
Book Review

A Treasonous ‘Act of Congress’

by Stuart Rosenblatt

Act of Congress, How America’s Essential Institution Works, and How It Doesn’t

by Robert Kaiser

New York: Alfred A. Knopf, 2013

417 pages, hardcover, \$27.95

Robert Kaiser’s *Act of Congress*, purports to be an objective history of the genesis of the Wall-Street-created Dodd-Frank Financial Reform Act. It is, in fact, a thinly veiled hatchet job against the enemies of Dodd-Frank. The real issue is the push to revive Glass Steagall, which was ruthlessly attacked by Rep. Barney Frank (D-Mass.), Sen. Chris Dodd (D-Conn.), Treasury Secretary Tim Geithner, and their operatives. At the same time, the book is an unabashed defense of the treasonous actions of the Wall Street banks and their Congressional defenders.

Kaiser, a longtime scribbler and former editor for the Wall Street-controlled *Washington Post*, was given unfettered access to Frank, Dodd, the Treasury Department, and the main on-the-ground players in the Congress. His assignment was to turn villains, such as Dodd and Frank, into heroes, and decent Members of Congress, such as Senators Maria Cantwell (D-Wash.) and Blanche Lincoln (D-Ark.), into villains.

The bailout of Wall Street in 2008-09, and the subsequent crafting of Dodd-Frank, were one seamless operation, carried out under the direction of the Basel Bank for International Settlements (BIS) and its collaborators in the City of London and Wall Street. The book tries to divert attention to the Congressional operatives, when the fact is, that the bill was dictated from the top of the financier oligarchy. The author can barely

conceal his own contempt for the opponents of Dodd-Frank.

From Bailout to Dodd-Frank

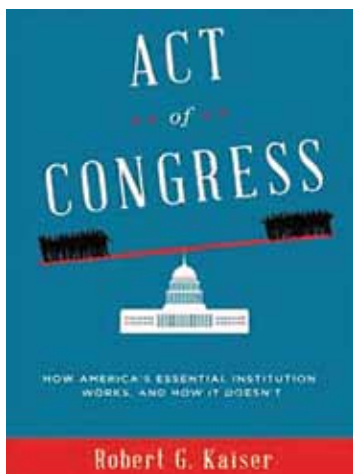
The book is set against the backdrop of the massive financial blowout of 2007-08. Kaiser conveys both the depth of the crash, and the scare tactics perpetrated by

Federal Reserve Board Chairman Ben Bernanke and Treasury Secretary Hank Paulson (of Goldman Sachs infamy) on the shell-shocked Members of Congress. In September of 2008, the Congress ordered to draft a plan to bail out the Wall Street speculators, lest the system disintegrate. Kaiser lauds the response of both Dodd and Frank, who both readily admitted to Kaiser that they had absolutely no desire to alter the financial system, but wanted to “save and reform” it.

As Lyndon LaRouche said at the time, the bailout was an act of treason, and the wellspring from which all the

subsequent evils have sprung. Dodd and Frank—chairmen of the Senate and House banking committees, respectively—came out of the meetings with Paulson and Bernanke, and drafted the Troubled Asset Relief Program (TARP) legislation.

As Dodd-Frank was developed in the Spring of 2009, resistance to it had to be crushed. Frank moved to stop an attempt to convene a Pecora Committee-style hearing, like that in which President Franklin Roosevelt and Ferdinand Pecora put the Wall Street bankers on trial in 1933-34 for collapsing the financial system. In January 2009, historian Ron Chernow penned an op-ed calling for the convening of such a committee; Rep. John Larson (D-Conn.), Sen. Byron Dorgan (D-N.D.), Sen. Richard Shelby (R-Ala.), and even House Speaker Nancy Pelosi (D-Calif.), echoed his call.





EIRNS/Alan Yue

Wall Street Control, Top Down

While parading as a bill written by the Members of Congress and their staffs, in fact, the Dodd-Frank bill was written by the Treasury Department in early March 2009, and sent to Frank and Dodd in sections. The bill was drafted directly from a longer Treasury Department policy document entitled “Financial Regulatory Reform: A New Foundation.” That policy paper spelled out everything that would ultimately be in Dodd-Frank, including “reform of the derivatives markets,” the establishment of a Consumer Financial Protection Board, and the new Orderly Resolution Author-

Barney Frank (left) and Chris Dodd gleefully did Wall Street’s dirty work, in passing the treasonous Dodd-Frank bill, while enthusiastically crushing its opponents and sponsors of Glass-Steagall. They should be put away for good.

ity—what became Title II of Dodd-Frank. Title II paves the way for both bailouts and bail-ins of the Wall Street banks.

