LEVIN REPORT FOR BANK PROSECUTIONS

Senate Probe Proves Need for Glass-Steagall, Obama Exit

by Paul Gallagher

April 25—As the Glass-Steagall restoration was introduced into the House (H.R. 1489) by Rep. Marcy Kaptur (D-Ohio) on April 12, Senators Carl Levin (D-Mich.) and Tom Coburn (R-Okla.) announced a report of a two-year investigation by their subcommittee of Wall Street practices which blew up the financial system and smashed the economy in 2007. The report, "Wall Street and the Financial Crisis," calls for criminal prosecution of Goldman Sachs and other investment firms and banks, whose derivatives gambling and debt-speculation practices Glass-Steagall would effectively wipe out to restore the national credit.

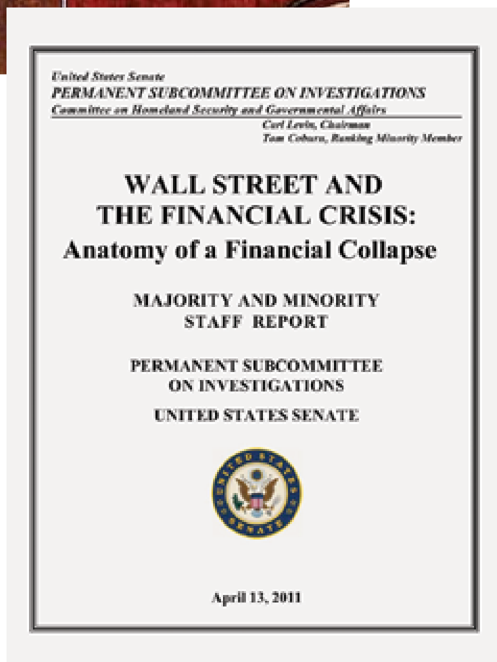
The Levin-Coburn Senate Permanent Subcommittee on Investigations (PSI) report recommends that Attorney General Eric Holder start criminal proceedings against Goldman Sachs, in particular, though not alone. This is, the Senators say, because Goldman executives "misled their clients, misled the public" through their 40:1 leveraged debt deals which they knew were going to blow up; and also "lied to Congress" about them during the Subcommittee's hard-hitting public investigative hearings of April 2010.

Levin also said that Goldman's CEO Lloyd Blankfein and others should be investigated for perjury, for lying to Congress.

The "Angelides Report" released Feb. 8, 2011 by the Financial Crisis Inquiry Commission (FCIC), also referred recommendations for criminal proceedings against Wall Street speculators to the Attorney General. While the Republican FCIC members dissented, the Angelides report has the full and outspoken bipartisan support of both Levin and Coburn.

Let Holder's Justice Department start these proceedings right away, and the national mobilization to restore Glass-Steagall will be powerfully accelerated. When Glass-Steagall was repealed on Alan Greenspan's and Wall Street's demand in 1999, it was Goldman, Lehman, Morgan Stanley, and other speculative securities firms that were allowed to merge with the biggest commercial banks, with insurance companies and so-called "shadow banks" thrown in, getting speculative access to the deposits, insurance assets, pensions, and mutual funds of hundreds of millions of citizens. These they knowingly destroyed or gravely damaged within a decade, creating the "subprime" and other debt bubbles which, as a furious Senator Levin exposed in public one year ago, they *knew* were going to collapse. As a byproduct, they effectively threw 20 million Americans out of their jobs.

Levin said, "Using e-mails, memos and other internal documents, this report tells the inside story of an economic assault that cost millions of Americans their jobs and homes, while wiping out investors, good businesses, and markets. High risk lending, regulatory failures, inflated credit ratings, and Wall Street firms engaging in massive conflicts of interest, contaminated the U.S. financial system with toxic mortgages and undermined public trust in U.S. markets. Using their own words in documents subpoenaed by the Subcommittee, the report discloses how financial firms deliberately



United States Senate
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
Committee on Homeland Security and Governmental Affairs
Carl Levin, Chairman
Tom Coburn, Ranking Minority Member

WALL STREET AND
THE FINANCIAL CRISIS:
Anatomy of a Financial Collapse

MAJORITY AND MINORITY
STAFF REPORT

PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS

UNITED STATES SENATE

April 13, 2011

The report issued by the Senate Subcommittee led by Senators Carl Levin (shown here) and Tom Coburn, is a blistering indictment of Wall Street's responsibility for the financial meltdown of 2007; it calls for criminal prosecution of Goldman Sachs and other banks.

took advantage of their clients and investors, how credit rating agencies assigned AAA ratings to high risk securities, and how regulators sat on their hands."

Then the banks were bailed out with the equivalent of the entire U.S. GDP, crippling America's national credit in a way that only restoring Glass-Steagall can reverse.

Back to Glass-Steagall

The Levin-Coburn report makes clear the straight line between the scrapping of Glass-Steagall, and the *completely avoidable* global crash, less than a decade later: "Under the Glass-Steagall Act of 1933, certain types of financial institutions had been prohibited from commingling their services. For example, with limited exceptions, only broker-dealers could provide brokerage services; only banks could offer banking; and only insurers could offer insurance.

"One reason for keeping the sectors separate was to ensure that banks with federally insured deposits did not engage in the type of high risk activities that might be the bread and butter of a broker-dealer or commodities trader. . . .

