money—$1.8 billion—into Madoff's scheme, collecting 1.5% himself for the "service." Ascot Partners is registered in the British Crown's Cayman Islands, which should be the focus for any serious investigation of Madoff's Ponzi scheme. How much in GMAC-based derivatives bets did Merkin throw into Madoff's black hole? Word on "the Street" is that Merkin, "completely discredited," will have to resign as head of "GMAC Bank." Resign or stay, he should be a witness called by a Select Committee on the Bailouts.

But bad as the GMAC scandal is—making a "bank" insolvent at its creation, a bank whose CEO is a big Bernie Madoff enabler, purely to bail out the junk debt of that "bank"—LaRouche stressed that the investigation could start with derivatives bubbles, with Madoff's Ponzi scheme, ratings agencies, Wall Street's lying mortgage securitization wave, with the swindling of states and municipalities on their bonds, or with GMAC. What's crucial is to expose "who bought whom, and when?" to set off the wild speculation and 50-to-1 "leveraging" of the cash flows of "globalization"; to leave it all unregulated, and devastate national economies. In short, how was history's biggest and most destructive financial bubble created?

LaRouche spoke directly of local constituencies' strong interest in "Pecora hearings." "The swindling of states and municipalities around the country by these Wall Street banks—as in the case of Birmingham, Alabama, sent into bankruptcy by financial derivatives sold to them by JPMorgan Chase—is another powerful reason for a new 'Pecora Commission' today. So also is the Madoff scandal.

"Given the horrible condition that states and cities find themselves in," LaRouche said, "I call on my friends in the state legislatures, the city councils, the mayors' and governors' offices, to contact your Congressional delegations and get them to act, now."

LaRouche noted that his LaRouche Political Action Committee had mobilized widespread constituency pressure on Congress in support of his Homeowners and Bank Protection Act (HBPA) of 2007, which would have put up a "firewall" protecting the economy from the banks' breakdown crisis. Congress was blocked at the brink of introduction of the HBPA, and panicked into futile bank bailouts instead. "Now the entire system is collapsed, the economy is facing ruin. We must mobilize those constituencies to get a Congressional 'Pecora hearing' going immediately. This is the way to break [Speaker Nancy] Pelosi's grip on the Congress."

Tell the Bankers: 'Straighten Up Your Pecker, Face Reality'

LaRouche PAC TV's video, "Straighten Up That Pecora!" dramatically shows how the 1932-34 "Pecora hearings" shackled the power of J.P. Morgan's bank empire—"a formidable rival to the government itself," as Ferdinand Pecora later wrote. Such a spotlight today can create the outrage needed for solutions to the economic collapse.

Stirred up by the new President Franklin Roosevelt's inaugural words about "the money changers [who] have fled from their seats in the high temple of our civilization," the American people learned the black truth about whom FDR was fighting to save the U.S. economy, in the hearings of the Senate Committee on Banking, Housing, and Urban Affairs. They became "the Pecora hearings" due to the incisive and relentless investigation and questioning of the leading bankers, by former New York District Attorney Ferdinand Pecora.

Without the revelations of the Pecora hearings—at their most dramatic before and after Inauguration Day 1933—FDR would not have been able to follow up his immediate banking reorganization, TVA, and public works legislation, keeping Congress in session to produce regulation: the Securities and Exchange Commission, the FDIC, and Glass-Steagall. Sen. Carter Glass, although fighting with Pecora over his brutal questioning of bankers, was pushed into crafting the crucial Glass-Steagall Banking Reform Act of 1933, which separated commercial and investment banking, and thus regulated bank "leveraging" of debts into "assets." Its 1999 repeal facilitated the orgy of "leverage" which triggered today's collapse; its reinstatement is urgent now.

A Republican, Pecora was appointed by a Republican Banking Committee in 1932, which then sat on his investigations, until FDR's election and a Democratic sweep of Congress sounded the gun. By his inauguration, the President and the investigator were conferring regularly. Their plan was "pitiless publicity," in FDR's words, to reduce the power of London-Wall Street bankers who had cowed the U.S. and other governments. They effectively put Wall Street in the dock. It was FDR who suggested that the panel call J.P. Morgan, financier of the currency operations of the Bank of Eng-

Edison National Historic Site

Senator and banker Charles G. Dawes (right, seen here with President Calvin Coolidge, left) was told to straighten up and face the music—no more bailouts. Dawes had loaned out his bank to Samuel Insull's (above) Morgan-financed holding company bubble, then demanded bailouts when it collapsed.

Library of Congress

land, Mussolini's central bank, and Hjalmar Schacht's Reichsbank, to testify.

Pecora first went after the empire of electric-utility holding companies of Samuel Insull, initially financed by Morgan, which had used the utilities' cash flows to create mountains of unpayable debts and watered stocks before it collapsed. Like the auto industry speculations of Cerberus Capital Partners and other big hedge funds today, Insull's holding companies had also robbed the new electrical industries of *physical investment* and jobs, and helped keep most of the country unelectrified.

Pecora went after the practices of the commercial banks, establishing that some of the most powerful CEOs, like Charles Mitchell of National City and Albert Wiggen of Chase, had lied to their shareholders, manipulated stocks for their own benefit, and made exorbitant profits.

Then, beginning May 24, 1933, Pecora took on J.P. Morgan, Jr. himself. He exposed the banks Morgan controlled, the companies he controlled, the Federal judges his empire bought and controlled, the elected officials of both parties it controlled—the control, for example, of Presidents Coolidge and Hoover by Morgan's man Treasury Secretary Andrew Mellon. Substituting today's Goldman Sachs, gives you many of the controllers in the Bush Treasury, government regulatory agencies, Federal Reserve, etc.

The case of banker and Sen. Charles G. Dawes, "rescuer" of Germany's unpayable World War I debt with the Dawes Plan bailout, epitomized the Pecora hearings. Dawes was a member of the Senate Banking Committee, which held the hearings. After his own bank, Central Republic Bank and Trust Co., had been bailed out in early 1932 with a $90 million loan by Herbert Hoover's Reconstruction Finance Corp., Dawes pounded the table and made a show during the hearings on Insull's empire. But by the end of February 1933, it seemed that Dawes' bank desperately needed *another* bailout. One reason: Dawes had used the bank's loans to Insull's holding companies as collateral for the Federal bailout loan! He had loaned Insull more than 15% of his bank's total assets, which would have been outright illegal, had Dawes not cleverly spread the loans around to various of Insull's creations.

So, as FDR was taking office in early March 1933, the table-pounding Senator Dawes became the desperate banker Dawes, phoning Roosevelt's Treasury Secretary-designate William Woodin several times a day, crying for the second bailout. Finally Woodin told an aide, "Tell him to straighten up his pecker and face reality. We're not giving him a loan."