FIGHT OVER GLASS-STEAGALL

State Legislators, Bankers Clash at Legislative Forum

by Stuart Rosenblatt and Tim Rush

Dec. 9—At the Legislative Forum of the National Conference of State Legislatures (NCSL), held in Washington, D.C., Dec. 4-6, Wall Street conducted a thug operation to prevent lawmakers' voting up support for a resolution backing reinstitution of the Glass-Steagall law, which was submitted by Maine State Rep. Andrea Boland and co-sponsored by 18 other state legislators from 15 states (see below). Lobbyists for the megabanks were present in force, skulking among the 200+ attendees at the Forum; Wall Street networks activated three letters against the Boland Resolution—one from the American Bankers Association (ABA); one from the ABA's affiliate, the Maine Bankers Association; one from the New Hampshire Bankers Association, and a joint one from Maine's Governor and the state's Commissioner for the Department of Economic and Community Development. For an exposé of the how the ABA runs interference for the Too Big To Fail bank, see "Bankers' Anti-Glass-Steagall Campaign Is a Flim-Flam," *EIR*, Sept. 6, 2013.

The clash came to a head mid-day Dec. 5, when the relevant NCSL Committee officially took up the Glass-Steagall Resolution, and heard a powerful 12-minute presentation from Representative Boland. When the 15 Committee members present then voted almost unanimously against the Resolution—after several of them presented blatant bought-and-paid-for rhetoric right out of the ABA letters—the point was clearly made: Boland herself, and the principle of Glass-Steagall, were victorious over the corruption of those still grovelling before the banksters.

Wall Street is hysterical. Its huge deployment to the August national conference of the NCSL staved off passage of a similar resolution, which demanded that Congress push through the Glass-Steagall bills in Congress, HR 129 and S 1282 or S 985; but the momentum nationally for cutting off Wall Street and its deadly gambling crimes, has continued to grow. All it had at its disposal were threats and money—but the advocates of Glass-Steagall would not be shut up.

Representative Boland has spoken up repeatedly, including in interviews with LaRouchePAC-TV on Dec. 5 and Dec. 7 about the tactics the bankers used to try to prevent her from going ahead with the resolution. Representatives of several top banks, in addition to organizing letters to her and the other members of the NCSL, took her aside before the Committee meeting to try to get her to withdraw the resolution. When she refused, they brought up how many jobs the state of Maine might lose. When Boland held her ground, saying she understand the big banks might feel some pain with the reinstatement of Glass-Steagall, but she had to act to protect the ordinary people, a banker replied: "There could be pain involved for you too. In fact, your career. . . ."

This is nothing but intimidation, Boland told La-

LPAC-TV

Maine State Rep. Andrea Boland, sponsor of the resolution to restore Glass-Steagall at the NCSL Legislative Forum, braved blatant intimidation by the bankers to press her cause. Here, Boland speaks with LPAC-TV's Matt Ogden. Her interviews with Ogden and, after the meeting, with Diane Sare, can be found at www.larouchepac.com.

RouchePAC and *EIR*. But she refused to be intimidated, inspired by the knowledge that her courage in the face of bankers' threats would help others to expand the fight. In the interest of carrying out that mission, we believe the following report on what happened on Dec. 5 should be spread far and wide.

A Blow-by-Blow Account

The following account was provided by an attendee at the Dec. 5 afternoon business meeting of the NCSL Committee on Communications, Financial Services and Interstate Commerce (CFI). The Committee barely scraped together representatives of the minimum 10 states needed for a quorum, and approximately 15 legislators were present. Of the audience of 25, at least 10 were bank lobbyists—including Bank of America, JPMorgan Chase, Citigroup, and the American Bankers Association—out in force on behalf of Wall Street, patrolling the halls and proceedings.

Their panic had already become evident earlier in the day, when a reporter, covering a session on privatizing Fannie Mae and Freddie Mac as a banking "reform," raised a question on Glass-Steagall. Shortly thereafter, not only was the reporter expelled, but other journalists were summarily subjected to a credentials check, to determine whether they were "legitimate media."

