Treasonous Banking Cartel Ordered Glass-Steagall Repeal

by John Hoefle

May 22—The death of the Glass-Steagall regulatory safeguard in 1999 was a disaster, not only for the United States, but also for the rest of the world. This vital restriction on speculative activities, put through in 1933, though weakened significantly over the years by deregulation zealots, remained a major legal impediment, until its final demise at the hands of the ill-conceived and corrupt Gramm-Leach-Bliley Act of 1999.

Freed from the prohibition against mixing commercial banking and investment banking, the largest U.S. banks turned more and more to Wall Street speculation. To "make money" the fastest and the mostest, they abandoned investment in the physical economy, especially those substantial projects which require decades to "pay off," not only for them, but for the population as a whole. They turned increasingly toward using their depositors' money to fund gambling sprees in the global casino, using their growing power to manipulate markets, looting both their own customers, and the rest of society. They became the personification of greed; and that greed, unchecked by regulatory safeguards, destroyed our economy.

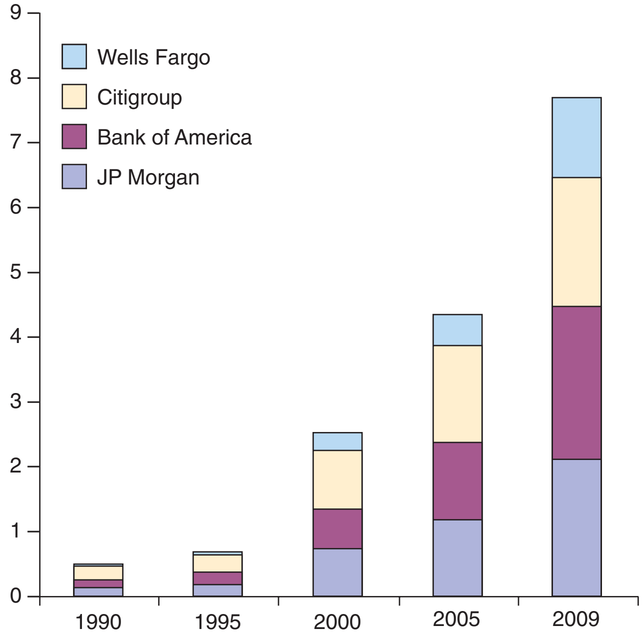
Much of this can be laid at the feet of the Anglo-Dutch Liberal system, which dominates the international financial system from its headquarters in the City of London. Wall Street and the big U.S. banks, be they in New York, North Carolina, or California, are creatures of this global system, and their nefarious activities can only be understood in this regard. They are more British than American, in method and aims.

However richly the Brutish Empire deserves the blame for the disaster which has enveloped the world, the American people and their government bear the ultimate responsibility for what has happened here. Under our Constitution, it is the duty of the Federal government to protect the nation from predators, and it is the duty of the citizenry to make sure that governments, at all levels, meet their responsibilities. If our people had not allowed themselves to be corrupted, we would not have elected such fools as Phil Gramm, Chris Dodd, Barney Frank, and Nancy Pelosi to represent us in Congress, nor would we have tolerated such creatures as Sir Alan Greenspan and Ben Bernanke running our monetary affairs.

The tide is turning, however. We, the people, have awakened from our stupor and are demanding that our government reverse decades of failed policies. The battle to restore Glass-Steagall is exemplary of this process. The battle has been joined, and the possibility of victory is on the horizon.

As recent events in the Senate show, the need to restore Glass-Steagall and to reign in derivatives has now become part of the national debate—a debate we will win. Let the bankers and their flunkies howl—it's a sign we're doing the right thing. Stick to your principles, and do not compromise. We demand a return to Glass-

FIGURE 1
Assets of Top Four Banks
($ Trillions)



Steagall and the complete elimination of derivatives, and we will prevail.

Merger Frenzy

The repeal of Glass-Steagall a decade ago has led to a dramatic consolidation among the top banks, as well as to a dramatic increase in derivatives. There are now basically four *super-banks* which dominate lending in the United States, in what amounts to a financial cartel (though one should never forget that they are inseparably connected to the London headquarters of the monetarist system). As a cartel, the four megabanks make their money by trading, not investment, and could care less about the growth of living standards and physical economy—as long as the loot keeps flowing in.

Since the repeal, the assets of the top four U.S. banks have soared (**Figure 1**). Today, the four banks—Bank of America, JP Morgan Chase, Citigroup, and Wells Fargo—have a combined $7.7 trillion in assets, more than ten times their assets in 1995. That's not surprising, since they are not really the same banks they were back then.

