French Mayors Call for Inquiry on Toxic Loans

PARIS, March 9—Mayors from a number of French cities, who have formed an organization, "Public Figures against Toxic Loans," held a press conference yesterday at the French National Assembly, to kick off their campaign for a 'class action' lawsuit against the banks. The elected officials want to sue the banks for extending loans, often without telling the borrowers that they were "toxic"—generally, adjustable-rate loans, whose interest rates were indexed to derivatives, such as interest-rate swaps based on exotic indexes.

Some 30 people attended the press conference, including elected officials, their assistants and legal teams, and about ten press, including *Nouvelle Solidarité*, the weekly newspaper of Solidarity and Progress, the French LaRouche movement. Seven mayors, some from very small towns, joined Department (county) president Claude Bartolone of Seine-Saint-Denis; Henri Plagnel, Mayor of Saint-Maur-les-Fossés; and Mayor Maurice Vincent of Saint-Etienne. For nearly two hours, each gave shocking descriptions of how their communities were devastated by predatory banks, such as Dexia, Deutsche Bank, Calyon (Crédit Agricole), Depfa, Natixis, and Royal Bank of Scotland, a member of the Rothschilds' Inter-Alpha Group.

The real bombshell came during the question period, when Bartolone admitted that the main reason why banks were refusing to renegotiate the toxic loan conditions, or were demanding wildly disproportionate penalties for renegotiating the loan contracts, was the simple fact that the loans were bundled and resold as derivatives, similar to the mortgage-backed securities which included the subprime mortgages, thereby propping up pyramids of securities. In reality, said Bartolone, "Dexia doesn't even own the debt of my Département any longer. It is JP Morgan!"

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The organization "Public Figures against Toxic Loans," including a number of French mayors, held a press conference March 8 (shown here), to call for an Angelides Commission-style probe of predatory banking practices.

Declaration by Cheminade

On March 1, Jacques Cheminade, president of Solidarity and Progress, and a candidate for the Presidency of France, issued the following statement, which was widely circulated in the ten days before the mayors' news conference, as well as outside the event itself:

"Not a day goes by without new revelations, be it the hospital in Ajaccio (Corsica), subsidized housing projects in Toulouse, the city of Saint-Etienne, the greater Lille area, the waste incinerator plant in Saint-Germain-en-Laye (Sidru), the village of Ploeren, the city of Rouen, the administrative department of Seine-Saint-Denis, the city of Saint-Maur-des-Fosses, firefighters in the Ain department, public housing in Lyon, etc.

"They have all been hit with 'toxic loans,' issued not only by foreign investment banks such as Royal Bank of Scotland (RBS) or Deutsche Bank, but also by banks which usurp the good reputation of the state-held Caisse des depots et consignations (CDC), such as Dexia Credit Local (17.6% owned by the CDC) and Natixis, which are being sued by an increasing number of elected officials from municipalities forced to make drastic budgetary cuts, or even declare bankruptcy.

“Between 2000 and 2008, our bankers asserted arrogantly that, thanks to their excellent mangagement, France would be protected from a crisis like that of the U.S. subprime mortgage loans, which triggered the worst solvency crisis worldwide since the Great Depression. Hoewever, since then, as was exposed in *Le Monde* on Dec. 17, 2010, no fewer than 18 of the 22 administrative regions in France have taken out toxic loans, as well as 62 out of 100 departments, thousands of municipalities and joint municipal boards, 373 medical institutions, including 290 hospitals, 107 subsidized housing projects, and 42 local development corporations. The government claims, on the basis of figures provided by Dexia, that the volume of toxic loans is EU10 billion, but according to the Fitch rating agency, the real figure is more like EU30 to 35 billion, i.e., one-fourth of the total loans.

“These ‘toxic loans’ are only a reflection of the whole ‘toxic system’ that we propose to eliminate very quickly with a ‘global Glass-Steagall,’ in other words, an orderly bankruptcy proceeding to separate speculative loans from those that serve the real physical economy.

“Under this new system, speculators who lose would never get bailed out, and financial institutions would once again become instruments serving the economy. To implement it, we propose five measures that comprise a coherent whole:

“1. Create a true Inquiry Commission on the financial crisis which is sufficiently independent and endowed with investigative and requisition powers;

“2. Prohibit securitization of debts, as implicitly suggested by the Angelides Commission in the U.S. It must be acknowledged, in the name of honesty, that a debt is not just any old asset.

“3. Declare a moratorium on the usurious interest payments of the toxic loans to collectives and repay the principal on same.

“4. Apply the Glass-Steagall criteria to dismantle Dexia and Natixis, with a rigorous separation of deposit banking from investment banking (brokerage, trading, etc.), which will be placed in a separate legal entity. The Credit Local should be brought back under the CDC and the French State, and the Credit Communal back under the Belgian state so as to guarantee funding for municipalities.

“5. The CDC will take up its original mission, and cease all speculative activity. While the executive can name the president of the CDC, the head of its oversight committee could be designated by a two-thirds majority of the Parliament.”