Glass-Steagall: Alternative To Murderous Looting Policy

by Helga Zepp-LaRouche

April 5—A monstrous crime is occurring before our very eyes. Instead of admitting that their "business models," globalization and the euro, have failed hopelessly, the global financial institutions and their willing governments are resorting to the worst possible means: the lethal combination of hyperinflation and outright robbery of the bank deposits of the population. The effect, as expected, is to crash the real economy and reduce the life expectancy of millions of people. There remains only a very short window of opportunity in which to establish the alternative to this murderous madness, namely the policy of banking separation, in exactly the same form as it was introduced by President Franklin Roosevelt in 1933 in the United States, with the Glass-Steagall Act.

The decision by the Bank of Japan to double its money supply within 21 months, and to pump $140 billion a month into the economy for the purchase of government bonds, index funds, and real estate funds, represents the most massive monetary injection ever by the central bank of an industrial nation. It overshadows even Fed Chairman Ben Bernanke's "quantitative easing," which "only" spends $75 billion a month on the purchase of government bonds.

Scott Minerd, the chief investment manager at Guggenheim Partners, commented April 5 on this step by the Japanese central bank: "The world's third-largest economy may be setting the stage for a global inflationary spiral, perhaps beyond anything previously experienced. As Japan seeks to deal with the longer-term consequences of its current policy, it could easily slide down the slippery slope that leads to hyperinflation. Troublingly, the rest of the industrialized world is at risk of going down with it."

Just as Lyndon LaRouche has been warning for years: that the international financial oligarchy would, as a final step, open the monetary floodgates, to bring to an end a system hopelessly overloaded with worthless gambling debts, and, of course, to dispossess the population in grand style through inflation.

The mouthpiece of the City of London, Ambrose Evans-Pritchard, announced this last phase of disintegration in the *Daily Telegraph*, in an article with the incredible title "Helicopter QE [quantitative easing] will never be reversed." He quotes Prof. Michael Woodford of Columbia University as a leading "monetary theorist," to the effect that it is now time to lay the cards on the table and cease the talk of "exit strategies"—now it is all about eliminating the national debt from the bloated balance sheets of the central banks. In this way, the public debts (which are for the most part the result of the bailouts for the gamer-banks) will evaporate by hyperinflation, but, of course, the life savings of the population will evaporate as well. Say Hello to Weimar 1923! But this time, worldwide.

From 'Bailout' to 'Bail-In'

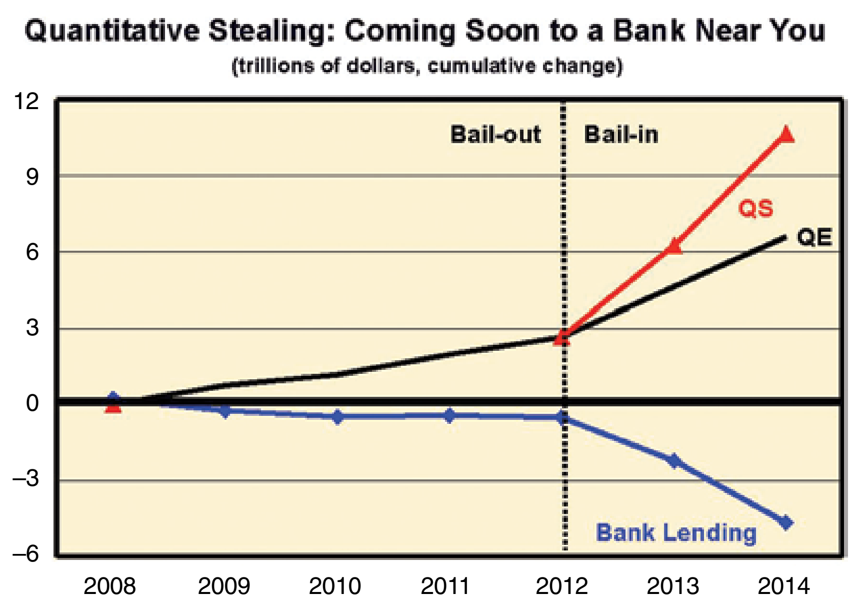
A further aspect of the blatant dispossession of population and destruction of the real economy. is the phase change from "bailout" to "bail-in," i.e., from taxpayer-financed rescue packages for the banks, to outright theft of bank accounts with deposits of more than EU100,000, as in the case of Cyprus. This grabbing not only of savings accounts, but also of checking accounts, with deposits of EU100,000, will cause a giant wave of insolvencies of small and medium enterprises, which therefore cannot meet their regular operating expenses such as wages, rent, and cost of materials, and are driven into bankruptcy, as we have seen in Cyprus over the past two weeks.

