WHO OWNS YOUR CONGRESSMAN?

Don't Let Wall Street Stop Glass-Steagall Again!

by Stuart Rosenblatt

Jan. 19—On Jan. 15, Rep. Marcy Kaptur (D-Ohio) reintroduced her bill to reinstate FDR-modelled Glass-Steagall regulations to the U.S. banking system. HR 381 has 16 co-sponsors to start with—a sign of the substantial support for a bill that had 83 co-sponsors at the conclusion of the 113th Congress, and more than 10 sponsors in two Senate versions.

But in the last Congress, HR 129 never even got a hearing in the House Financial Services Committee, nor in the Senate. Wall Street deployed as if its very existence depended on burying the bill. They were right. Unfortunately, they also succeeded in doing so.

How did they do it? Not by winning friends for Wall Street. This writer knows from personal experience that there is no love for Wall Street among the Members of Congress, and that, when confronted on the need to squash speculation with Glass-Steagall legislation, many, Republican as well as Democrat, will agree it's a very good idea. But that sentiment generally has very little to do with how they vote.

The reality is that Wall Street is calling the shots, through its only actual means of control—campaign contributions, or the threat to cut them off.

The irony of this, of course, is that Wall Street is bankrupt—a reality that the application of the Glass-Steagall standard would reveal immediately. And capitulation to Wall Street, as more and more Congressmen are beginning to realize, *guarantees* a blowout much worse than that of 2007-08. Wall Street money, the alleged means of control, is about to go *poof*!

Indeed, adherence to Wall Street must begin to be treated as the badge of shame that it is. American citizens have an obligation to act *now* to expose and overthrow the Wall Street control over Congress—and get Glass-Steagall passed without delay.

Wall Street in Charge

With the 2014 election results, Wall Street has tightened its controls, using the top leadership of the Republican Party. The data, compiled by opensecrets.org, show that the Republican majority leaders in *both* Houses of Congress—Sen. Mitch McConnell (Ky.) and Rep. John Boehner (Ohio)—were number 2 and 3, respectively, in the list of recipients of Wall Street money in the election. That was $3.8 million for McConnell and $3.1 million for Boehner.

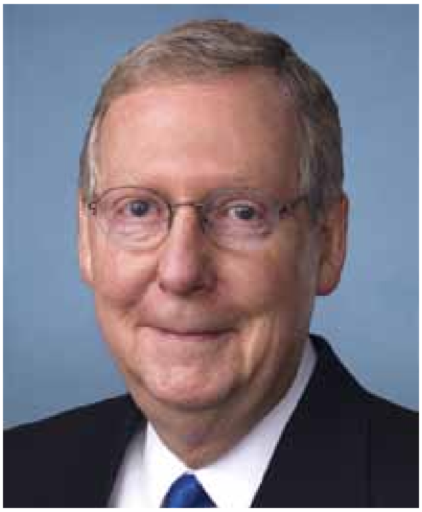
That largesse sheds considerable light on the first actions of the Congress on Wall Street's behalf. It also buys a policing function from the leadership. A Republican who bucks the party line, Glass-Steagall endorser Rep. Walter Jones (N.C.) in the last Congress, was kicked off the Financial Services Committee. Others have seen their financial contributors pull out, as Boehner orders retaliation for an anti-Wall Street vote.

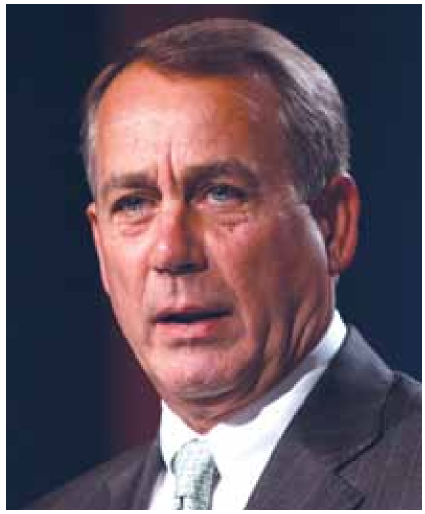
Lyndon LaRouche has emphasized that there is only one way to deal with this tyranny: Shut down bankrupt Wall Street now!

Don't Let Parties Confuse You

But let's dispense with one canard right away: Wall Street is not a political partisan. The major financial institutions, and their colleagues in the big finance, insurance, and real estate business (the so-called FIRE sector), seek to buy whomever they believe will be in power, be they Republican, Democrat, or Independent.

Thus, in the 2008 election, it was Barack Obama who was the lead Wall Street candidate, favored by big money globally, including from drug money conduits like George Soros. Wall Street, and its older brother the City of London, knew that the Republicans couldn't win the 2012 Presidential election; they were primarily focused on stopping the possible election of Hillary Clinton, whose Democratic primary campaign indicated she would be a potential threat to their dominance of policy.





