Citizens Electoral Council of Australia

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U.S. moves closer to Glass-Steagall banking separation; Australia *must* follow

The Australian people face a banking crisis and a Cyprus-style confiscation of their savings unless the federal parliament follows the latest move in the U.S. to separate banks with deposits from gambling-addicted investment banks.

On 11 July four U.S. Senators—John McCain, Elizabeth Warren, Maria Cantwell and Angus King—joined forces to introduce the *21st Century Glass-Steagall Act for 2013*, a bill to restore the strict separation of commercial and investment banks mandated in the *Glass-Steagall Act 1933*.

It follows Iowa Senator Tom Harkin introducing a Glass-Steagall bill called the *Return to Prudent Banking Act* in late-May, which is a sister bill to one in the House of Representatives called HR 129, which now has 70 sponsors and co-sponsors.

The original *Glass-Steagall Act* lasted 66 years until Wall Street banks spent hundreds of millions to bribe the U.S. Congress to repeal it in 1999; while it was in force, America's banking system did not experience one major bank failure, but its repeal led directly to the gambling binge in toxic derivatives that blew up the global financial system in 2008.

Restoring Glass-Steagall is the definition of a "no-brainer", but Wall Street and the City of London banks have threatened politicians to stop any moves in that direction; significantly, this latest bill from McCain, Warren et al. comes after banking giant JPMorgan Chase openly resorted to threats and intimidation to stop elected officials in the state of Delaware from supporting a resolution to restore Glass-Steagall—the Senators are showing that they refuse to be cowed by Wall Street.

The world needs Glass-Steagall

The day after the four U.S. Senators introduced their Glass-Steagall bill, London's *Financial Times* ran an editorial headlined "Split the banks: A new Glass-Steagall Act is needed—not just in the U.S.":

"An unlikely couple of U.S. senators, John McCain and Elizabeth Warren, have tabled legislation that would bring back a version of the 1930s Glass-Steagall Act. It is improbable that their proposal will see the light of day, such is the opposition in Congress. But the instinct of the two legislators that retail banking ought to be separated from riskier activities is sound and should be heeded…"

Noting the difficulties of regulating instruments such as derivatives, the *FT* continued, "Full-scale separation could be easier to enforce—the original Glass-Steagall Act was a mere 37 pages long. It would also eradicate the testosterone-charged culture of investment banking from retail activities, which require patient stewardship. As the Libor scandal has shown, when the two cultures conflate it is the traders who typically have the upper hand. Without deposits, investment banks would find it harder to fund themselves, which would cap their size. This could inject competition into a sector dominated by a few players. The crumbling of the giants would spare politicians from their mighty lobbying influence… But even if the public purse is used, it should not subsidise casinos. When popular discontent with the banks is so high, this powerful argument cannot be ignored."

Citizens Electoral Council leader Craig Isherwood stated today, "Australia also needs a Glass-Steagall banking separation, desperately. Anyone who claims otherwise is deliberately lying. And as we see from events in the U.S., they are lying to protect the vested interests of the crooked gamblers who run the banks.

"Right now, the very people who oppose Glass-Steagall in Australia are preparing to legislate to give the authorities the power to confiscate all bank accounts, to prop up the big four banks in the event their trillions of dollars in derivatives gambling sends them bust.

"Many experts around the world are expecting the next global financial eruption within weeks, so this deposit-stealing could be on the cards sooner than people might think. We Australians can either docilely submit to a Cyprus-style robbery, or we can fight for the only solution—Glass-Steagall.

"To fight," Isherwood concluded, "join the CEC."

Case study

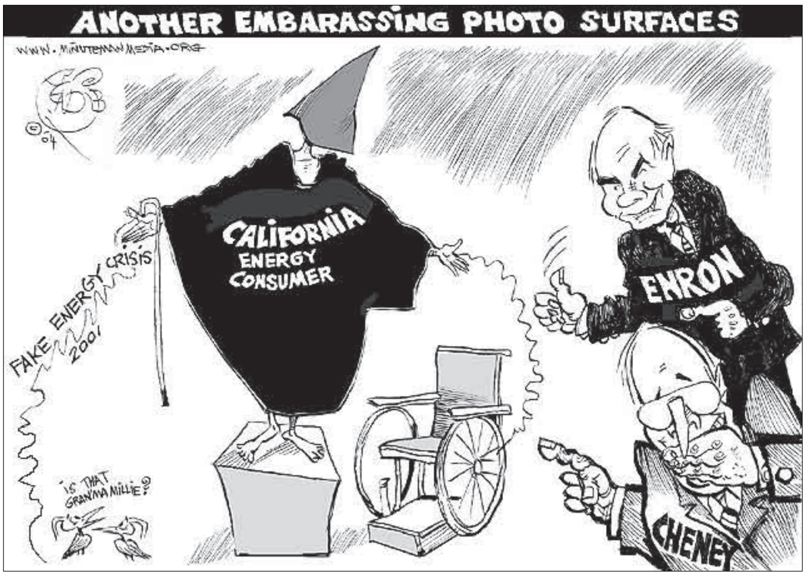
Glass-Steagall will kill Rudd's ETS—Enron Trading Scam

Kevin Rudd's decision to fast-track the ETS (emissions trading scheme) locks Australia into the next big casino scam cooked up by multinational banks and hedge funds to loot the world economy.