What emerges from numerous documents—from articles in the financial press (*Economist* January 2010), to documents of the European Commission, to the EU directive in June 2012 ("Framework for Recovery and Resolution of Credit Institutions and Investment Firms"), to the Dodd-Frank Bill in the United States, to a joint paper of the Bank of England and the American FDIC—is that such deposit grabs have been in preparation for many years. Citizens were to pay for the gamers' system from the outset: first as taxpayers (and including massive cuts in social spending), and now that this model has been exhausted, as account holders, by brazen theft.

The phony argument, that ultimately the investors

If you liked Quantitative Easing, you're gonna love Quantitative Stealing. This one's to die for.

The British Empire's Cyprus Template of "bailing-in" the banks, if extended to the entire European Union—as is the currently operational plan—would generate about $3.4 trillion in seized funds. The amount they intend to steal from U.S. and U.K. depositors is that much again. The combined total of $6.8 trillion in Quantitative Stealing (QS) is a tidy sum, relative to the $4.4 trillion in hyperinflationary Quantitative Easing (QE) that was generated to try to bail out the bankrupt trans-Atlantic financial system between 2008 and the end of 2012.



To see where this is heading, add to that QE to date, the additional $2.3 trillion annual QE now underway in the trans-Atlantic region (U.S., U.K., and EU), and the $2 trillion in QE that Japan has announced from here to the end of 2014. That comes to a total QE of nearly $11 trillion by 2014.

And even as bank lending has fallen as QE rose from 2008 to 2012, stealing deposits will amount to additional "negative lending." So, by the end of 2014, the cumulative QE+QS (bail-in and bail-out looting) is heading toward a cool $18 trillion, while the cumulative fall in bank lending will be nearly $8 trillion.

But don't focus on the arithmetic—it doesn't really mean all that much. Consider the intention behind the policy that the numbers reflect. If this British imperial policy of hyperinflationary destruction of the physical economy, whose intention is to drastically depopulate the planet, isn't stopped immediately with Glass-Steagall, you're probably going to be dead well before 2014 rolls around.

—*Dennis Small*

must be held liable, is nothing more than sand in the eyes of the citizens. For both monstrous measures—the hyperinflationary policy of printing money, and the predatory access to accounts—have only one purpose: to keep furnishing the system of high-risk speculation with obscene profits. At least, until the mega-speculators have finished feathering their nests, and the preparations have been completed for a new system.

LaRouche had just warned in his Feb. 15 webcast—without any advance knowledge of the events in Cyprus or the decision of the Japanese central bank—that a system was being prepared in which the majority of the population will go empty-handed, and only selected members of the elite club will have the requisite volumes of money at their disposal.

The Murderous 'Cyprus Model'

In the rest of Europe, we would be well advised to watch carefully the consequences of the policy in Cyprus, which, according to the new head of the Eurogroup, Jeroen Dijsselbloem, is the template for all states. The Cypriot economy is in free fall. The forced taxation of account holders means that foreign investors, who accounted for 40% of government revenue, have withdrawn their funds already or are about to do so; small businesses and family businesses are going bankrupt; and the health system is in a state of collapse. The memorandum that the Troika (IMF, European Central Bank, European Commission) is attempting to ram through in Cyprus has led already to a systemic reduction in life expectancy to an average of 80 years to 75.