The GOP leaders of both House of Congress, Rep. Mitch McConnell (l) and Sen. John Boehner, achieved the 2nd and 3rd highest positions ($3.8 million and $3.1 million, respectively) on the list of those members raking in the greatest amount of loot from Wall Street.

Indeed, from the moment of his election, Obama demonstrated his total subservience to Wall Street interests.

Nowhere was this more evident than in Obama's action, in concert with Wall Street, to prevent the reinstatement of Glass-Steagall.

2009 and 2010 were years of tremendous agitation for Glass-Steagall, with memorials being passed in state legislatures around the country, and intensive lobbying on Capitol Hill, led by the LaRouche Political Action Committee. By the Spring of 2010, there were six bills in Congress calling for the reinstatement, and a number of Senators, Maria Cantwell and John McCain (R-Ariz.) among them, agitating for it as well.

As documented in the book *Act of Congress,* which chronicles the passage of Dodd-Frank, in the attempt to stop Glass-Steagall, along with any amendments to financial legislation that would curb derivatives speculation, Wall Street hired over 3,000 lobbyists. They spent millions of dollars—but they didn't just rely on money. To "personally influence" Congress, they hired insiders who either knew the members or could ingratiate themselves into their confidence. It was a veritable army of Iago-type characters who knew which buttons to push.

Among the lobbyists were 1,447 former government employees (from both political parties), including 75 former members of the House and the Senate; a former Speaker of the House, Dennis Hastert; two former Senate Majority Leaders, Bob Dole and Trent Lott; and two House Majority Leaders, Richard Gephardt and Dick Armey. In addition, 148 former Hill staffers were hired, including 67 veterans of the House Financial Services Committee and the Senate Banking Committee. This was "all in the family," as *Act of Congress* author Robert Kaiser put it.

In this campaign, Wall Street counted as its most powerful ally, President Obama himself. Obama had eschewed introduction of Glass-Steagall, and chosen instead a "financial reform" bill going by the name of Dodd-Frank. This monstrosity was devised as an instrument of phony re-regulation of the banking system, and new looting schemes, such as "bail-in"—as is now obvious. This was more than evident at the time, as President Obama and his controllers on the Hill—most notably, Senate Majority Leader Harry Reid—moved systematically to squelch virtually every amendment offered to suppress the wildest forms of speculation.

In the end, all that remained were a few rules, such as Rule 716 and the Volcker Rule, which declared that certain categories of speculation could not be carried out by federally insured and protected banks within their holding companies.

And Wall Street immediately went to work to squelch these measures as well.

The 2010 Shift

Wall Street's shift to the Republicans started in earnest on April 8, 2010, during the height of the Dodd-Frank negotiations, when now Senate Majority Leader McConnell and Sen. John Cornyn (Tex.), then chair of the Republican Senatorial Committee, traveled to New York City to meet with Wall Street tycoons. According to a leak by Fox News, they met with 25 Wall Street executives, hedge fund chiefs among them, and convinced them that the Republicans were their natural allies (read whores). They walked away with hundreds of thousands of dollars, and more to follow.

Ultimately, throughout 2010, nearly 60% of Wall Street's campaign contributions went to Republicans; in 2012, it was 68%, and in 2014, 62%, according to the Center for Responsive Politics.

In the 2013-14 election cycle, Boehner, the despised House Speaker, raised nearly $2 million from the securities and investments and real estate lobbies. At every point, he has done Wall Street's bidding on all efforts to deregulate the financial sector. Majority Leader Kevin McCarthy (Calif.) is also on Financial Services. Not surprisingly, his leading contributors were from the securities and investments sector, with Goldman Sachs and Wells Fargo donating $80,000 between them.

Of course, they have their collaborators on the Democratic side. Sen. Harry Reid (Nev.), who almost single-handedly defeated Glass-Steagall in 2010, received $1.2 million from the securities and investment mob over the past five years. The leading pro-Wall Street Democrat in the House is Jim Himes (Conn.), who needs little in the way of financial prodding. He worked at Goldman Sachs for 12 years, and ultimately became a vice-president. He has happily carried the water for Wall Street since then.

The 2014 Elections

The 2014 election cycle, which brought the Republicans to power in both Houses, has seen an obscene exacerbation of Wall Street's control. This escalation was not unrelated to the new explosion of support for reimposing Glass-Steagall, as reflected in the fact that there were *four* Glass-Steagall bills, two in the House and two matching ones in the Senate, before Congress that year.

In the first nine months of 2014, the securities and investment industry shelled out almost $74 million for direct lobbying of Congress, according to the Center for Responsive Politics. They hired 700 registered lobbyists, and will probably have spent over $100 million for the year, surpassing a slightly lesser amount in 2013. If you add in money spent on Congressional campaigns during the year, Wall Street spent $1.2 billion in 2014, an amount larger than their record outlay in 2010. According to *Forbes* magazine, that works out to nearly $1.8 million per day, or $2.3 million per member of the House of Representatives.