This particular scam of emissions trading was pioneered by one of the most criminal corporations in history—Enron.

Enron was the world's biggest energy company before it spectacularly imploded into bankruptcy in 2001, finally revealed for the criminal scam operation it was.

In the meantime, it had claimed billions in profits through outright fraud, by counting its borrowings as revenue—giving rise to the new term "Enron accounting". Enron's young punk traders had sadistically unleashed chaos, untold misery and even death on millions of people in California by ordering their power stations to turn off in the middle of heat waves, triggering waves of crippling blackouts, in order to sharply force up the spot price of electricity so they could boost their profits. And Enron had been the biggest financial contributor to George W. Bush's campaigns for Texas governor and U.S. president, as well as to Texas Senator Phil Gramm, whose wife Dr. Wendy Gramm was an Enron director.



A U.S. cartoon equating Enron's abuse of California's energy consumers to the Abu Ghraib torture scandal in Iraq; George W. Bush's sinister vice president Dick Cheney was in the middle of both scandals.

The latter is particularly significant and relevant today, because it was Sen. Gramm who sponsored the U.S. law called the *Gramm-Leach-Bliley Act of 1999*, which repealed the *Glass-Steagall Act 1933* that since the Great Depression had kept the banking system safe by separating commercial banks with deposits from Wall Street's investment banks.

Gramm's law allowed the predatory gamblers on Wall Street and in the City of London to siphon off the deposits of the American people for their speculation in toxic derivatives; the face value of derivatives contracts worldwide skyrocketed from around $100 trillion in 2000, to $1.4 *quadrillion* ($1,400 trillion) by the time the GFC erupted in 2008.

Enron was a pioneer and pace-setter in derivatives speculation. From 1988-1992, Dr. Wendy Gramm had chaired the U.S. Commodity Futures Trading Commission (CFTC). Her last act as CFTC chair was to change the rules, at Enron's request and without consulting her fellow commissioners, to narrow the definition of futures contracts, so that Enron's energy futures and swaps were excluded from regulatory oversight. Within weeks she had joined the Enron board.

Having started out as a natural gas company which expanded by buying into pipelines and power stations, in the 1990s Enron increasingly moved into energy derivatives trading, so that by 1999, its revenue from actually supplying energy through its physical assets was roughly the same as its revenue from energy trading—$20 billion or so from each. After Phil Gramm repealed Glass-Steagall in 1999, Enron's "revenue" from derivatives trading quadrupled in one year, from $20 billion to $80 billion.

Environmental hero

Enron's skills in derivatives gaming enabled it to be the pioneer and pace-setter in emissions trading schemes, initially in pollutants such as sulphur dioxide and nitrogen oxides. To boost its profits from emissions trading, the notoriously anti-regulation Enron actively lobbied for tougher regulation of air pollution.

For the same reason Enron jumped on the global warming fraud: an Enron memo stated that the 1997 Kyoto Protocol to reduce carbon dixoide emissions "would do more to promote Enron's business than will almost any other regulatory initiative outside of restructuring the energy and natural gas industries in Europe and the United States."

Enron won environmental awards from America's Environmental Protection Agency. It participated in the Pew Centre on Global Climate Change, and was a board member of and major donor to the U.S. Nature Conservancy. An internal memo boasted that due to its support of the Kyoto Protocol, "Enron now has excellent credentials with many 'green' interests including Greenpeace, World Wildlife Fund, Natural Resources Defense Council [NRDC], German Watch…" The NRDC's Ralph Cavanagh declared "on environmental stewardship, our experience is you can trust Enron." (The NRDC went on to promote electricity deregulation in California, from which Enron did so much damage.)

Fight the criminal fraud with Glass-Steagall

Citizens Electoral Council leader Craig Isherwood said 17 July, "Rudd's Enron Trading Scam is simply another means for banks such as Malcolm Turnbull's Goldman Sachs—which took over the mantle of leading emissions trader when Enron went bust—to pillage the economy and destroy people.

"We can defeat this if the population rises up and forces the Parliament to enact a Glass-Steagall banking separation, which will cut off the derivatives fraudsters from their source of loot.

"The CEC is leading that fight, so join us."

*The details on Enron cited in this release were sourced from *Executive Intelligence Review* magazine, the video documentary entitled "The Smartest Guys in the Room", and the book "Power Play: the fight for control of the world's electricity", by Sharon Beder.