Frank immediately attacked the idea of a Pecora Committee as “silly,” and moved to crush it, invoking Moody Analytics henchman Mark Zandi’s book *Financial Shock* as his authority. Frank finally allowed the creation of the Financial Crisis Inquiry Commission, a watered-down investigation. But he did it on condition that its report would be issued months after Dodd-Frank had passed the Congress.

In June of 2009, the White House released its own paper, “A New Foundation; Rebuilding Financial Supervision and Regulation.” It was drawn entirely from the Treasury document. Dodd-Frank is the execution of that plan.

Frank tolerated no opposition within his Wall Street-steered House Financial Services Committee. He attacked Carolyn Maloney (D-N.Y.) for daring to question the bailout of AIG’s counterparties, and William Clay (D-Mo.) for questioning why all the bailout money was going to Wall Street instead of Main Street; he manipulated other members, such as Mel Watt (D-N.C.), Ed Perlmutter (D-Colo.), Bill Foster (D-Ill.), and Jim “Goldman Sachs” Himes (D-Conn.), whom he brought under his wing with offers to “study” and “contribute” to the writing of the “historic” legislation.

As the bill was being debated, Geithner’s Treasury Department wrote every revision. Treasury created a War Room, which met three days a week, to monitor progress and sniff out unfriendly amendments, which, like Cantwell’s Glass-Steagall amendment, or Lincoln’s Section 716 on derivatives, would be brutally quashed. When the House portion regulating derivatives was being “marked up,” Geithner intervened, and told Frank to insert the section to create exchange trading. Frank immediately complied (p. 171).

Kaiser shows the lengths to which Frank was prepared to go with the Congressional Black Caucus to secure its support, as the House version was nearing passage. When the CBC realized it was being had, and demanded changes, Frank bought them off by bringing in Goldman’s CEO Lloyd Blankfein personally to “work [them] over.” The CBC was pacified. But Frank still wasn’t sure if he could control their votes, so he kept them out of the final tabulation.

The White House Task Force which wrote sections of the bill was led by Obama intimate Cass Sunstein, and included Michael Barr, an “expert on financial institutions”; Patrick Parkinson, a top Federal Reserve Board “economist,” lent to the White House by the Fed; and Neil Wolin, a protégé of Glass-Steagall killer and former Treasury Secretary Larry Summers, and former executive with the Hartford Group (p. 85.)

Huge amounts of money were spent by Wall Street and the financial lobby to push Dodd-Frank. According



Sen. Maria Cantwell's Glass-Steagall amendment to Dodd-Frank was summarily crushed by the Wall Street steamroller. Here, Cantwell speaks on the Senate floor, May 20, 2010, on the derivatives time bomb.

to Public Citizen and the Center for Responsive Politics, over \$500 million was paid to lobbyists in the industry. Nearly 1,500 former government employees were retained to lobby for the bill, including 75 former Members of Congress and 148 former Congressional staffers. Of those, 67 had worked for the banking committees, and the rest had been on the staffs of the key Congressmen who sat on those committees (p. 131).

Senate Minority Leader Mitch McConnell and other Republican Senators made numerous trips to Wall Street to sell their souls, and raise large amounts of money for the National Republican Senate Committee. As the money poured in, Republican attacks on Wall Street and bailouts evaporated.

The Ghost of Glass-Steagall

The ghost of Glass-Steagall cast its shadow over the Dodd-Frank battleground like the Ghost of Shakespeare's *Hamlet*. It had to be crushed. The architects of Dodd-Frank (and the author of *Act of Congress*) spewed out venom against sponsors of the FDR law, from Blanche Lincoln's derivatives bill, to the Merkely-Levin echo in the form of a Volcker Rule. In its biggest cover-up, Kaiser's book deliberately avoids even a mention of the six bills in the Congress calling for a return to Glass-Steagall bank separation! In the House alone, there were five bills, all sponsored by Democrats, demanding a return to Glass-Steagall.

The five bills in the House were all killed by Barney Frank. When Lincoln filed her bill in April of 2010, all

Hell broke loose. Her bill proposed that commercial banks spin off their derivatives-trading operations into separate entities.

The Treasury Department, Federal Reserve, FDIC, and other regulators attacked it. When Cantwell rose to demand that Lincoln's language be included in the Dodd bill, as it was about to pass the Senate, she was viciously attacked. Cantwell had made herself somewhat of an expert on the evils of derivatives speculation. She was not cowed by the bullies, and countered by organizing a letter to Senate Majority Leader Harry Reid demanding that the "derivatives" section, i.e., Lincoln's lan-

guage, be the foundation of the Dodd bill! The letter was signed by six Democrats and Maine Republican Olympia Snowe. Dodd and Reid realized they would need these votes for cloture and passage. Ultimately, Lincoln's language was included in the bill. The Wall Street predators and their toady Dodd planned to eliminate it in the House-Senate conference committee's final version.

