

# Citizens Electoral Council of Australia

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## 'Shatterer of Glass-Steagall' calls for its restoration

The former boss of giant U.S. bank Citigroup, Sanford (Sandy) Weill, who possesses a giant wooden plaque listing his accomplishments which includes the line, "The Shatterer of Glass-Steagall", has shocked the banking world by calling for its restoration.

Weill is falling in with the global push to restore Glass-Steagall long associated with U.S. physical economist Lyndon LaRouche, which some of the leading bankers in Britain recently boosted following the revelations of 16 London banks flagrantly manipulating the benchmark London Interbank Offered Rate to rip off the world.

But it is Weill's call that has shocked Wall Street, because he was the key lobbyist for the repeal of Glass-Steagall. (Please go online: [http://www.larouchepub.com/other/2010/3725dump\\_barney\\_gl-st.html](http://www.larouchepub.com/other/2010/3725dump_barney_gl-st.html)) In 1998 Greenspan granted a waiver to Travelers Insurance Company, then headed by Sanford Weill, to buy Citibank. Travelers owned Salomon Smith Barney, a large investment bank. The Travelers-Citibank merger, for the first time since the passage of Glass-Steagall in 1933, allowed a single bank holding company to own a commercial bank, an insurance company, and an investment bank. This waiver spelt the beginning of the end of Glass-Steagall [repealed a year later through the *Gramm-Leach-Bliley Act*, which Congressmen variously dubbed the Citi-Travellers Bill, or Sandy's Bill], and the birth of institutions that are "too big to fail".

"In the space of a few seconds, Sanford Weill disavowed the work of a lifetime," reported the July 27 *The Australian*. "Mr Weill, who built up Citigroup into a banking behemoth ... yesterday called for the break-up of the big banks," the article continued.

"The stunning suggestion from the man who created Citigroup from the 1998 merger of Travelers and Citibank lit a bonfire under a simmering 'too big to fail' debate", continued the *Australian Financial Review* of the same day. "The Citigroup merger required a waiver of the *Glass-Steagall Act*—which had prohibited such combinations since 1933—until the law could be repealed a year later, in 1999," the *Review* revealed.

On July 25 *American Banker Magazine* (Please go online: [http://www.americanbanker.com/issues/177\\_143/sandy-weill-puts-glass-steagall-back-on-washingtons-agenda-1051271-1.html](http://www.americanbanker.com/issues/177_143/sandy-weill-puts-glass-steagall-back-on-washingtons-agenda-1051271-1.html)) reported that both Democratic and Republican congressmen were thunderstruck by Sandy Weill's comments, "suggesting a new openness to the argument that the nation's largest banks should be broken up." "It is absolutely huge that Sandy Weill has called for the break-up of the big banks," one Democratic Representative was quoted saying.

The magazine was brave enough to acknowledge the heretofore lone voice of Lyndon LaRouche on the issue: "Supporters of Lyndon LaRouche have recently been distributing pamphlets outside the Capitol calling for the return of Glass-Steagall—a symbol of how politically marginal the debate about breaking up the big banks has been *until now*. ..." [emphasis added] In a video interview, the magazine's editor-in-chief observed, "One of the things that was really interesting about it was that it seemed that this was the moment that actually the breakup the big banks movement started to get some traction, at least in the popular press, maybe in Washington."

The July 26 *New York Times* editorial did their own Olympic-quality backflip on Glass-Steagall, following Weill's, declaring, "While we are on this subject, add *The New York Times* editorial page to



the list of the converted. We forcefully advocated the repeal of the *Glass-Steagall Act*. ... Having seen the results of this sweeping deregulation, we now think we were wrong to have supported it."

The Glass-Steagall debate has also broken into popular entertainment, featuring in an episode of the new U.S. docudrama *Newsroom*, in which a character offers the following excellent explanation of Glass-Steagall: "Congress wanted to put a firewall in between the investment banks and the commercial banks. They wanted to make sure that Wall Street could melt to the ground, and the commercial banks wouldn't be touched. They passed a law, the *Glass-Steagall Act*: Now, you could be Gordon Gekko [tycoon from movie 'Wall Street'] or George Bailey [community banker from 'It's a Wonderful Life'], but you couldn't be both." [Emphasis added]

LaRouche affirmed that what began a few weeks ago in Britain, has now exploded onto the front burner in the United States. "These are people who have chosen the future," he said. "They have changed their direction of commitment, to support Glass-Steagall, when they had been, up to that point, exactly in the opposite direction."