The same type of thing is happening elsewhere, such as in Athens, where cancer patients cannot be treated because the last oncology clinic was closed. In the U.S., budget cuts to Medicare are forcing oncology clinics that treat patients with expensive chemotherapy deny treatment in order to keep their doors open—tough luck [see article in *National*]. This is a foretaste

British Point to 'Success' Of Japan's 1930s Reflation

April 4—British financial oracles are praising Tokyo's decision to reflate its economy, citing the "success" of Japan's 1930s Finance Minister Korekiyo Takahashi.

In a column in today's *Financial Times* titled "Japan and Britain must lead the way to a reflated economy," Tokyo-based analyst Peter Tasker praises Japanese Prime Minister Shinzo Abe's "three arrows" policy of monetary expansion, fiscal pump-priming, and structural reform. By way of explaining what happens to a country emerging from deflation, he cites Japan under the policies of Takahashi: "His programme involved taking the country off the gold standard and issuing large amounts of bonds to be bought by the central bank.... The effect was dramatic. Under Takahashi, national income rose 60 per cent while consumer prices rose 18 per cent. The debt-to-GDP ratio stabilised while stocks doubled."

Ambrose Evans-Pritchard's column in the *Daily Telegraph* April 3, titled, "Helicopter QE will never be reversed," quotes Lord Turner, former head of the Financial Services Authority: "The danger in this environment is that if we deny ourselves this option [i.e., money-pumping], people will find other ways of dealing with deflation, and that could be worse." Evans-Pritchard comments: "A breakdown of the global trading system might be one, armed conquest or Fascism may be others—or all together, as in the 1930s." He writes that in the early 1930s, Takahashi used monetary and fiscal stimuli, in which "The Bank of Japan was ordered to fund the public works programme of the government. Within two years, Japan was booming again, the first major country to break free of the Great Depression. Within three years, surging tax revenues allowed him to balance the budget. It was magic."

Evans-Pritchard neglects to mention that the historical complement to 1930s Japan's reflation, was a policy of military imperialism. In 1931 (the year Takahashi became Finance Minister), Japan invaded and occupied Manchuria, and in 1937, invaded China. The "successes" of the 1930s were followed by events such as Japan's 1941 military offensives east toward the United States, and south into the Philippines and the East Indies.

of the genocide that threatens in the short term to be a consequence of global hyperinflation.

The escalation of the crisis in Korea, with people in the Anglo-American countries already debating, in all seriousness, the legality of a nuclear first strike against North Korea (if a threat from North Korea were detected), demonstrates the following: The world is on the brink of thermonuclear apocalypse, and it would not the first time in history that collapsing empires attempted, as a last resort, to stay in control using wars. Except this time it could cause a global thermonuclear war that would obliterate the human race, and then no one would be left who might enjoy the result - not even the Queen of Great Britain.

No Partial Solutions Are Possible

The faster a large part of like-minded people (optimistically, maybe 5% of the population) realizes that we are dealing with a systemic collapse, in which there can be no partial solutions, the greater the chance that we can implement the existing solution to this crisis in time. Individual issues, be they ever so legitimate in and of themselves, will not do any good, whether they be the policies of opponents of military exports or the anti-euro parties.

Only a complete paradigm shift can bring an answer to the systemic collapse: a shift which places man back in the center of politics and economics; which makes the general welfare, certified by Germany's constitution, into the basis for domestic politics, and international law into the basis for foreign policy; which, instead of a return to barbarism, chooses scientific and technological progress and human creativity as the method of problem solving; and which, instead of mind-numbing banality and the cult of ugliness, promotes Classical culture and the idea of freedom through beauty, to achieve a new renaissance.

The absolutely essential first step must be the introduction of the two-tier banking system, not in the deceptive packaging of "ring fencing," the Liikanen proposal, or the Volcker Rule, but exactly as it was done by Roosevelt in 1933. The casino economy and, more fundamentally, monetarism, must be replaced by physical economy, which enables the long-term survival of human civilization.

