

# 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.*<sup>2</sup>

### 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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## British faction aligns with LaRouche on Glass-Steagall

In a development of utmost strategic significance, an important group within the top echelons of the British Establishment have come to the conclusion that Glass-Steagall is the only survival option open to them.

(Glass-Steagall signifies the absolute separation of retail banking from investment banking, to protect that part of the banking system that services the real economy, i.e. deposits, checking accounts, mortgage loans etc., from the still-unfolding consequences of the hundreds of trillions worth of derivatives obligations and other debts run up by the speculative investment banks that are melting down the global financial system.)

A July 3 *Financial Times* editorial endorsement of Glass-Steagall has been followed by a series of further endorsements by leading figures, from Peter Hambro, of the old British merchant banking family; to Lord Myners, former Financial Services Secretary in the Gordon Brown government and a Rothschild-sponsored banker; to Terry Smith, a leading City banker who had called for a return to Glass-Steagall at the time of the September 2008 Lehman Brothers and AIG blowout. In Italy, the newspaper of record, *Corriere della Sera*, came out Friday with a big push for Glass-Steagall by leading financial correspondent Massimo Mucchetti, who is known to have, in the past, been close to Romano Prodi and the De Benedetti interests.

Those calling for Glass-Steagall are acting in the full knowledge that it is U.S. statesman and physical economist Lyndon LaRouche who from the beginning has led the fight for Glass-Steagall in the United States and in Europe. As LaRouche noted in a brief statement, he is the only person qualified to engineer the return to Glass-Steagall and a system of fixed-exchange-rate sovereign currencies in the trans-Atlantic region. In discussions with colleagues today, LaRouche emphasized that, if leading figures in the trans-Atlantic governments do exactly what LaRouche has prescribed, we can go into an immediate economic recovery. "London has delivered a shot across the bow, and we are the world leaders on Glass-Steagall," LaRouche declared on Friday. "A group of responsible people in Britain has decided that the fate of everything that is important to them requires an immediate Glass-Steagall reform."

Up till now, the British have (correctly) viewed Glass-Steagall as a threat to their oligarchical system of private

financial power enshrined in the City of London, which operates under the protection of the Crown and outside of the authority of the elected Parliament. It was the 1999 repeal of the U.S. *Glass-Steagall Act* that removed the final barrier to the City's "globalization" operation, the system of financial looting through deregulation, privatization, and free trade that Lord Jacob Rothschild's Inter-Alpha Group of Banks, and other City institutions such as Hill Samuel and its Australian spin-off Macquarie Bank spread around the globe. (Macquarie was central to virtually all major financial looting policies imposed on Australia from Hawke/Keating onwards: the dollar float; bank deregulation; compulsory superannuation; national competition policy.)

The LIBOR rigging scandal lays bare the whole dirty story of how the City of London operates. On July 6, the British Serious Fraud Office (SFO) announced a criminal investigation into the fixing of the rates that determine virtually all adjustable-rate mortgage and credit card rates worldwide. The investigation will be coordinated with law enforcement agencies in the United States, Japan, and throughout continental Europe. This is potentially the Pecora Commission (the 1932-33 Ferdinand Pecora investigation of Wall Street), but on a global scale, that was so ferociously suppressed in 2008. The LIBOR scandal is so big, and involves so many of the worst of the trans-Atlantic banks, that it cannot be suppressed. Bankers are going to be frog-marched off to jail over this.

LaRouche also noted that the British shift on Glass-Steagall also indicates a shift on the British support for Barack Obama, who has been a British puppet in the White House, to bail out the banks and instigate imperial wars. This opens the way for the Constitutional removal of Obama, and the reenactment of Glass-Steagall in the U.S., followed by the restoration of America's unique public credit system based on national banking, and large-scale infrastructure development beginning with the North American Water and Power Alliance (NAWAPA) to rebuild the world economy.

Australia must also adopt the Glass-Steagall principle, which is the thrust of the CEC's nationwide mobilization to build support for the resolution, "The Future of Australia: Develop or Die". Support the resolution today, and demand that every elected official, community leader and concerned citizen that you know of do the same.

To compare the CEC's record to that of the growing chorus of leaders, including PM Julia Gillard, who claim that nobody could have seen this crisis coming.

### ORDER DVD

For a copy of our feature DVD *Homeowners and Bank Protection Bill: The Only Solution*, one-hour documentary, call toll-free 1800 636 432 or send this coupon to: CEC, PO Box 376, Coburg, Victoria, 3058 and leave ALL your details. Price: \$10.00 + P&H \$2.50



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