The restoration of Glass-Steagall is the centerpiece of the CEC's resolution, *The Future of Australia: Develop or Die*. As the CEC exposed last week (Please go online: [http://cecaust.com.au/main.asp?sub=releases&id=2012\\_07\\_26\\_Libor.html](http://cecaust.com.au/main.asp?sub=releases&id=2012_07_26_Libor.html)), the corruption of the financial system on display in the manipulation of the LIBOR reaches deep into Australia, through the direct impact of the LIBOR itself and the possible manipulation of Australia's LIBOR-equivalent, the BBSW. This flagrant corruption goes hand in hand with the deregulation of the economy kick-started in 1983 by Hawke and Keating and continued by their Liberal accomplices. Only implementing the Glass-Steagall principle can reverse the policies that opened up the financial affairs of ordinary Australians and essential government services to undisguised looting by the global banking cartel. As honest commentators admit, it is Lyndon LaRouche—and the CEC in Australia—who has led this fight. To join the fight: endorse the Resolution (Please go online: <http://cecaust.com.au/resolution/>), confront your elected representatives and demand they do the same, and **join the CEC**. (Please call toll-free 1800 636 432 or go online: <https://www.cecaust.com.au/shopping/shopexd.asp?id=66>)

# What is Glass-Steagall?

The 1933 *Glass-Steagall Act* was a leash on Wall Street for 66 years. It established a firewall to protect the financial functions of banking, insurance and brokering that were necessary to the daily lives of the American people, from the speculators on Wall Street. Specifically, under Glass-Steagall, commercial banks which held deposits protected by the Federal Deposit Insurance Corporation (FDIC)—the savings accounts, chequing accounts, and business trading accounts—were forbidden from owning, or being owned by, Wall Street investment banks. It didn't stop speculation, but it severely curtailed it, because it denied Wall Street investment banks any access to the enormous deposit base of the American people. It was when Glass-Steagall was repealed in 1999, that Wall Street finally got access to the commercial banks and their deposits, and all forms of speculation expanded exponentially.



## Cantwell-McCain

The Cantwell-McCain amendment introduced into the U.S. Senate on May 6, 2010 would prohibit commercial banks from affiliating in any manner with investment banks and vice versa; prevent officers, directors and employees of a commercial bank from working in investment banks and vice-versa; and prohibit commercial banks from engaging in all insurance activities. Co-sponsor Sen. Maria Cantwell explained, "Behemoth banks are putting their money into risky, get-rich-quick Wall Street schemes instead of investing in Main Street. So much U.S. taxpayer-backed



At the beginning of July a host of top British bankers and establishment figures called for FDR-style Glass-Steagall reforms. From Lord Paul Myners, a bigwig in the Rothschild financial fortune, to Peter Hambro, of Hambros Bank fame, MPs, and various major media editorials. Now, with the move of Sandy Weill, we have the beginnings of a big institutional move in the United States.

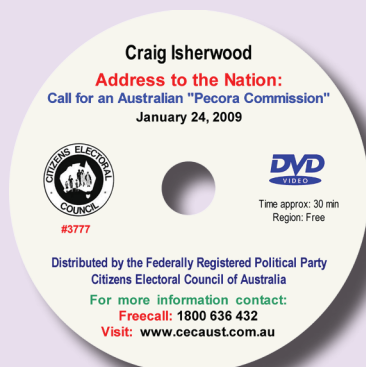
(Top) Roosevelt signed the 1933 Banking Act ushering in 'Glass-Steagall' (Sen. Carter Glass of Virginia is shown at his immediate right and Rep. Henry Steagall of Alabama at his immediate left) and (Bottom) in 1999 Bill Clinton signed the repeal of Glass Steagall under the influence of the likes of Larry Summers.

money is going into speculation in dark markets that it has diverted lending capital from our community banks and small businesses that depend on loans to expand and create jobs. This is stifling America and it is why there is bipartisan support for restoring the important safeguards that protected America for decades after the great Depression. It's time to go back to separating commercial banking from Wall Street investment banking. Fellow co-sponsor Sen. John McCain chimed in, "It is time to put a stop to the taxpayer financed excesses of Wall Street.."

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