Our planet is not in a vacuum or a closed system, in which we asymptotically adapt to an absolute limit as in the Second Law of Thermodynamics, but rather our planet is part of the universe, whose laws present us with new challenges that we must overcome if we are to survive as a species. We are also reminded of the concurrence on Feb. 15 of the flyby of the asteroid, and the unexpected asteroid explosion over the Urals.

In the U.S., a movement is growing for the reinstatement of the Glass-Steagall Act, where 13 states have bills and resolutions on their agenda calling on Congress to take such action. This is exactly what we need in all European nations. Then we can dispatch the Troika to their retirement home—in Hell!

Translated from German by Daniel Platt.

Documentation

Quantitative Stealing: A Recent Chronology

This is a chronology of salient points in the process of discussion and elaboration of the"bail-in" or "Cyprus Template" policy of stealing bank deposits. It shows that, although the bail-in scheme predates the obvious breakout of the global financial crisis, there was a shift after the Lehman Brothers shock of 2008. It also shows the central role played by the City of London and the Financial Stability Board (FSB), the entity that former Italian Economy Minister Giulio Tremonti called "the Trojan Horse of international finance." The FSB is nothing other than a branch of the Bank for International Settlements (BIS), in whose premises it is hosted.

Jan. 28, 2010: *The Economist* publishes a guest article entitled "From Bail-Out to Bail-In" by Paul Calello, the head of Crédit Suisse's investment bank, and Wilson Ervin, its former chief risk officer, pushing "a new process for resolving failing banks." Calello and Ervin draw the "lessons of Lehman's failure," telling how they had participated at meetings at the Federal Reserve "over that fateful weekend in September 2008.... When the two of us left the New York Federal Reserve on Sunday night, we knew that the financial landscape was in for a seismic shock." Lehman's bankruptcy could have been kept at $25 billion, instead of the $150 billions of shareholder and creditor losses—if a bail-in scheme had been in place, they write. A bail-in "offers a powerful new way to recapitalize financial institutions using a bank's own money, rather than that of taxpayers ... and prevent individual problems from turning into systemic shocks."

July 21, 2010: Enactment of the Dodd-Frank legislation.

Oct. 8, 2010: FSB chairman Mario Draghi, speaking at the Peterson Institute in Washington, calls for legislation on the model of Dodd-Frank throughout the world, and moving to a bail-in policy "to resolve SIFIs without disruptions to the financial system and without taxpayers' support."

Oct. 20, 2010: The FSB issues recommendations on "Reducing the Moral Hazard Posed By Systemically Important Financial Institutions" (SIFIs).

November 2010: A bail-in working group at the FSB is set up upon request of G-20 leaders at their meeting in Seoul.

February 2011: The European Commission publishes a document proposing that resolution authorities be given significant power to write off equity and write down or convert subordinated debt. "Resolution authorities would have discretion as to which classes of debt would be written down or converted in a particular case, the extent of the 'haircut' and, where relevant, the rate of conversion. The exercise of that discretion might take into account, among other things, the systemic risks of writing down certain creditors," the report says.

May 3, 2011: The FSB's Draghi calls for EU legislation "to govern bail-in powers." "Any such toolkit should include bail-in powers to ensure that the costs of such failures are met by shareholders and creditors rather than taxpayers or the wider financial system," he says.

July 19, 2011: The FSB issues a consultation draft on "Effective Resolution of Systemically Important Financial Institutions."

Sept. 2, 2011: Crédit Suisse sends its suggestions to the draft, probably written by Calello and Ervin.

Nov. 4, 2011: The FSB issues an "International Standard for Resolution Regime," centered on bail-in procedures:

"*3.5* Powers to carry out bail-in within resolution should enable resolution authorities to:

"(i) write down in a manner that respects the hierarchy of claims in liquidation (see Key Attribute 5.1) equity or other instruments of ownership of the firm, unsecured and uninsured creditor claims to the extent necessary to absorb the losses; and to

"(ii) convert into equity or other instruments of ownership of the firm under resolution (or any successor in resolution or the parent company within the same jurisdiction), all or parts of unsecured and uninsured creditor claims in a manner that respects the hierarchy of claims in liquidation;

"(iii) upon entry into resolution, convert or write-down any contingent convertible or contractual bail-in instruments whose terms had not been triggered prior to entry into resolution and treat the resulting instruments in line with (i) or (ii).

