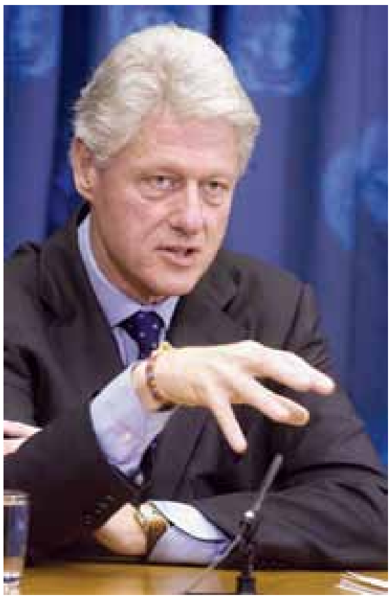
Appendix

Bill Clinton Poses A Critical Issue

The following transcript is excerpted from an interview given by former President Clinton with PBS's Gwen Ifill at the Peterson Foundation on May 14, 2014. It is provided here as the necessary context for LaRouche's webcast discussion.

Gwen Ifill: One of the other conversations we're having in Washington is re-litigating the financial collapse in 2009, in part, because of Tim Geithner's new book. And one of the questions people raise, is whether in your administration, you didn't create policies that allowed deregulation to go too far?

Bill Clinton: Well, I think the answer to that is, by and large, no, but in one case, yes. Let me tell you exactly what I mean by that: Nobody has identified a single financial institution that failed, not one, because of the repeal of Glass-Steagall—not one. Lehman Brothers was an investment bank; Bear Stearns was an investment bank. The non-diversified banks themselves, if you look at what happened in the years afterward, they were more likely to fail than the diversified ones. Canada got through the financial crash, probably better than any other country: They *always* had unified banking between investment and commercial banks. What did they have that we didn't? More adequate capital requirements, more adequate oversight.



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So, if I had known that basically, we would see the end of banking and SEC oversight, after I left office, would I have signed it? Probably not. Would it have passed? Absolutely.

Let me remind you, that bill passed 90-8, in the Senate. Ted Kennedy voted for it, Pat Leahy voted for it, Jay Rockefeller voted for it. I mean—and in fairness to them, that's because Federal Reserve rulings, unnoticed by anybody in America, had abolished the wall between investment and commercial banking, long before the bill passed. All the bill did was to let Citibank write insurance.

I mean, really, as a practical matter, it made it clearer, and easier, and less hassle for financial institutions to do that. So, I don't think that had anything to do with it.

However, at the end of my term, a bill passed, with a provision stuck in at the end—again it passed with an overwhelming bipartisan majority, so if I had vetoed it, it would have immediately been overridden—that basically precluded the Commodities Futures Trading Commission, and anybody else, from regulating financial derivatives. And I thought it was a mistake at the time. We had a great argument, Alan Greenspan and I did, about it. I'll never forget, he said, "But all these people, they have to have $100 million, they don't need—." My argument was, we ought to trade financial derivatives on the same basis that we trade agricultural derivatives.

If you think derivatives are bad, per se, look at your dinner twice, tonight. We couldn't bring in a farm crop in America without derivatives. But the agricultural derivatives are traded in an open exchange, with adequate capital requirements to sustain the loss that you risk; *and*, there—this is not practical in financial terms, I suppose—either one side of the trade at least, has to have some stake in agriculture, has to have some skin in the game. That's what I think the law should be.

And, at the end of my term, if I had it to do again, I'd veto the bill—even though they would have passed it over my veto in a heartbeat—just in the hope that these financial derivatives, which then were something like $100 trillion—whatever they were—a lot, but not very much in the context. By the time that the crash occurred, they were seven times as large as they were on the day I left office. And I wish I'd vetoed that, just to start the debate. Even though it wouldn't have changed the law, it would have been a good thing, to make people think about it.