"Glass-Steagall was repealed in 1999, after which the barriers between banks, broker-dealers, and insurance firms fell. U.S. financial institutions not only began offering a mix of financial services, but also intensified their proprietary trading activities. . . . The expanded set of financial services investment banks were allowed to offer also contributed to the multiple and significant conflicts of interest that arose between some investment banks and their clients during the financial crisis.

"Investment banks were a major driving force behind the structured finance products that provided a steady stream of funding for lenders to originate high risk, poor quality loans and that magnified risk throughout the U.S. financial system. The investment banks that engineered, sold, traded, and profited from mortgage-related structured finance products were a major cause of the financial crisis."

Obama Is in the Way

President Barack Obama and his British string-pullers would not be able to withstand the passage of a restored Glass-Steagall law through Congress. And Obama (having already set up his Attorney General to take several falls for him in the past two years) could not withstand Holder's launching of criminal proceedings for crashing the economy, against the Wall Street and London bankers from whom Obama has drawn all his economic advisors, his chief of staff, and his failed policies.

One of the most provocative things about both of these groundbreaking investigations—the Financial Crisis Inquiry Commission Report released three months ago, and the Levin-Coburn Report of early April—is that Obama has not made a public acknowledgment, comment, or reference to either one. Under

White House pressure, Majority Leader Harry Reid's Senate Democrats have not even held a hearing on the crucial "Angelides Report" in three months time—a hearing mandated by a Congressional enactment, and already held by the Republicans in the House of Representatives.

Obama brought the tinpot fascist Alan Simpson up on the podium with him for his "budget speech," and made Simpson's and Erskine Bowles' "Catfood Commission's" $4 trillion in budget cuts the basis of his speech; he publicly welcomed the Senatorial "Gang of Six" which is putting these mindless and dangerous cuts into legislative form; he has held public events with the Augustine Commission which he claims justified his moves to end manned space exploration by the United States. But he will *not allow mention or recognition* of the two exhaustive Federal investigations that have pinned the economic crash on Wall Street and the Rothschild Inter-Alpha European banks, on the Federal Reserve and allied "regulators," and said that they should pay for their crimes. And most importantly, he will not speak of the two investigations that pin that crash on the abandonment and outright repeal of President Franklin Roosevelt's Glass-Steagall banking law of 1933, which had prevented such bank crashes and panics for more than six decades.

Obama wouldn't survive the public upheaval around re-enactment of Glass-Steagall and prosecutions of the Wall Street speculators; nor would "Helicopter Ben" Bernanke, Alan Greenspan's shadow. Obama and Bernanke have now unleashed a devastating runaway inflation on the economy and the American people; hyperinflation directly linked to the past 30 months' massive bailouts of these same Wall Street and Inter-Alpha banks, primarily through Federal Reserve money printing.

In 2009, the size of that bailout reached $12.8 trillion in credits given to financial firms and funds, equal to the United States' entire GDP, according to the extremely detailed researches and calculations of Bloomberg News Service then. Some $7.7 trillion was from Bernanke's Federal Reserve. Fascist austerity fanatics like Wall Street banker Peter Peterson and his foundations, the Catfood Commission (National Commission on Fiscal Responsibility and Reform), and the Rand Paul type of "Austrian" Ayn Rand fascists, all scream about the U.S. Federal debt reaching 100% of U.S. GDP. But they did not object when the bailout debt reached 100% of GDP in a matter of eight months. They all wanted to divert the American citizenry's rage against Wall Street to the Federal government, and the British puppet Obama gave them the means to do it. That still-continuing bailout features the Fed's "quantitative easing" (so-called "QE") money printing, which has lit the fuse of hyperinflation and split the Federal Reserve Bank presidents.

Kansas City Fed president Thomas Hoenig on April 1 charged that Bernanke's money printing is directly inflating prices. A chart released by *Business Insider* on April 7, 2011, tracking the *Journal of Commerce* Commodity Index, shows that, from a low point in January 2009, these prices have risen without interruption since the Fed's launching at that time of multi-trillion-dollar purchases of mortgage-backed securities (MBS) and Treasuries. This was Bernanke's so-called "QE-1." The mechanism has been clear: The Fed buys large masses of securities of varying toxicity from the banks to bail them out; the banks either park proceeds in excess reserves at the Fed, or pour them into commodity futures/derivatives funds, loans to hedge funds speculating in commodities, etc. The only interruption in the surge came in the few months of late Summer 2010, after the Fed had topped off this buying, and before it began "QE-2." But then the price index rose steadily again from August 2010 until now. The Fed's money printing and the commodity hyperinflation follow essentially identical paths over the two years.

Overall, across the entire 18-commodity range, prices have risen by an *average* of 150% in two years, since March 2009, causing increasing destruction of livelihoods and increasing political disruptions in many nations. The inflationary rise has not *yet* become geometric, but it is accelerating, with most commodities having risen 20-30% in just the first quarter of 2011: oil at $112.79 a barrel, up 23% in the quarter; silver up 31%; corn at $7.68 a bushel, up 22%; wheat up 21%; copper up 31%; etc.

While Obama talks nonsense about "deficit-cutting" deals with the right wing of the GOP, his and Bernanke's runaway inflation is destroying the economy and increasingly intolerable to Americans already impoverished by the crash. The only way to stop it is to stop bailing out the speculation, and wipe it out. That is what Glass-Steagall was and is efficiently designed to do.

Obama's Presidency wouldn't survive its passage. Any move by Attorney General Holder now to take up the Levin-Coburn and Angelides Commission's recommendations to prosecute Wall Street, will hasten the whole process.