"*3.6* The resolution regime should make it possible to apply bail-in within resolution in conjunction with other resolution powers (for example, removal of problem assets, replacement of senior management and adoption of a new business plan) to ensure the viability of the firm or newly established entity following the implementation of bail-in."

June 6, 2012: The EU Commission issues a 171-page draft "Directive of the European Parliament and of the Council for Bank Recovery and Resolution," which is centered around a bail-in scheme including confiscation of deposits above the guaranteed threshold of EU100,000.

End of 2012: Switzerland introduces a bank resolution scheme which anticipates the "Cyprus template," providing for deposits over SFr100,000 to be part of the bail-in capital. One can see the footprints of the Crédit Suisse High Risk desk behind this.

March 11, 2013: European Central Bank Vice-President Vitor Constancio explains, at a Chatham House conference in London, that the bail-in mechanism is a central feature of the planned Eurozone Banking Union, and calls for the EU Bank Recovery and Resolution Directive (the 2012 draft) to "be adopted by the middle of this year." The Directive will "provide a better framework for coordinating resolution of cross-border banks and provide national authorities with new resolution powers. These new powers—like writing down capital instruments and bailing-in creditors—should help ensure that the financial sector, rather than taxpayers, bears the burden in future bank resolution."

March 26, 2013: Second Cyprus deal, with all deposits over EU100,000 being included in the bail-in. Eurogroup President Jeroen Dijsselbloem says that Cyprus is a template for all of Europe. "You need to be able to do the bail-in as well with deposits," says MEP Gunnar Hokmark (Sweden) who is leading negotiations with EU countries to finalize the law for "banking resolution" to be voted at the European Parliament. "Deposits below EU100,000 are protected . . . deposits above EU100,000 are not protected and shall be treated as part of the capital that can be bailed in," Hokmark tells Reuters, adding that he is confident that a majority of his peers in the European Parliament back the idea.

The Cyprus Template

'Bail-In' vs. Glass-Steagall

LaRouchePAC TV's Dennis Mason and EIR Economics co-editor Paul Gallagher on April 4, discussed the differences between Franklin Roosevelt's Glass-Steagall approach to solving the financial crisis, and the bail-in crime of today.

Dennis Mason: We've been reporting that what these guys are doing with the bail-in operation, is the same thing that was investigated with the Pecora Commission under FDR, legislated as crime, prosecuted. . . . They are essentially just stealing people's money to try to keep the bank going. . . .

Paul Gallagher: Yes. This was notorious in the 1926-1930 period and the investigation of it—by Ferdinand Pecora—that the depositors were being converted into shareholders, and then losing the value of their shares, in a way that we have just seen done by fiat in Cyprus; that is, the deposits were taken, and the depositors were given essentially worthless shares—a 99.5% of their value—in the large bank that was failing.

And again, in Spain: Six different banks in Spain, where the depositors wound up with shares; and in that case, with most of those banks in Spain, including the big one, Bankia, which is bankrupt—the depositors had been duped in advance in the last three years into converting all or part of their deposits into shares. And then the shares, just a couple of weeks ago, became worthless, so they lost their deposits in the same way, while these insolvent banks, incredibly, remain open!

And that latter is exactly what constituted the main outrage, in the sense of driving the public outrage that resulted from it, in the Pecora hearings in 1933. The investigation had started in '32, but once they really got going with Ferdinand Pecora as the chief investigator in '33; he focussed on National City Bank, the largest commercial bank in the country at that time, with branches all over the country, and the way that it had mobilized its investment arm, National City Corporation, the investment bank affiliated with it, through intensive campaigns in every single National City Bank branch around the country, taking place involving the depositors, the employees. *Everyone* was being dragooned into buying National City stock with their deposits.

And then, they were being dragooned into buying other stocks that National City Company, the investment company, was speculating in, so as to support those speculations and make money for the insiders who were in the middle of these speculations.