This Dodd-Frank bill, thanks to former Senator [Blanche] Lincoln's amendment, tried to put the regulation of financial derivatives back on the table. That needs to be done, and I regret that [it was defeated—

ed.]. But otherwise, getting rid of Glass-Steagall didn't have anything to do with the crash, and I don't think would have prohibited it from happening, if I had vetoed the bill, and let them override it. But just don't forget, it passed with 90% of both houses. Everybody acts like I sat in the closets and sort of hitched up things, "What can I do for Wall Street today?" [laughter] This thing had quite a head of steam. *And*, there was no evidence that there was any problem with it.

Finance Has Gotten Too Big

Ifill: Do you think that the rhetoric—as someone who was elected as a centrist Democrat—do you think that the anti-Wall Street rhetoric is running too hot now?

Clinton: Not exactly, but, I think—here's what the problem is: It's okay to say that too much of our growth has been concentrated in finance. I believe that. I've been saying that for well over a decade. Why? Because finance is an intermediary function in society, so if too much income is generated in any country from finance, as a percentage of the whole, that by definition means that more money's being made from trading, and less money is being made from investments. And you can see, that has happened. And I personally believe that's not particularly healthy, which is why I want to see this investment bank set up.

But I think that, what the government has been doing—it's interesting in the last few years, underneath all the rhetoric, it's actually now continuing to pursue cases it took years to analyze, and going after specific examples of alleged wrongdoing, and trying to resolve them. That's what I think should be done. But I don't think it's a bad thing that America has efficient capital markets, and that we can aggregate capital and spend it well.

I think what has happened, going all the way [back], starting in the '70s, is that, finance has come to occupy too big a percentage of our overall GDP growth, and we devoted too much income-generating activity to trading, as opposed to investment that creates new businesses and new jobs. And we need to figure out how to tweak that.

I realize it's almost irresistible to have a villain. There doubtless are some and have been, but by and large, if you were running one of these operations and that's where the money was, and your job is to make as much money as you could, you'd probably do it. We should change the oversight, change the rules, and change the incentives, and you will get the desired results, I believe.

Ifill: Which sounds like changing the structure. But our economy is so different from the 1990s now, I wonder if that difference is driven by its structure, or whether it's driven by the politics which underpin the structure and make the solutions difficult to attain?

Clinton: Both. Let me be very explicit: When I went to law school, 40 years ago... If you go back to the '70s, we were still taught corporate law as we had been, my predecessors had been. in the '30s: That corporations were creatures of the state, enjoyed certain legal benefits, including immunity, and in return for that acquired certain obligations, to their shareholders, to their employees, to their customers, and to the communities of which they were a part, more or less in equal balance. The globalization of the economy, *and* other changes, and a relentless effort to create these changes, began in the '70s, a process which continues to the present day, which says a corporation owes way more to its shareholders, and therefore managers should be compensated based on how the shareholders do, than even to its customers, much less its employees and the communities of which they're a part. And if you don't like it, you're just a troglodyte, and not part of the global economy.

So, I notice there's this activist investor going after Dow Chemical, because he wants to be paid within a year, and he wants them to sell off an otherwise highly profitable and critical part of the company, because it takes five years or more to build a chemical plant, and he doesn't think the precious investors ought to wait there. Until recent times, we'd have said, "Well, take your money and invest it in some other company." You don't have a right to break down a critical part of the American, and indeed, the international economic system.

So, I think that this goes beyond political parties and tax policies. It goes to the very heart of this, and some people in American legal circles, now, and economic circles, are trying to get us to revisit this, and at least think public policy ought to favor corporations that recognize multiple obligations and not just trading. That predated the advent of supply-side economics, which, as all of you know, I think triggered all of this debt problem we're dealing with today.

But, I think that we need a balanced growth strategy. We're in trouble; before the financial crash, almost all of our growth had come from housing, finance, and consumer spending, in the first decade. And it wouldn't generate enough jobs: It just generated maxed out credit cards and stagnant incomes....