

Citizens Electoral Council of Australia

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Independent Political Party

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The system itself is corrupt: The case of LIBOR is the case for Glass-Steagall

Most cases of financial fraud are presented to the public as cases of individual crimes, committed by individuals or small groups of individuals—as corrupt acts by elements within an otherwise honourable system. But every once in a while a case comes along that blows that fiction out of the water and reveals that it is the system itself that is corrupt. Rather than rotten apples spoiling the barrel, a rotten barrel is spoiling the apples. The corruption comes from the top.

On June 27, British banking giant Barclays reached an agreement with U.S. and British banking regulators to pay at least \$450 million in fines to resolve charges of manipulation of the London Inter-Bank Offered Rate (LIBOR) and the less significant European Inter-Bank Offered Rate (Euribor—to which the great majority of Spain's mortgages are tied, for example). Barclays will pay at least \$200 million to the U.S. Commodities Futures Trading Commission (CFTC), \$160 million to the U.S. Dept. of Justice, and \$92.8 million to Britain's Financial Services Authority (FSA). Marcus Agius, the Rothschild in-law and former Lazard banker who chaired Barclays, on July 2 announced his intention to resign, and CEO Bob Diamond has also fallen on his sword. More heads will fall—Barclays is but the first bank to settle, out of more than 20 banks under investigation.

The LIBOR—controlled by the British Banking Association (also chaired by Agius) and the rate at which banks supposedly loan money to each other overnight—is effectively the imperial interest rate, used to set interest rates in transactions all over the world. It serves as a reference rate, with interest rates often quoted as “LIBOR plus a specified percent”. LIBOR is used in calculating interest rates on a wide variety of loans—mortgages, credit card loans, student loans, government and corporate bonds—and in the derivatives markets. The *Financial Times* puts the level of contracts using LIBOR at \$360 trillion, and that is probably far too low. 90 per cent of all U.S. commercial and mortgage loans are also thought to be linked to LIBOR.

The big international banks make their money largely by skimming from financial flows. The more money that flows through them, the bigger their cut. And when they manipulate the interest rates in their favour, that cut increases. Huge profits can be made by small increases in the skim. To manipulate interest rates in this way requires all the major players to be part of the crime, from bankers to regulators to the so-called “people above suspicion” who steer the system from above. What the LIBOR case shows, then, is that the British Empire's monetary system is a global criminal enterprise, run from the top, which manipulates markets, and lies, cheats and steals from the peoples of the world.

Under the headline, “How I manipulated the bank borrowing rate,” London's *Daily Telegraph* published the revelations of one involved who worked for a different bank than Barclays, how they were instructed by a trader

on how to rig the LIBOR: “...The bank could not be seen to be borrowing at high rates, so we were putting in low LIBOR submissions, the same as everyone. How could we do that? Easy. The British Bankers' Association, which compiled LIBOR, asked for a rate submission but there were no checks. The trader said there was a general acceptance that you lowered the price a few basis points each day. According to the trader, ‘everyone knew’ and ‘everyone was doing it’. There was no implication of illegality. After all, there were 20 to 30 people in the room from management to economists, structuring teams to salespeople and more on the teleconference dial-in from across the country. The discussion was so open the behaviour seemed above board. In no sense was this a clandestine gathering. ...”

Rather than simply fining individual banks, the U.S. Government should declare the whole system a criminal conspiracy under the RICO statute, and shut down every bank involved. These banks are worse than the mafia, and should be closed, with the banking system being reorganised under Glass-Steagall to prevent such corruption in the future and to return banking to its proper role in serving the General Welfare.

Even Brits now demand Glass-Steagall

In response to the criminal scandal over Barclays Bank and the LIBOR, the U.K.'s *Guardian* newspaper has printed a strongly-worded call for Glass-Steagall, to finally curtail the power of the (for centuries untouchable) City of London banks.

Writing in the *Guardian* on July 2, and reprinted in *The Age* and *Sydney Morning Herald* July 3, Tullett, Prebon and Fundsmith chief executive Terry Smith demanded Glass-Steagall:

“What needs to happen? Britain and the US must enact a Glass-Steagall Act (the 1933 Banking Act passed in the wake of the Great Crash which separated commercial and investment banking) and separate retail and investment banks. Ring fencing, as proposed by the Vickers commission into banking, will not work. As this Libor scandal illustrates, ways will be found to climb over, burrow under and go round the ring fence. The only people who seem to have lobbied against such separation are bankers. Why are we listening to them?”

*U.S. physical economist Lyndon LaRouche and his collaborators, including the Citizens Electoral Council of Australia, are the leaders in the global campaign for Glass Steagall. Join us in the immediate effort to get the Gillard government to implement this policy: Your very life depends upon it. Join our “The Future of Australia: Develop or Die” campaign on the back of this page or online.*²

Footnotes

1) <http://www.smh.com.au/business/risk-too-high-for-banks-to-be-in-traders-hands-20120702-21dbt.html>

2) <http://cecaust.com.au/resolution/>

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RESOLUTION

The Future of Australia: Develop or Die

Whereas:

The presently ruling policies of globalisation, privatisation, deregulation and free trade, together with the enforcement of “environmentalist” policies so radical that they are best described as “green fascism”, are plunging the vast majority of Australians—along with most of the rest of the world—into poverty and misery; destroying our once-great nation; and eliminating any meaningful future for our children,

Be it therefore resolved:

- 1) That the entire body of “globalist” economic reforms introduced by the Hawke-Keating régimes beginning 1983 and relentlessly extended since then, be scrapped, together with all the equally-murderous, radical environmentalist legislation enacted since that time;
- 2) That this nation return to the traditional protectionist, well-regulated form of agro-industrial economy under which we once flourished, typified by the agreement in outlook between “old Labor” as exemplified by ALP prime ministers John Curtin and Ben Chifley, on the one hand, and Country Party leader and longtime Trade and Industries Minister John “Black Jack” McEwen, on the other;
- 3) That we must re-regulate our national financial system upon two essential pillars:
 - a) the immediate separation of sound commercial banking which benefits the average Australian, from the speculative merchant banking activities which have grown like a cancer under financial deregulation, both in this country and worldwide and which have largely caused the present, ever-deepening global financial crisis; the well-known precedent for such a separation is the 1933 U.S. Glass-Steagall Act, which President Franklin Delano Roosevelt used to bring his nation and the world out of the Great Depression, and whose adoption is presently being debated in numerous countries around the world;
 - b) the immediate re-establishment of a new, government-owned national bank to provide credit for urgently needed great infrastructure projects as the engine to drive a great new renaissance in our agro-industrial, *physical* economy; we must have a sovereign Australian national *credit system*, not a London/Wall Street-controlled *monetarist system*, to enable us to secure the well-being of *all* Australians instead of just the privileged few, as under the present, monetarist system.
- 4) That we, the undersigned, will exert our utmost efforts to bring these reforms into reality, NOW!

Name	Position / Organisation	Postcode	Phone
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