Cantwell was less successful with her own Glass-Steagall bill, which she attempted to attach to the Dodd bill as an amendment. Wall Street went into action, with Reid leading the attack. He needed the votes on his cloture motion to cut off debate; he needed Cantwell, Russ Feingold (D-Wisc.), and other holdouts. Reid bargained with Cantwell, telling her that if she voted for cloture, he would give her a floor debate and a vote on Glass-Steagall. Kaiser vividly describes the pressure heaped on Cantwell by Reid and Dodd, including a scene on the floor of the Senate. Reid and Dodd deployed a gang of Senators to surround Cantwell's seat, to attempt to intimidate her into voting with Reid. "Jesus Christ, Harry, cut it out!" she shouted to the entire Senate. After an intense fight, Cantwell gave Reid her vote, in exchange for a floor vote on Glass-Steagall. Having secured Cantwell's vote to end cloture, he promptly reneged on his promise and killed her bill.

After the House and Senate passed their respective versions of the Dodd-Frank Reform Act, the scene turned to the Conference Committee. The fight was renewed against the Lincoln derivatives amendment

(Section 716) and the Merkley-Levin Volcker Rule, both of which had survived the Senate vote.

The massive mobilization against Lincoln's Section 716 brought to the fore everything that had been lurking beneath the surface. Lincoln's amendment threatened to scuttle the entire bill.

Lincoln Stands Her Ground

According to Kaiser, both the Treasury's and Dodd's staffs were "convinced that Lincoln did not fully understand the issue. . . . Lincoln was under intense, though publicly unseen, pressure. Some of it was coming from the House. A group of moderate House Democrats, members of the New Democratic Coalition, and others from New York, with ties to the financial sector, had come together in opposition to Lincoln's Section 716, and were demanding changes. They had broad support from many experts who weren't particularly sympathetic to the banks. Paul Volcker and Sheila Bair of the FDIC had both publicly criticized the section as a bad idea. A worried Barney Frank went to Steny Hoyer and Nancy Pelosi and said, 'I'm telling you, this will bring the bill down.' He needed their help" (pp. 340, 344).

A flurry of meetings ensued. Frank addressed a group of Agriculture Committee leaders, together with Reid, Pelosi, Dodd, Lincoln, and others. He announced that the bill could blow up, and that 60 or more House Democrats would defect if Section 716 was not changed. Lincoln countered that she had the support of key Senators, and would not budge. Six hours later, Geithner's hitman, Deputy Secretary of the Treasury Neil Wolin, was dispatched to meet with Lincoln's staff. Despite a browbeating, Lincoln's staff refused to capitulate, and the meeting broke up with no compromise. The White House was furious.

Geithner called Lincoln again. Rahm Emanuel,



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Sen. Blanche Lincoln courageously stood up to the Wall Street juggernaut, but her Section 716, calling for separation of derivatives trading from commercial banking operations, was purged from the final version of Dodd-Frank.

White House Chief of Staff, summoned her banking staff to the White House for one of his infamous expletive-laced tongue-lashings. When this did not succeed, Obama himself invited Lincoln to the Oval Office to work her over. He threatened her: If she did not agree to compromise on Section 716, they could not guarantee her re-election. There is nothing like a touch of Chicago-style mob politics to change a person's mind, but Lincoln remained non-committal.

When Obama's hard-cop approach failed, Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler was sent in to meet with Lincoln's staff. Gensler was a "soft cop," who had hitched his horse to Obama's wagon. After a two-hour meeting, they seemed to have a deal. But nothing was nailed down; so the next day, Democratic Whip Steny Hoyer met

with a group of New Democrats and New York bank operatives Joseph Crowley and Gregory Meeks. They wanted a deal for their Wall Street masters. They organized a group of House members to march over to the Senate to "confront" Lincoln, to demand that she write a new version of the amendment.

Eventually, under brutal pressure, Lincoln succumbed to a compromise. Banks would be allowed to trade derivatives based on bank assets, including interest-rate swaps, foreign-exchange swaps, credit default swaps, and gold and silver. All other derivatives, e.g., commodities, would be spun off into new affiliates, with their own capitalization (p. 349). Wall Street got what it came for.

The Dodd-Frank bill passed, and was signed into law by President Obama, on July 21, 2010. Wall Street had triumphed. In the process, the bankers were forced to put their vicious methods on display, as well as their ownership of most of the Congress.

That is the true story behind *Act of Congress*.