When the Crash came in '29, and particularly in the following year, '30 and into early '31, most of these depositors who had been pulled in in this way, into converting their deposits to stock, lost most of the value, and were fleeced in exactly the same way as is happening today.

Pecora Takes on National City

Mason: That's their life savings. Everything they've worked for just vanished.

Gallagher: Sure, sure. And the Senate report of June 6, 1934—which is the final Senate Banking Committee report on the entire investigation which Pecora carried out, which led to Glass-Steagall—that report is full of anecdotes, full of stories of people whose life savings were gone, including people who had had a good deal of money to start with. They lost it all in this process, while National City Bank remained, not only open, but until the Pecora hearings, retained a reputation very much like JPMorgan Chase today, as a soundly managed, very clever, very large, impregnable bank, and so on—until Pecora got hold of Charles Mitchell, the CEO of National City, and ruined him by showing exactly what his bank had done, to remain open in this way.

The report then goes through the language of the Glass-Steagall Act, which had been passed the year before the report was finally written; it goes through that language in order to make clear that the Glass-Steagall Act was passed, above all, to make this kind of practice

LPAC-TV

Paul Gallagher

impossible, illegal, and to block any bank so situated from doing that. So, that was the first, absolutely clear statement, that there must be a bright dividing line between commercial banking and investment banking, and that that dividing line must be enforced by the Federal government, for all banks which are chartered as commercial banks under the Federal Reserve System.

That's where that comes from—the cleaning out of this theft of deposits that was being done by the so excellently reputed, impregnable National City Bank, the number-one bank at that time.

How Glass-Steagall Worked

Mason: What these guys are saying today, is that we have cross-border institutions which are "globally significant" and therefore can't fail; and now, what we've been doing with the bail-out has been at the taxpayers' expense, so the bail-in brings funds into play to take the burden off the shoulders of the taxpayers.

Gallagher: Roosevelt didn't bother to say any of those things until after it was done. He closed all the banks that had not already closed, on March 4 of 1933; and in an 11-day period, he managed to mobilize the forensic resources of the regulators of the banks in the United States, in combination, to inspect every single one of 14,000 banks in the United States in an 11-day period of time. And in the course of that inspection, they compelled these banks to write off the clearly watered stock, the clearly worthless securities, what we today call by the clever name of "toxic securities"—but we leave them alone. They didn't use the word "toxic"; they just said, these are worth nothing, write them off.

And then, what resulted in that very brief and thorough examination, was one category of banks which were clearly unsound and remained closed; and Glass-Steagall incorporated deposit insurance for the first time in the history of this nation, in order to handle that situation; perhaps merely 4,000 banks had been closed down completely. It took the middle category of banks which were sound but illiquid at that point, and provided them with currency. The Federal Reserve, the RFC [Reconstruction Finance Corp.] jointly provided them with currency and liquidity to reopen, and allowed the sounder banks to reopen as they were, in a staged period over the next two weeks.

But as for those closed banks, then, the assets that they did have were sold. And this has always been the function of the FDIC, in insolvencies of banks: It's to come in, close it, take over, get rid of the management, sell the assets, and on that basis make the depositors as whole as possible, with the floor being the insured amount, but depending on the asset sale, to make the depositors whole, with as much above that insured amount, up to the total amount that they had deposited, as is possible. And usually, it has fallen somewhere in between; usually, they've been able to come relatively close to the total amount of deposits that people had in that bank.

Roosevelt then, having gone through that process, clearly saw the Glass-Steagall Act as institutionalizing it, and making it permanent: that under the Glass-Steagall Act, these commercial banks were going to be subjected *quarterly* to the same kind of inspection by the Federal Reserve, under that Act. And in order to make sure that they were not going back to reinvesting in the same kind of speculative gambles that they had been in before, but were rather making loans. Not that there's no risk to that, but that they were making sound and regulated lending, and if they were not, the Glass-Steagall Act empowered the government to remove them from access to the Federal deposit window and other kinds of Federal support, and essentially, put them out on their own.