Citigroup is a good example: Back in 1995, it was known as Citicorp, but in 1998, it agreed to a merger with Travelers Corp., an insurance company which owned Salomon Smith Barney, an investment bank. The merger was blatantly illegal under Glass-Steagall, since it would combine a commercial bank with an investment bank. In fact, the announcement of the merger was itself a violation of Federal conspiracy statutes, since it represented the two parties stating an intent to break the law. But rather than enforce the law, the Federal government fell all over itself to change the law to accommodate the bankers. The merger went through, and Citicorp became Citigroup.

The bank known today as JP Morgan Chase is another product of mergers. In 2000, Chase Manhattan bought JP Morgan, creating JP Morgan Chase, and since then, the bank has gobbled up Bank One, Bear Stearns, and Washington Mutual, producing a $2 trillion-in-assets, derivatives-laden monstrosity. Bank One had been one of the so-called super-regional banks, and a product of a string of mergers.

Bank of America was known as Nationsbank until 1998, when the North Carolina super-regional bought California-based Bank of America, and adopted its victim's more prominent name. Both banks had engaged in a series of mergers, and the combination bank continued that tradition, notably, with the acquisitions of Fleet Boston in 2004, and Countrywide and Merrill Lynch in 2008.

The fourth of our giant banks, Wells Fargo, was known as Norwest until 1998, when it bought Wells Fargo and kept its historic name. Wells Fargo increased its size significantly in 2008, with the acquisition of Wachovia, the North Carolina giant formerly known as First Union.

Dangerous Concentration

The result of this merger frenzy is a dangerous concentration of banking in an ever-shrinking number of banks. The big four banks now control almost 40% of all the deposits in the U.S. banking system (**Figure 2**). Bank of America and JP Morgan Chase each hold more than 10% of the nation's deposits, a level that used to be illegal.

These four banks now account for half the mortgage loans, and two-thirds of the credit cards, issued in the United States. But the mortgages are really an aspect of the ongoing Federal bailout of the banking system, since the government guarantees these loans, allowing the banks to reap the benefits without taking the risks.

FIGURE 2

Big Four Banks Dominate Deposits, 2009

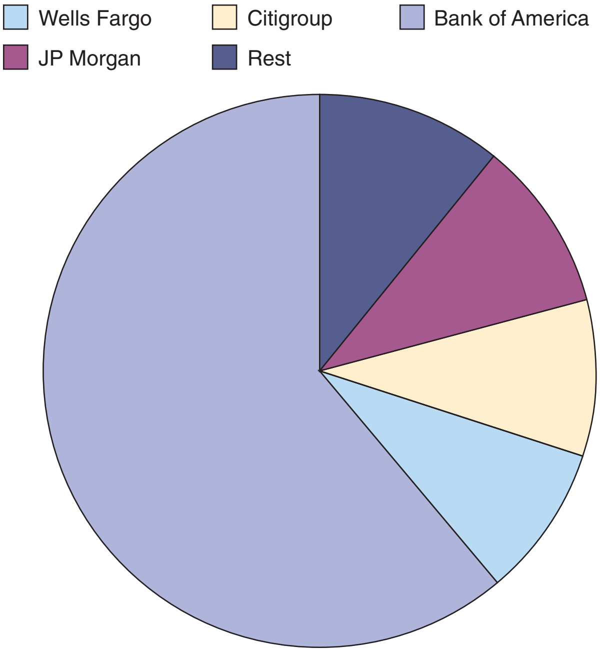


TABLE 1

Top Ten U.S. Bank Holding Companies, By Assets, March 31, 2010

($ Billions)

Rank	Bank Holding Company	Assets
1	Bank of America	2,341
2	JP Morgan Chase	2,136
3	Citigroup	2,002
4	Wells Fargo	1,224
5	Goldman Sachs	881
6	Morgan Stanley	820
7	MetLIfe	566
8	Barclays Group U.S.	428
9	Taunus Corp.	364
10	HSBC North America	345

Source: Federal Reserve

The ten largest banks now control nearly half of the nation's deposits, leaving the rest of the deposits distributed among the remaining 8,000 banks and thrifts. Given the carnage among those smaller banks, this concentration will only increase.

That "top ten" concentration is even worse than it appears, given the way in which investment banks, insurance companies, and others have been allowed to become bank holding companies since 2008. Not only does the U.S. "top ten" include Goldman Sachs and Morgan Stanley, but it also includes MetLife! What's next, Wal-Mart? The group also notably includes the U.S. arms of two British banks, HSBC and Barclays; and Taunus, the former Bankers Trust now owned by Deutsche Bank (**Table 1**). This list is evidence of how far we have strayed from Glass-Steagall, and why it must be reinstated.

Derivatives Crisis

With this banking consolidation has also come a rapid increase in the level of derivatives in the U.S. banking system. The numbers are staggering, with $294 trillion in derivatives at U.S. banks at the end of 2009, according to the Office of the Comptroller of the Currency (**Figure 3**). The reported figures, we must add, significantly understate the actual level of derivatives in the system. But even the reported numbers are sufficiently large to make the point.