The CFI Committee convened at 1:30 p.m., with the Glass-Steagall Resolution as virtually the only order of business. Its sponsor, Maine **Rep. Andrea Boland**, was called as the first speaker, and gave an eloquent, *ex tempore*, 12-minute presentation, demanding its passage. The text of the resolution was projected on the screen; parts of it were read aloud. The text was also available in the NCSL conference booklet.

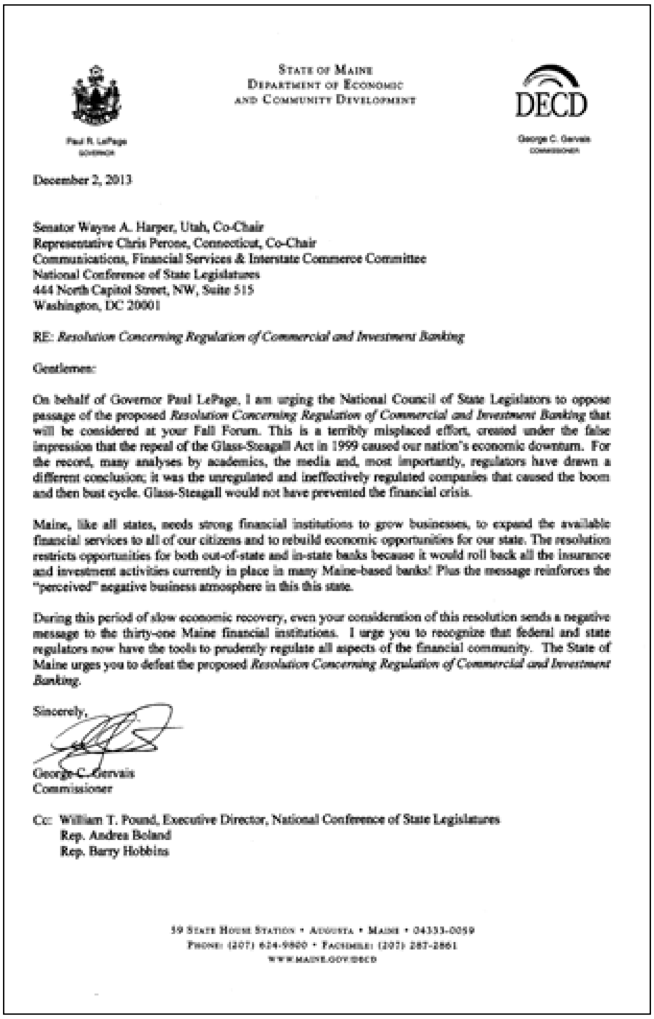
But all hearing participants also had printed copies of an attack on the Resolution, issued on Dec. 3 to the lawmakers, on State of Maine letterhead, by George Gervais, Commissioner of the Maine Department of Economic and Community Development, on behalf of himself and Gov. Paul LePage. This letter flew in the face of the Maine state legislature's resolution calling for a return to Glass-Steagall, which passed both houses of the legislature by acclamation in April 2013.

Boland's Presentation

Representative Boland began by explaining her Resolution to Reinstate Glass-Steagall. She then continued, speaking very directly to her fellow lawmakers (reported here throughout in paraphrase, since taping was not permitted):

I know that the American Bankers Association and bankers have been lobbying against the Resolution. I know that all of you need to raise money to get re-elected. I know that the bankers are all over the legislatures. I know it will be hard for many of you to vote for this resolution, because the bankers have a powerful lobby.

But look: The crisis is in the headlines. She read a headline, "JPMorgan Chase Makes $13.8 Billion Settlement"; and another, "Bank of America Makes Large Settlement on Bad Mortgages." She read, "The tally of U.S. banks is at a record low number. The small banks are run out of business, while the big banks are continu-



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT

DECD

Paul R. LePage
GOVERNOR

George C. Gervais
COMMISSIONER

December 2, 2013

Senator Wayne A. Harper, Utah, Co-Chair
Representative Chris Perone, Connecticut, Co-Chair
Communications, Financial Services & Interstate Commerce Committee
National Conference of State Legislatures
444 North Capitol Street, NW, Suite 515
Washington, DC 20001

RE: *Resolution Concerning Regulation of Commercial and Investment Banking*

Gentlemen:

On behalf of Governor Paul LePage, I am urging the National Council of State Legislators to oppose passage of the proposed *Resolution Concerning Regulation of Commercial and Investment Banking* that will be considered at your Fall Forum. This is a terribly misplaced effort, created under the false impression that the repeal of the Glass-Steagall Act in 1999 caused our nation's economic downturn. For the record, many analyses by academics, the media and, most importantly, regulators have drawn a different conclusion; it was the unregulated and ineffectively regulated companies that caused the boom and then bust cycle. Glass-Steagall would not have prevented the financial crisis.

