

Maryland Citizens Fight Wall Street

by Donielle DeToy

March 14—Lyndon LaRouche, in a discussion with his National Policy Committee on March 10, said that the best thing to do to restore the economy is to simply and immediately shut down Wall Street, as it is plunging hopelessly into bankruptcy at an accelerating rate. He compared it to an elevator with a broken cable that is crashing down from the 70th floor to the basement.

The means for protecting citizens from the results of that crash, he said, is reinstating FDR's Glass-Steagall Law. LaRouchePAC has fought for the reinstatement of Glass-Steagall as the indispensable first step to global economic recovery. Bankrupting Wall Street and shutting down the never-ending financial speculation by separating commercial banking from investment banking will halt the elevator, and create the basis for a new credit system that will allow for long-term investment in the real economy.

In 2013, resolutions were introduced to 25 state houses calling on Congress to reinstate Glass-Steagall, creating a broad bipartisan fight of state legislators confronting those in Congress who have failed to act. In 2014, the fight has become more intense, with more legislators realizing that a return to Glass-Steagall may be the only hope.

In Maryland, Delegate Aisha Braveboy's (D-district 25 Prince Georges County) submitted HJR 8 to the legislature on Feb. 7. Titled "A House Joint Resolution Concerning Reinstatement of the Separation of Commercial and Investment Banking Functions," it is described as "for the purpose of urging the United States Congress to support efforts to reinstate the separation of commercial and investment banking functions in effect under the Glass-Steagall Act and to support H.R. 129." (See box.)

The numbers of legislators who co-sponsored the resolution rose from 15 for a comparable resolution in 2013 to 49 this year—over one third of the 147 delegates. Many delegates expressed great frustration and

anger at the lack of action coming from Washington, with several commenting to LaRouchePAC organizers that they were glad someone had an idea of how to get Congress to do something right. What is driving the support for the Glass-Steagall resolution is the crisis of home foreclosures, which has become a focal issue in the legislative session.

On March 10, the Rules and Executive Nominations Committee held hearings on HJR 8. The fact that advocates for homeowners linked the massive number of foreclosures to the repeal of Glass-Steagall, allowing the big banks to sell mortgage-backed securities while they throw people out of their homes, definitely caught the attention of legislators, and put the bankers who testified against HJR 8 on the defensive.

The Foreclosure Crisis

Maryland has seen a steady rate of increase in home foreclosures for the last 19 months, placing it third highest in the nation in 2013, with 2014 promising to get far worse. Its economy, like that of many states, is worsening in the aftermath of the 2008 financial collapse, including the complete shutdown of its industrial base, including Bethlehem Steel's Sparrows Point plant and its 3,000 jobs; the impact of sequestration; the Federal government closure, especially in Prince Georges County, which neighbors the nation's capital; and more recently, the ending of long-term unemployment benefits, directly affecting Maryland's 7-8% unemployed.

Maryland state legislators have recently heard too many horror stories of Maryland homeowners victimized by the Obama Administration's fraudulent Home Affordable Modification Plan (HAMP). Instead of providing relief and an opportunity for people to save their homes by restructuring mortgages, HAMP opened the door to a never-ending nightmare of battles with financial institutions. Obama's HAMP program, begun in 2009, was cynically portrayed as helping homeowners with "trial modifications" of their home loans. However the intention of the plan was never to help homeowners obtain a permanent loan modification, but rather to stretch out the inevitable foreclosures over a longer period of time, while the banks were collecting increasing fees and payments from unsuspecting homeowners, often bankrupting them along the way.

Neil Barofsky, former Inspector General in charge of oversight of the Troubled Asset Relief Program (TARP), was very explicit about this in his 2012 book

Bailout, when he described then-Treasury Secretary Tim Geithner's account that the real intention of HAMP was not to assist the potential 10 million homeowners in averting foreclosure, but to "foam the runway," preventing the banks that were holding billions of over-priced mortgage securities from skidding into another crash.

Over the last few years a coalition led by Delegate Braveboy, a 2014 candidate for Maryland's Attorney General, and including NAACP Maryland State Conference Housing Chair Carmen Johnson; CASA de Maryland; and many legal, consumer, and social advocates, was formed to help homeowners push back from the maze of deliberately obscure bureaucracy and to halt the illegal foreclosures. During this time frame, many of these people have become experts in how insanely the banks and Wall Street operate, from securitizations of mortgages, to HAMP, collateralized debt obligations (CDOs), and other derivatives. Delegate Braveboy, an attorney who has done years of pro-bono work stopping home foreclosures, is demanding a six-month freeze on foreclosures in Maryland, while the unscrupulous practices of HAMP servicers are investigated.

The Glass-Steagall Hearing

All of this must have been on the minds of the Delegates during the hearing on March 10, as they heard members of this coalition present support for the immediate reinstatement of Glass-Steagall.

Delegate Braveboy testified first and identified why the banks had to be separated, pointing to the fact that many experts have said that the financial collapse of 2008 occurred because Glass-Steagall had been repealed.

Next came Carmen Johnson, Housing Chair of the Maryland State Conference NAACP, who gave hard-hitting and emotional testimony, slamming the fraudulent policies of the mortgage-backed securities debt bubble. Then she asked a series of pointed questions of the committee members, the final one being: "Why do you continue to expect our votes, but continue to sit back and watch our people be dragged from their homes and thrown in the street?"

