

US Presidential candidate O'Malley picks Glass-Steagall fight with Wall Street

Australians who are frustrated by the lack of political will to hold our banking system to account should take heart from a dramatic political development in the USA, where Democratic Party presidential pre-candidate Martin O'Malley is taking the fight to the Wall Street megabanks. Overnight he has issued the following Open Letter to Wall Street's megabanks, effectively declaring war on their corrupt control of America's economic and political system.

O'Malley is the former governor of the state of Maryland; his Democratic Party is as beholden to Wall Street as the Republicans, but O'Malley is responding to the dire economic conditions that ordinary Americans are suffering and breaking ranks with his party's Wall Street faction, which is led by Barack Obama, by promising to do what Obama should have done six years ago: bring the bankers to justice for their crimes, and split up the too-big-to-fail megabanks through a full Glass-Steagall separation.

As the CEC reported yesterday, four US Senators have ensured Glass-Steagall will be a major election issue in this presidential season by introducing their 21st Century Glass-Steagall Act into the Senate. O'Malley enthusiastically endorsed their action, and two days later he escalated his own campaign for Glass-Steagall by releasing his Open Letter.

Australians who want genuine accountability of the Australian financial system should take this letter to their local MP and demand they take a stand like Martin O'Malley.

Below is the Open Letter; it can also be read at: <http://www.businessinsider.com.au/martin-omalley-s-open-letter-to-wall-street-2015-7>



Open Letter RE: Wall Street Reform TO: Wall Street Megabanks FROM: Governor Martin O'Malley DATE: 9 July 2015

As you may have read, I've expressed grave concern about the state of our national economy, especially as it relates to the behaviour of a select group of financial institutions on Wall Street—the institutions that you work for and represent. I have called for significant structural and accountability reforms—like reinstating Glass-Steagall and increasing enforcement at the SEC, DOJ, and other agencies and departments—to prevent another economic crash and protect hard-working families from losing their jobs, homes, and life savings once again.

Most of our financial system works quite well. Of the almost 6,500 banks¹ in our country, most of which work hard every day to serve their communities, just 29² have more than \$US100 billion in assets and only four³ have more than \$US1 trillion in assets. The high-risk, reckless, and illegal activities of your megabanks were the primary cause of the 2008 crash, which caused the worst recession since The Great Depression, and cost the American economy an estimated \$US14 trillion to \$US22 trillion.⁴

I know that many of you have tried to dismiss and undermine my calls for stronger reforms as "anti-capitalist." Let me be clear: the ongoing reckless behaviour of your megabanks isn't capitalism—it's the antithesis of it. True capitalism requires a level playing field on which everyone plays by the same set of rules. True capitalism requires competition. True capitalism means that just as businesses and banks can succeed—they can also fail.

Today, your—too-big-to-fail, too-big-to-manage, and

too-big-to-jail—megabanks pose an enormous risk to the financial system, the economy, and American families. They are so big and so interconnected with the entire financial system that the failure of one or more of them could cause the collapse of the entire U.S. economy.

After several misguided deregulatory measures taken in the 1990's, your handful of megabanks went from having assets of approximately 15% of our country's GDP to now having assets of nearly 65% of our GDP.⁵ As your megabanks grew in size, who gained from it? Credit card fees didn't get smaller. Mortgage rates didn't go down. The median wages of Americans certainly didn't increase. The only tangible gain we've seen from your institutions' explosion in size is your ability to concentrate unprecedented power and wealth in the hands of your executives and to acquire the guarantee that all of your risky bets will be covered by taxpayers.

Now, because your institutions are so large, so leveraged, and pose such a grave threat to our economy, you don't face the same rules of the free market that apply to everyone else. If your bets go bad, you don't face bankruptcy—taxpayers bail you out. When things go well, the upside is all yours and you get to cash in exorbitant bonuses. This violates the very principle of free market capitalism.

For similar reasons, both your megabanks—and your executives—have been somehow classified as too big to prosecute and too big to jail. Exacerbating the problem, our financial regulation system is defined by conflicts of interest and a lucrative revolving door. Former financial

executives are hired to regulate their former colleagues and, when they leave for government, they're given golden parachutes. Then, they turn right around and return to the firms they were supposed to be regulating.⁶

All of this explains why, when laws are broken, you and your institutions get off with nothing more than a slap on the wrist—fines paid by shareholders that you can write off as nothing more than business expenses.⁷ No admission of guilt,⁸ no one faces jail time, everybody keeps their jobs—back to bonuses as usual.

As President, I would end this double standard of justice. It is bad for our economy, and it is bad for our country.

A strong American economy depends on a strong financial industry that plays by the rules. And among the greatest victims of your megabanks have been the thousands of community banks that are the backbone of our economy. These banks provide the financing for the American Dream of homes, businesses, educations, and secure retirements. Yet they're forced to compete on an un-level playing field—one where they bear the brunt of declining credit

and wages—and where megabanks are rewarded with subsidies and bailouts.

So here's the bad news—for you: As President, I have no plans to let up on you. I'll work tirelessly to eliminate the unique danger posed by the handful of too-big-to-fail banks. And while I'm doing that, I'll finally bring real enforcement and oversight to the federal government—to agencies and departments like the Department of Justice, Security Exchange Commission, Federal Reserve, Commodities Futures Trading Commission—so that they start doing the job the American people expect them to do and stop sitting on their hands.

If you—and your megabanks—which we, the American taxpayer, saved want to begin to restore the confidence in your leadership, you need to start by saying two things: "we're sorry" and "thank you."

Then, you have to **do** the right things: stop your war on financial reform, start following the law, and end your highest-risk, most dangerous activities so that your megabanks are in fact no longer too-big-to-fail.

1) <https://www2.fdic.gov/idaspl/>

2) <https://www.ffiec.gov/nicpubweb/nicweb/Top50Form.aspx>

3) <https://www.ffiec.gov/nicpubweb/nicweb/Top50Form.aspx>

4) http://www.huffingtonpost.com/2013/02/14/financial-crisis-cost-gao_n_2687553.html

5) <http://knowledge.wharton.upenn.edu/article/the-coming-meta-boom-and-meta-bust-one-economists-view/>

6) <http://www.washingtonpost.com/news/powerpost/wp/2015/07/06/covington-welcomes-back-eric-holder-lobbying-on-banks-and-legalized-marijuana-picks-up/>

7) <http://www.newsweek.com/2014/11/07/giant-penalties-are-giant-tax-write-offs-wall-street-279993.html>

8) <http://www.newrepublic.com/article/122063/left-has-had-it-here-sec-chair-mary-jo-white>