Maine, like all states, needs strong financial institutions to grow businesses, to expand the available financial services to all of our citizens and to rebuild economic opportunities for our state. The resolution restricts opportunities for both out-of-state and in-state banks because it would roll back all the insurance and investment activities currently in place in many Maine-based banks! Plus the message reinforces the "perceived" negative business atmosphere in this this state.

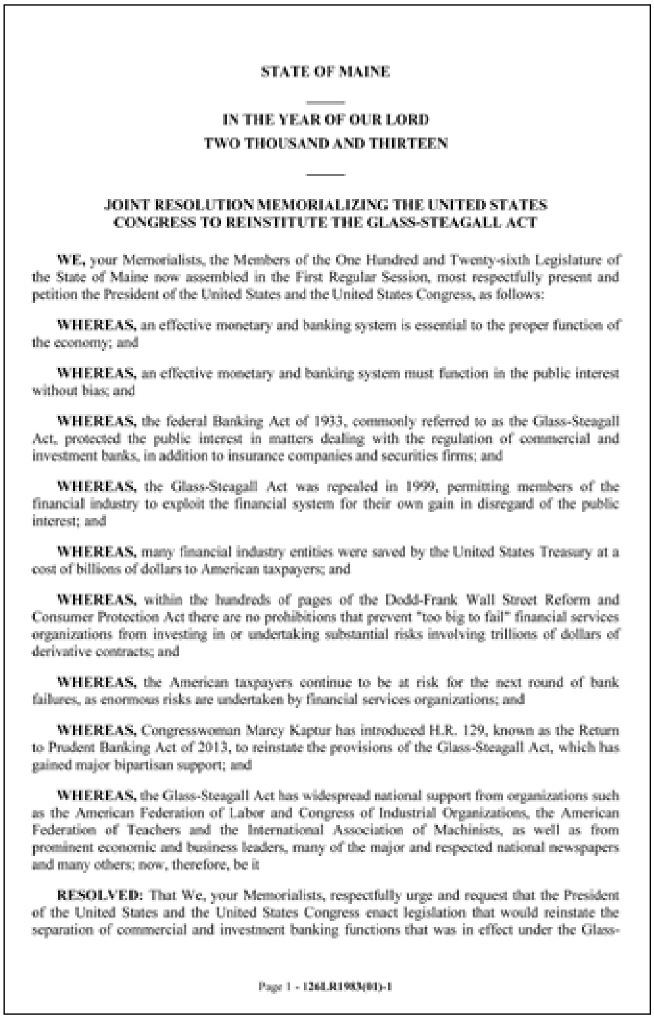
During this period of slow economic recovery, even your consideration of this resolution sends a negative message to the thirty-one Maine financial institutions. I urge you to recognize that federal and state regulators now have the tools to prudently regulate all aspects of the financial community. The State of Maine urges you to defeat the proposed *Resolution Concerning Regulation of Commercial and Investment Banking*.

Sincerely,

George C. Gervais
Commissioner

Cc: William T. Pound, Executive Director, National Conference of State Legislatures
Rep. Andrea Boland
Rep. Barry Hobbins

59 STATE HOUSE STATION • AUGUSTA • MAINE • 04333-0059
PHONE: (207) 624-9800 • FACSIMILE: (207) 287-2861
WWW.MAINE.GOV/DECD



STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND AND THIRTEEN

JOINT RESOLUTION MEMORIALIZING THE UNITED STATES CONGRESS TO REINSTITUTE THE GLASS-STEAGALL ACT

WE, your Memorialists, the Members of the One Hundred and Twenty-sixth Legislature of the State of Maine now assembled in the First Regular Session, most respectfully present and petition the President of the United States and the United States Congress, as follows:

WHEREAS, an effective monetary and banking system is essential to the proper function of the economy; and

WHEREAS, an effective monetary and banking system must function in the public interest without bias; and

WHEREAS, the federal Banking Act of 1933, commonly referred to as the Glass-Steagall Act, protected the public interest in matters dealing with the regulation of commercial and investment banks, in addition to insurance companies and securities firms; and

WHEREAS, the Glass-Steagall Act was repealed in 1999, permitting members of the financial industry to exploit the financial system for their own gain in disregard of the public interest; and

WHEREAS, many financial industry entities were saved by the United States Treasury at a cost of billions of dollars to American taxpayers; and

WHEREAS, within the hundreds of pages of the Dodd-Frank Wall Street Reform and Consumer Protection Act there are no prohibitions that prevent "too big to fail" financial services organizations from investing in or undertaking substantial risks involving trillions of dollars of derivative contracts; and

WHEREAS, the American taxpayers continue to be at risk for the next round of bank failures, as enormous risks are undertaken by financial services organizations; and

WHEREAS, Congresswoman Marcy Kaptur has introduced H.R. 129, known as the Return to Prudent Banking Act of 2013, to reinstate the provisions of the Glass-Steagall Act, which has gained major bipartisan support; and

WHEREAS, the Glass-Steagall Act has widespread national support from organizations such as the American Federation of Labor and Congress of Industrial Organizations, the American Federation of Teachers and the International Association of Machinists, as well as from prominent economic and business leaders, many of the major and respected national newspapers and many others; now, therefore, be it

RESOLVED: That We, your Memorialists, respectfully urge and request that the President of the United States and the United States Congress enact legislation that would reinstate the separation of commercial and investment banking functions that was in effect under the Glass-

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Maine Gov. Paul LePage had the nerve to send a letter (left) to Representative Boland, castigating her for her resolution in support of Glass-Steagall, and claiming it was against the interests of the state. But in March and April of this year, both houses of the Maine legislature voted up a pro-Glass-Steagall resolution, by acclamation (right).

ing to grow." There are no loans going out to Main Street, she said. The major banks are speculating to a degree not seen since the 1929 Crash.

Let me give this a personal slant. In my other life, I am a real estate title examiner, and I have seen a dramatic change take place. Previously, the title examiner attorney would sign his name to a certificate of title, and stand behind it. Now, we have title insurance; and the lawyer doesn't have to stand behind his examination.

The same thing is going on with the large banks; they are selling protection with securities, to protect themselves from disaster. This process is leading us to a new crisis.

When I raise Glass-Steagall to ordinary people in Maine, they say: "It makes sense. We should not be speculating with the money people put in the bank." It should be secure for ordinary people, who just want their money safe in the bank. If people want to speculate, they should go to a brokerage house, or investment firm.

Now, people deposit their money, and it's speculated on. A mortgage might be issued; then the mortgage is sent out of town. It used to be the case that the mortgage stayed in town; you knew your own banker. But we've lost that feeling.

It's just like when I'm a title examiner. I saw the prices started to skyrocket on the same properties. I said to myself, how can that be? And then I saw the urgency to quickly re-sell the mortgage to a secondary market; and then there would be selling, reselling, packaging, and again, reselling of the same mortgage. The commercial banks have essentially been funded the same way as the investment banks.

And they are getting $85 billion a month from the Federal Reserve, to keep doing this. If the Federal Reserve evens mentions reducing this, the stock markets immediately go down.

It's now like a house of cards. There is $70 trillion in the global GDP, and $770 trillion in global derivatives supported by the GDP! This makes no sense.

The banks are being funded, but businesses can't get loans. In many states, re-development authorities, which build infrastructure, can't get money, because the money is going to other places. And now, as we are fighting to get Glass-Steagall, threats are coming down from the bankers, pleading, "why didn't you call us, to let us know your concerns?"

In Maine, Bank of America is threatening to move out over a thousand employees, and there would be eight people losing their jobs in my area. And people think that's what this is all about.