This derivatives exposure is concentrated in just a handful of bank holding companies (**Table 2**). The majority of these derivatives are located inside the commercial banking units of these holding companies. JP Morgan Chase Bank, for example, has $78.5 trillion of derivatives, while Citibank holds $37.5 trillion. The situation is slightly different at Bank of America, which acquired the derivatives exposure of Merrill Lynch; Bank of America has $44 trillion of its $71 trillion in derivatives inside the bank. Goldman Sachs Bank, with $91 billion in assets, has over $41 trillion derivatives, or $457 in derivatives for every dollar of assets! It is clear that these are neither banks anymore, nor are they safe.

It cannot be stressed enough, that the financial crisis which began so publicly in 2007 and continues today, is a *derivatives* crisis. Terms like "subprime crisis," "credit crunch," and "sovereign default crisis," are really just euphemisms intended to hide the blowout of the derivatives market, and the way that the bailouts have been intended to protect those derivatives.

The solution to the derivatives crisis begins with a simple step: *pass a law declaring all existing derivatives contracts null and void, and outlawing any further derivatives*. That neatly outflanks all the discussion about closing "loopholes" and moving derivatives to exchanges. We don't need derivatives, they perform

FIGURE 3
Derivatives at U.S. Bank Holding Companies
($ Trillions)

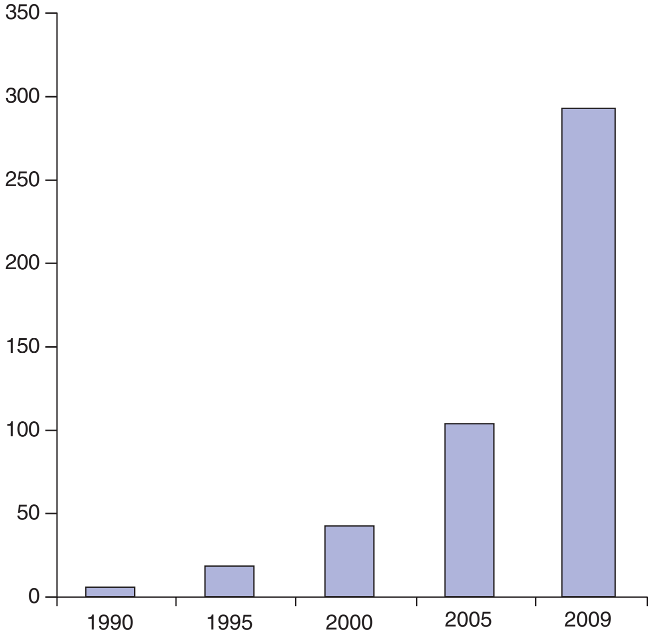


TABLE 2
Top Ten U.S. Derivatives Banks, 2009, December 31, 2009
($ Trillions)

Rank	Bank Company	Derivatives
1	JP Morgan Chase	78.7
2	Bank of America	70.6
3	Goldman Sachs	49.0
4	Morgan Stanley	41.6
5	Citigroup	39.7
6	Wells Fargo	4.1
7	HSBC North America	2.9
8	Bank of New York Mellon	1.3
9	Taunus Corp.	1.0
10	State Street	0.6

Source: Office of the Comptroller of the Currency

no useful function, and so rather than trying to control them through regulation, we simply forbid them.

We've Only Begun

The Obama Administration and the traitors in the U.S. Senate pulled every trick they had to defeat the attempt to put the Cantwell-McCain Glass-Steagall amendment into the banking reform bill, and also gutted the more modest efforts to restrict derivatives. But the power of their parliamentary tricks pales in comparison to the growing swell of public disgust with their actions, and the relentless march of the financial crisis.

That the derivatives crisis is far from over was demonstrated yet again, by the Federal Reserve's participation in the European bailout. The Fed's role in this bailout, at least as publicly revealed, is to flood Europe with dollars. Given that most derivatives contracts are settled in dollars, and that the ability to cancel, restructure, or settle derivatives contracts is of mortal importance to the banks and other speculators, the Fed's currency swap lines are a giveaway to the nature of the crisis.

The problem with repaying existing debts is real, and by themselves, the debts are enough to blow out the system, but the enormous weight of all the derivatives leveraged upon those debts is what has the British financial cartel terrified. The combined reimposition of Glass-Steagall, and the elimination of the derivatives market, would blow the Brutish Empire's global monetary system out of the water, and provide the precondition for reorganizing the world around the American System of physical economy.

The problems for the British and their puppets in the U.S. are getting worse by the day. They are extremely vulnerable, and ripe for political defeat. Our job is to weaken them at every turn, while organizing our fellow patriots, here and abroad, around the necessary solution. We have the winning hand—our power grows and the enemy's power declines with every passing day. This is the time to turn it on, to show those Brutish fools what America really is. It is time for victory.

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