So it has worked in that way.

In contrast, what you see in the Cyprus case, and the Spain cases, is the astonishing attempt—here's the Bank of Cyprus, the biggest bank there, with a credit rating of "default," not even "selective default," but *"default"*, meaning *insolvency*! And yet, that bank has been kept open, and there has been every effort to maintain the assets of that bank at as high a value as possible, and to maintain the ability of that bank to repay the European Central Bank for collateral loans, for all of this bad Greek government debt and Greek bank debt that the bank had.

That is a complete reversal, at the expense of the depositors, of what has been done, ever since deposit insurance became generally widespread. You don't leave the bank open and take the depositors' money; you don't have the bank survive the depositors, you have the depositors survive the bank. And what's been done in Cyprus and in Spain, it's the opposite.

Dodd-Frank: Save the Banks

Mason: It seems to me, that a large part of the fight to restore Glass-Steagall in the United States is this question of guts in expressing the sovereignty of the United States, against this kind of thing.

Gallagher: Well, we know politically, from fighting to restore the Glass-Steagall Act, and from talking to lawmakers at the Federal and state level, that Dodd-Frank was designed, drafted, especially on the side of Barney Frank with all of his Wall Street contacts. In fact, his earlier bill in this direction had been more or less drafted for him by Crédit Suisse, and if you go back to when Glass-Steagall was repealed [in 1999], it appears from a recent PBS documentary, that these Wall Street banks spent $350 million in the '97-'98 Congressional election cycle to get it repealed.

So the Dodd-Frank Act, we know from that kind of pressure, and from direct admissions, was a substitute, an attempt to keep Glass-Steagall from being reenacted, after the crash of 2007-08. Had Dodd-Frank not been shoved in there, you would have had Glass-Steagall, and in fact, there were five different bills which had been introduced in the House in that same period, to restore Glass-Steagall.

So, if you start from the fact that this is an avoidance of Glass-Steagall, on the part of Wall Street, then you look at, what does it call for in its so-called "Title 2" when a big bank is insolvent—the same situation we just saw manhandled in Cyprus, and the economy crushed there—and you see that it says, to do what was done there. It says, save the taxpayers in their capacity as *taxpayers*, by taking their money in their capacity as *depositors*, and in their capacity as perhaps *holders of bonds* in this bank. Take it from them on that side, so as, supposedly, not to take it from the taxpayers, or not to take any bailout money from the taxpayers. And keep the bank open—and the Dodd-Frank language is specific—do so, in such a manner as to maximize the value of the assets of the bank, minimize any disruption to the financial markets and the financial system, that is, prop the assets up as much as possible, while keeping the bank open.

And the more you look, you see that every guideline that has come out since 2010, from London—from the FSB [Financial Stability Board], from the European Commission, from other supranational bodies like that, and also of course, in Dodd-Frank—every guideline says the same thing. And it's interesting that in New Zealand, they've gone whole-hog and done it, and it's written right in the law, and the banks have it already in their computers, how much the depositors are going to lose, in the resolution of this bank, this particular bank involved.

So, it's because the reenactment of Glass-Steagall was blocked in '07-'08, and then again, in 2010, when it had *strong* support, and was crushed in the Senate by the White House and by the Treasury, Geithner; it was blocked, and we get instead, these open bank resolution regimes, which rape the depositors of their deposits.

Iceland or Cyprus

Mason: And the real effects of that raping of the deposits are tantamount to genocide, because when you look at, for example, Greece, since the beginning of the implementation of the Troika policy, or, if you look at Spain, or if you look now at Cyprus, where they've been running essentially, as banks had been closed, on a cash economy. And so, you've had many stores shutting down, you've had access to medical supplies limited. In the case of Spain, you have a youth unemployment rate which is [60%—ed.]

Gallagher: Yes, it's tremendously broadening the base of who bears the cost of these bank failures, and therefore, tremendously broadening the suffering, which results from the failure of large banks in these circumstances. As you indicated, in those economies, business have just been choked from operating at all, because they're the ones that always lose the most in a shutdown of a bank, because they have operating accounts which tend to be at the upper range of insured and beyond; so they're bound to lose something. But when you get these kinds of capital controls and shutdowns like in Spain and Cyprus, these businesses can't function at all.