The Securities Industry and Financial Markets Association, SIFMA, the largest lobby group on Wall Street, spent $5.8 million in the first nine months of 2014, lobbying to overturn the remaining provisions of Dodd-Frank that rein in Wall Street, and to stop the four Glass-Steagall bills then in the Congress. Money has poured in to the members of the House Financial Services Committee, which oversees banking. Its membership has grown significantly over the past five years; it is known as the committee to sit on to have one's campaign coffers filled.

Jeb Hensarling, the Texas Republican chair of the committee, who has refused to hold hearings on Glass-Steagall, received contributions on 13 occasions in 2014 from the political action committees of Bank of America, Citigroup, Goldman Sachs, and JPMorgan Chase, the biggest thieves in the nation.

Case Study: Killing the Lincoln Amendment

The Lincoln Amendment (after Sen. Blanche Lincoln, D-Ark.) to Dodd-Frank, known these days as Rule 716, was a modest measure removing Federal protection for the riskiest types of derivative transactions, especially in commodities—such as the London Whale fiasco of JPMorgan Chase in 2012. The assault on the rule began in 2013 with introduction of HR 992. It was also a direct attack on Glass-Steagall, as Rule 716 prohibits the use of depositors' money in the generation of these toxic derivatives.

HR 992 was sponsored by Hensarling, and passed the House despite significant opposition. Rep. Collin Peterson (D-Minn.) issued a memorable statement on the floor attacking it, but to no avail. Seventy Democrats were among those who voted for it.

Wall Street then moved into the House Appropriations Committee to introduce an amendment to the spending bill, to guarantee adoption. Going to the Appropriations Committee, which never debates policy, was the identical method used by these thugs in 2000, when they passed the Commodities Futures Modernization Act to deregulate all derivatives, as an amendment to a must-pass spending bill.

Investigative reporters for the *New York Times* have documented that the House bill was written by lobbyists on the staff of Citigroup, the bank that has the most exposure to energy-related derivatives and other financial paper. It was introduced by a handpicked ally of Hensarling, Kevin Yoder (R-Kan.). Yoder took most of the Citi-written copy and pasted it verbatim into the bill. Yoder, who represents a farm district, sold the bill as a needed fix to "help small and medium-size bank customers," such as energy and agriculture businesses, hedge their risks.

He was confronted by senior Democrat and Glass-Steagall sponsor Kaptur, who said, "I'd like to know who is really behind this, who has enough power to try and bring this before this committee. I have some imaginations of who that might be." When Kaptur confronted Appropriations chairman Harold Rogers (Ky.), a go-along to get-along Republican, on the legitimacy of the gambit, Rogers simply nodded, and pushed through the vote.

Who is Kevin Yoder? He was placed on the Appropriations Committee by Boehner, and is a favorite of Wall Street. His largest contributor is the securities and investment industry, but his real "sugar-daddy" is the notorious payday lending mob. These are the usurers who rob desperate workers of their paychecks, cars, homes, and other necessities in exchange for needed cash. He is the second-largest recipient of payday lending money, only behind Hensarling. This year he was the lead signer of a letter to the Department of Justice complaining of DOJ attempts to stop commercial banks from processing loans from online payday lenders.

In the ensuing battle over Congressional adoption, FDIC vice-chair and former longtime president of the Kansas City Federal Reserve Thomas Hoenig issued a blistering rebuttal of Citi, Yoder, and their ilk. "In fact, under [Rule] 716 most derivatives, almost 95%, would not be pushed out of the bank.... The main items that must be pushed out under 716 are uncleared credit default swaps, equity derivatives, and commodities derivatives. These are, in relative terms, much smaller and where the greater risks and capital subsidy is most useful to these banking firms."

To ensure that 716 would be repealed, Wall Street further enlisted the support of regional banks, to divert attention from the Wall Street giants. When PNC, Fifth-Third, and Sun Trust suddenly began to lend their support, the likelihood of passage increased.

Desperate to put the vote "over the top," Wall Street mobilized all its assets. President Obama personally began calling holdout Congressmen, and Chief of Staff Denis McDonough was sent to a late night Democratic Caucus meeting to twist arms. Finally, none other than JPMorgan Chase CEO and Wall Street criminal Jamie Dimon got on the phones and demanded that recalcitrant members vote for the Wall Street bill. Maxine Waters (D-Calif.) was so appalled by the "full-court press" that she admonished wavering members not to be swayed by the likes of Dimon, or even Obama, and vote against the legislation. It passed, but only by seven bought-and-paid-for votes.

Breaking the Control

The blatant actions of Wall Street have clearly galvanized opposition that is applying the heat in Washington. Obama was forced to pull back Wall Street's Antonio Weiss from a Treasury position requiring Senate confirmation. Enraged Congressmen are demanding that Obama veto the recently passed pro-Wall Street legislation.

But the real impetus for a solution—reimposing Glass-Steagall as the first step in re-establishing a Hamiltonian credit system—will come from a population mobilized for crushing Wall Street and creating a total transformation of the U.S. economy, starting in Manhattan.