Written testimony submitted in favor of the Glass-Steagall resolution included that by Fred Mason, president of the Maryland State and District of Columbia AFL-CIO, proclaiming his union's unanimous support for Glass-Steagall; and by Progressive Maryland, a

grassroots, nonprofit organization of more than 23,000 members, whose testimony added pressure for action: "What has so far been lacking is the will and courage on the part of lawmakers to right these wrongs and restore reason, responsibility and fairness to regulation of our financial institutions. When Congress drops the ball, the states must do their part to speak up and demand vitally needed reform. Now is the Maryland General Assembly's turn to stand up and be counted—to demand rebuilding the protective wall between commercial and investment banking."

A representative of Public Citizen, the Ralph Nader consumer advocacy association headquartered in Washington, D.C., which has published a report on Glass-Steagall, testified: "On behalf of 300,000 members and supporters of Public Citizen, I am pleased to offer enthusiastic support for efforts leading to the reinstatement of Glass-Steagall. This prudential measure would separate the basic business of loan making to business and consumers from the speculation excesses and abuses of commerce. Today, America remains hostage to mega-banks that are too big to fail, too big to manage, even too big to jail".

The most damning testimony of all came from those who spoke of the financial scams behind the foreclosure crisis.

Paul Randall, a foreclosure prevention specialist, spoke about the securitization of mortgages as a result of the repeal of Glass-Steagall, and emphasized that the same banks foreclosing on homeowners had received trillions from the Federal government, citing the sums that each bank had received. He was followed by Paul Dunn, a citizen who, since 2008 when his home equity had collapsed by \$200,000 and was then "under water," tried to enrol in HAMP. What followed was a story of a bizarre maze, with years of dead ends (each entity claiming not to know anything about him or his mortgage), filing, refiling, lost paperwork. He ended his testimony by stating that with mortgage-backed securities, the note had been sold so many times that nobody knows who the real lenders are. How, under these conditions can people be foreclosed upon?

This was too much for one delegate, who turned to Maryland Bankers Association President & CEO Kathleen Murphy and said that it was shocking that such a horror story was going on. "What can we do about this, to make sure it never happens again?" he asked. "If you looked him in the eye [pointing to Dunn], what would you say to him?" (The room went quiet). He told the

bank lobbyists that he was not talking about what Congress was doing, but what are we doing in Maryland? “Do we have any legislation in this state to deal with this?”

LaRouchePAC’s Jerry Belsky brought a deeper reality to the room. “We are facing a crisis far worse than anything we have seen before,” he said, and quoted Glass-Steagall supporter U.S. Sen. Barbara Mikulski (D-Md.) from the 1998 debate against repealing Glass-Steagall, that when faced with a global firestorm, this was not the time to break down the firewall between banks. He then said that the new, greater firestorm will lead to the collapse of the entire system.

Belsky ended by quoting Franklin D. Roosevelt from his first Inaugural Address, prior to Glass-Steagall becoming law in 1933:

“Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men.

“True they have tried, but their efforts have been cast in the pattern of an outworn tradition. Faced by failure of credit they have proposed only the lending of more money. Stripped of the lure of profit by which to induce our people to follow their false leadership, they have resorted to exhortations, pleading tearfully for restored confidence. They know only the rules of a generation of self-seekers. They have no vision, and when there is no vision the people perish.

“The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit.”

No vote on the Resolution has yet been scheduled by the committee, but the political pressure can be expected to increase in the weeks ahead.

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Maryland’s HJR 8: Bring Back Glass-Steagall!

A House Joint Resolution concerning Reinstatement of the Separation of Commercial and Investment Banking Functions

For the purpose of urging the United States Congress to support efforts to reinstate the separation of commercial and investment banking functions in effect under the Glass-Steagall Act and to support H.R. 129.

Whereas, The worldwide recession has cost the loss of millions of jobs nationwide; and

Whereas, The worldwide recession has put severe financial strain on states, counties, and cities, exacerbating unemployment and loss of civil services; and

Whereas, The United States Senate and the House of Representatives have been making efforts to restore the protections of the Glass-Steagall Act; and

Whereas, Congresswoman Marcy Kaptur has introduced H.R. 129, known as the Return to Prudent Banking Act of 2013, that would revive the separation between commercial banking and the securities

business in the manner provided in the Glass-Steagall Act; and

Whereas, Restoration of the protections of the Glass-Steagall Act has widespread national support from labor organizations, including the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), the American Federation of Teachers, and the International Association of Machinists; from prominent economic and business leaders, including Thomas Hoenig of the Federal Deposit Insurance Company, Sanford Weill, former Chief Executive Officer of Citigroup, and economist Luigi Zingales; and from newspapers, including the New York Times, the St. Louis Post Dispatch, the Los Angeles Times, and many others; now, therefore, be it

Resolved, by the General Assembly of Maryland, That the members of the Maryland General Assembly urge the United States Congress to enact legislation that would reinstate the separation of commercial and investment banking functions in effect under the Glass-Steagall Act and that would prohibit commercial banks and bank holding companies from investing in stocks, underwriting securities, or investing in or acting as guarantors to derivative transactions to prevent American taxpayers from being called upon to fund hundreds of billions of dollars to bail out financial institutions...