrushing European collapse. Roberts told the bank's clients that the "solution" to the imminent crash is a combination of monetary hyperinflation and murderous austerity.

The Rothschilds, who serve the British monarchy, are notorious for profiteering when there is "blood in the streets," which will surely result from the mega-bailout they are demanding.

LaRouche's Alternative

For the United States, there is an alternative, which can alter the direction of the entire planet: Restore Glass-Steagall, as LaRouche has demanded since the eruption of the crisis in the Summer of 2007.

As last week's actions on Capitol Hill make clear, for that to happen, President Obama is going to have to go.

As LaRouche said, in response to the question from the Senator's office: "We have to understand, if we want to have a nation—and if we lose this nation, we'll lose civilization too, for a long time to come—Obama has to go. I've described exactly how he has to go. Get him out of there. To get him out of there, we have options. Don't talk about the conditions under which you get him out; get him out! Just don't shoot him. We don't want that mess. Just get him out of there. That's the issue. Are you willing to get rid of Obama? Or do you want a moustache on your lip too?"

From the Senate: Obama Is a Liar

This question, edited for EIR*, was submitted to LaRouche's June 26 webcast from a U.S. Senator's office. It provides an inside view of the White House role in getting the financial "reform" bill that Wall Street wanted. The question was read by moderator Debra Freeman.*

"Mr. LaRouche, I think it's very important that the people who are listening to your webcast understand exactly what occurred in the Conference Committee that produced this legislation. Because what is right now in the press is disinformation. Because despite the overwhelming revulsion of the U.S. population to the bailout of Wall Street and of the banks, and despite the fact that our President said, repeatedly, that he would veto any measure that did not include reining in derivatives, the fact is, that exactly the opposite has occurred. And in fact, I do very much regret to report that it seems that the President is a liar.

"First of all, Senator Levin was employed to introduce the so-called 'Volcker Rule' as a subsitute for a different amendment, which was the re-introduction of Glass-Steagall, as you well know. Now, Glass-Steagall was, without question, preferable, and the Volcker Rule was flawed. But, President Obama opposed Glass-Steagall, and claimed to have supported the Volcker Rule. But, even with all of its flaws, the fact is, that the Volcker Rule, originally, as Senator Levin introduced it, banned banks from using their own taxpayer-backed cash to speculate in the financial markets.

"And as everyone does know, the Federal government stands behind bank deposits, and banks have access to cheap funds from the Federal Reserve. And former Federal Reserve Chairman Paul Volcker argued that the banks should not be allowed to use that subsidy to speculate. And presumably, President Obama supported that.

"However, on Thursday afternoon, the Senate conferees confirmed that their so-called compromise was that the banks could invest up to 3% of their tangible common equity in hedge funds, and private equity