And in Greece, the austerity has run to the point that it's just murdering people: They're committing suicide, they can't get medications. So, what they have done is tremendously broaden out the base of austerity and suffering which results from what should be done in an orderly way, sacrificing the value of these "blessed assets," these securities, which supposedly have to be protected.

There's one country in the world in the last five years, that has done it the orderly way—that's Iceland, which had two insolvent banks, each of which was bigger in relationship to their economy, than even the Cyprus banks are in relationship to the tiny Cyprus economy. And yet, Iceland closed both of those banks down, against *tremendous* threats and pressure, particularly from London, which wanted them to make whole the value of all of these assets out of somehow the funds of taxpayers in Iceland.

There was tremendous pressure against it, but they closed those down in an orderly way, even though they were very large banks. The result was relatively good: Not only were the insured deposits covered, but a sizable chunk of the uninsured deposits was covered as well, by selling the assets in the way you're supposed to do it. And they certainly removed the management. Now they're prosecuting them; they're in criminal prosecutions now. In Iceland, one of the committees of the parliament there has passed through a banking separation or Glass-Steagall Act, to the full Parliament, for a vote. And Iceland has a very un-European unemployment rate right now of 5.5% officially.

Now, it's a small economy, but nonetheless, it is a matter of political will, and courage, and leadership, to say, "The hell with all this pressure; we're going to close these banks in a proper way, no matter how big they are." If they're insolvent, they're not too big to close, they're not too big to reorganize, in the orderly way that we know from Roosevelt on.

Close Down Wall Street!

Mason: And if we do that in the United States, that opens the door for Europe to be able to follow suit.

Gallagher: Absolutely! Close down Wall Street. I mean, that's really what it comes down to: Implement the Glass-Steagall Act, and in a certain period of time, with the sell-off that will be required by all these thousands of securities units that these big commercial banks have, sell 'em off; those units are not going to survive. There is going to be the need to put national credit into the economy. Those banks aren't lending anyway, those biggest banks, and they're going to have to be led into lending by national credit.

But the point is, that you're not going to take their assets, and put the burden of supporting their assets, at their current market value, on the broad, broad shoulders of the whole population and just crush the economy, the way it's been done in Greece, and in Spain, and in Portugal, in Ireland—incredible!

You know, Ireland went from 26% debt-to-GDP ratio to 127% debt-to-GDP ratio, in one fell swoop, in bailing out these two, what were really London banks, headquartered in Ireland.

So that's the point. And even in the case of Charles Mitchell and National City Bank, there was about $300 million lost, by National City depositors in '29 and '30. In the economy of that time, that was a *huge* amount of suffering. This represented about 2 million shares that they had been conned or dragooned into buying with their deposits, in which they lost that money—*huge* austerity against those people at that time! Just from that one bank that Pecora put on the skewer—and that's where the term "bankster" came from, in those hearings....

So, we have to do it, immediately, on the Glass-Steagall principle. This is clearly going to happen to depositors here. We're now connected to this reignited European bank crisis, with banks failing in one country after another; we're connected, and it's already in the Dodd-Frank law, that it's going to be treated in the same way. They can make all of the assurances that they want, that they won't touch insured deposits.

But let's just look at what the European Commission did, and then what they said. They said, on March 26, in this statement by their spokeswoman Chantal Hughes: Yes, we used the Cyprus model across Europe, it is the new template, yes. But, we would never, ever, touch the insured deposits up to the level of EU100,000. *One week earlier, they were taking 7% of the insured deposits in Cyprus, in order to prop up those banks*, and by all reports it was the European Commission, the very same bureaucracy that had insisted that they take the insured deposits as well—and then a week later, they're saying, "never, never would we take insured deposits"!

So, when you read that in Dodd-Frank, it's words on paper in the same way. In a crisis, they won't be stopped.