Well, if Glass-Steagall passes, there will be more pain for some of the banks. But I would rather have pain for the banks, than pain for the rest of us for not doing this.

Ask yourself: There's $770 trillion being traded in derivatives against $70 trillion in GDP—that's a small pot holding up a gigantic tower. A lot will be lost by some people. But a lot will be gained by my people and any citizens whom you represent.

There will be pain for people at the top, lots of pain. But better that, than pain for people at the bottom, Boland concluded.

Three Piqued Responses

The Committee members, and many in the room were thoroughly provoked by Boland's tough presentation. Immediately, three of the Committee members jumped up to speak.

The first was Indiana State Senator **Travis Holdman.** The former bank chairman, and chairman of the banking committee in the State Senate (where Glass-Steagall was not taken up, though it passed in the Indiana House by acclamation in May 2013), said, "I take offense personally at the implication that I am taking money from the bankers, and the implication that that influences what I do. If I took contributions in Indiana, I would be immediately brought up on ethics charges. How dare you insinuate this?"

The Indiana lawmaker proceeded: "The lady from Maine, whom I respect, read to you from the *Wall Street Journal*; well, I'm going to read to you from the *Wall Street Journal*." He then read a headline, "Banks Brace for Tighter Regulation," continuing, "Now let me keep reading from the newspapers." But instead, he picked up the ABA letter attacking Glass-Steagall, and read it verbatim, as if it came from the newspapers.

He then said, it is true that the Glass-Steagall Resolution passed the Indiana State House, but not the Senate, and everybody knows that if it just passes one house, it's not worth the paper it's written on.

What I think is, that we don't need Glass-Steagall; we need to repeal Dodd-Frank, and privatize Fannie and Freddie. He sat down.

State Senator **Curtis Bramble** of Utah, in line to become NCSL president in mid-2014, spoke next, listing his own credentials. "I am the chair of the Business and Labor Committee in Utah. For the sake of disclosure. I am a CPA, and I audited banks in the 1980s to make sure they complied with FDIC requirements. I'll be honest. I've been lobbied by LaRouchePAC as much as by the ABA. If people in this room vote for the Resolution, it doesn't mean they support LaRouchePAC. And if they vote against it, it doesn't mean they support the ABA."

Bramble continued, "OK. I just want to read something." He then read the Dec. 3 letter from the Maine governor's office, scripted by the ABA, to attack the Glass-Steagall Resolution. He ended, with, "I think, based on this, we should defeat the Resolution on its merits."

The third speaker was **Rep. Barry Hobbins** of Maine, who praised Representative Boland "as always being passionate for the issue she fights for." We disagree on this, however, he said. Maine has 9,000 people in its financial institutions, who could be affected. I am on the board of Gorham Savings Bank, and the president of our bank is now the state president of the Maine Bankers Association. And not only that, but for the purposes of disclosure, the Maine Bankers Association did contribute to my campaign. He continued coyly, playing to the bank lobbyists, "But frankly, it was a small contribution, and I had expected more."

Then, picking up the Maine ABA letter, he continued, "So this Resolution assumes that the repeal of Glass-Steagall led to the crash. But I just want to re-quote my friend from Indiana, who said there were other causes. [His friend had *not* given other causes; he, too, had just read the ABA letter.] Frankly, there are changes going on now in banking pursuant to Dodd-Frank, and we now have the tools to regulate the banks"—which was a direct quote from the ABA letter. "Therefore, passing this Resolution would not be good for the citizens of Maine."

A motion was made to take a vote. But **Rep. Dan Flynn** of Texas suddenly stood up to say: "Before we vote on the motion, I request a point of order, to make one last comment. I am a former banker, and frankly, I oppose the Resolution. The repeal of Glass-Steagall didn't cause the crash. What we should do, is repeal Dodd-Frank. The repeal of Glass-Steagall has been talked about by people who have been talking to me on the phone and in the halls, but my conclusion is that we should defeat it." He failed to mention that he has been a consultant to the ABA.

Boland's Rebuttal

Andrea Boland intervened at this point, asking to make a brief rebuttal. She was given one minute. "I know that the bankers know about how to present their case to you," she said. "And I know that you have gotten letters from them on this. And I apologize to you for the letter you have received from my governor; and that the letter was signed by the Secretary for Economic Development.

"I have another resolution in an adjacent committee on protecting our electric grid, and our Secretary, Mr. Gervais, who signed the letter, would not even consider measures for protecting our electric grid, even though my resolution passed the Maine legislature. It hurts when you lose your electricity.

"Look, all the arguments today presented against this Resolution have been total misinformation. I urge you to consider the arguments of [U.S. Sen.] Elizabeth Warren, [U.S. Rep.] Marcy Kaptur, and [U.S. Sen.] Tom Harkin, and not the arguments of the banks. Follow what Elizabeth Warren is saying, against the bankers."

The vote was then taken, which was unanimous against the Resolution, except for Maine, which was termed a split vote, because the two Maine lawmakers voted oppositely. At least three Committee members had previously said that they would vote up the Resolution, but wilted under the banker pressure.

As people started leaving, the Committee members who *had* led the opposition, gave high-fives, or shook hands heartily, with the bank lobbyists. It was conspicuous.

Donielle DeToy contributed to this article.

Documentation

State Rep. Andrea Boland's Glass-Steagall Resolution

Resolution Concerning Regulation of Commercial and Investment Banking

Sponsor: Representative Andrea Boland

The National Conference of State Legislators believes that a considerable effort needs to be undertaken by the United States Congress and President of the United States to enact legislation that would separate commercial and investment banking functions.

The NCSL recognizes that from 1933 to 1999 the Federal Banking Act of 1933, known as the Glass-Steagall Act, worked effectively to protect the public interest in matters dealing with the regulation of commercial and investment banking.

The NCSL recognizes that the Glass-Steagall Act was repealed in 1999, which contributed to the greatest speculative bubble and subsequent worldwide economic distress since the Great Depression of 1933;

The NCSL recognizes that the impact on the states of repeal of Glass-Steagall and the subsequent financial crash, has been painful, intense, and growing, and that the states have suffered under the loss of revenue due to unemployment, Federal Government cuts and sequester provisions, and increased demands on state budgets for compensatory payments.

The NCSL understands that there is currently legislation before Congress that would reinstate provisions of the former Glass-Steagall Act. Following passage of Glass-Steagall, the federal government will be able to launch emergency infrastructure and water projects, in concert with a vibrant commercial banking sector. This will increase employment by construction of state and federal projects that have been put on hold for too long.

The NCSL recognizes that the Federal Reserve has been issuing $85 billion per month in cash to the too big to fail Wall Street banks, to buy their devalued derivatives securities, a thinly disguised bailout. The banks that have received this money have used it to increase their speculation in similar derivatives and failed to increase lending to Main Street. They have decreased lending to businesses and state and city projects by over $1 trillion!

The NCSL understands that state legislatures have joined other organizations and prominent economists and bankers across the nation to demand a restoration of the Glass-Steagall Act.

The NCSL recognizes that 25 state legislatures have filed bipartisan resolutions urging the United States Congress and the President of the United States to reenact the Glass-Steagall banking law to return balance to banking activities, and that these resolutions passed in four states thus far.

The NCSL knows that H.R. 129, a bill to restore Glass-Steagall, has been introduced into the U.S. House of Representatives by Congresswoman Marcy Kaptur, which currently has 75 bipartisan co-sponsors, and that similar bills have been introduced into the Senate, S. 1282 by Senators Elizabeth Warren and John McCain, currently with 10 bipartisan co-sponsors, and S. 985 introduced by Senator Tom Harkin.

Given the urgency of the economic and banking crisis that has so heavily burdened average United States citizens, their businesses, and their state and local governments, the National Conference of State Legislatures urges the United States Congress and the President of the United States to enact the Glass-Steagall-inspired legislation currently before Congress, which will reinstate the separation of commercial and investment banking functions, and prohibit commercial banks and bank holding companies from investing in stocks, underwriting securities, or investing in or acting as guarantors to derivatives transactions.

Upon passage, a copy of this resolution shall be sent to the President of the United States, to presiding officers of each house of Congress, and to each member of Congress.