CRIMES OF WALL STREET

Big Banks Commit Murder Of U.S. States, Cities

Aug. 10—The LaRouche Political Action Committee has instituted a weekly Wall Street Crime Report (larouchepac.com), beginning July 2013, which is documenting, state-by-state, and city-by-city, the criminal actions of the mega-predator banks, with the consent of the state or the Federal government, genocidal actions which are destroying the lives of Americans.

Over the past 20 years, the $3 trillion annual sum of U.S. budgets of municipalities, counties, and specialty entities of all kinds, was seen as a looting ground by the Wall Street/London/Eurozone banks. Interest rate swaps and other contrived deals were struck, in tandem with manipulated financial rate indices, such as Libor (London Interbank Overnight Rate); ISDAfix, FOREX, and others.

This assault bilked local governments and states out of multi-billions of dollars. Thousands of localities were swindled, including school districts; towns and counties; hospital and university systems; port and airport authorities; water and sewer commissions; irrigation and levee districts; pension funds, and the like.

Prior to these outright thefts, there were two decades of looting through inducing local entities to place their funds into rigged "investments," such as derivatives. This gave rise to crises, insolvencies, and damage to residents; for example, the famous 1994 blowout of the finances of Orange County, Calif., through derivatives losses set up by Merrill Lynch.

All of this deadly swindling was perpetrated atop the underlying process of erosion of economic activity of the United States and the world.

The Libor ripoff, for example, is estimated to have affected, and swindled, 75% of all municipalities in the U.S., and was done by a cartel of megabanks, and perpetrated as a standard operating procedure, especially since 2005. The idea was to use interest-rate swaps to rig terms and obligations in order to extract huge money flows from state and local governments; from authorities responsible for water, transportation, and public safety; from hospitals, educational institutions, and others. If the entrapped cities and entities want to vacate these looting contracts, they face huge termination fees to the banks.

This can only be stopped by the instant restoration of Glass-Steagall, followed by the implementation of a Hamiltonian credit system, and massive job-creation programs like the North American Water and Power Alliance (NAWAPA XXI). Every state in the Union has an interest in forcing through this action now, which will literally put the Wall Street sharks out of business.

Here is a compilation of the Crime Reports from July 21 and Aug. 5.

Northeast/New England

Connecticut

• The City of New Britain's Firefighters' and Police Benefit Fund was among the first to sue the banks that sold them interest rate swaps, claiming the Libor ma-

EIRNS/Daniel Burke

JPMorgan Chase, and its CEO Jamie Dimon, are at the top of the list of criminal bankers whose ripoffs of U.S. states, cities, and general welfare institutions, have decimated entire regions of the country, and their people. Here, LaRouchePAC takes on the Wall Street mafia, in New York City, Aug. 12.

nipulation had cost them millions, in the days following the revelation of the rate-fixing in 2012.

Massachusetts

• The Massachusetts Bay Transit Authority (MBTA), faced with a $160 million deficit in fiscal 2013, was forced to raise fares, in some cases, precipitously (23% to 150%), due to a crushing debt burden arising from interest-rate-swap deals, which were subject to criminal manipulations by the banks. The MTA serves 175 cities and towns that include about 70% of the state's population.

• The City of Boston: Numbers of entities serving the metro-Boston region have been bleeding from swaps deals. Partners HealthCare, the big medical complex involving Massachusetts General and Brigham and Women's Hospitals, in August 2012, reported $59 million in swaps losses for its recent fiscal year. The MBTA has been running at about $25 million in annual swaps losses, in favor of its swap counter-parties: Deutsche Bank, JPMorgan Chase, Morgan Stanley, and UBS.

Rhode Island

• Central Falls, a city of 19,000 people, was forced into bankruptcy, and massive cuts in pensions and public employment, plus huge tax increases, in 2011.

Mid-Atlantic

Maryland

• The City of Baltimore has been cheated out of millions of dollars through rigged interest-rate swaps, which losses led, according to Mayor Stephanie Rawlings-Blake, to devastating cuts in fire safety, among other services. Baltimore was the lead plaintiff in a suit against the 16 banks involved in selling interest-rate swaps. Federal Judge Naomi Buchwald of the U.S. District Court for the Southern District of New York ruled largely in favor of the banks on April 1, 2013.

New Jersey

• The cities of Camden, Paterson, Newark, and Jersey City, all brutally deindustrialized by the looting of the physical economy by the Wall Street money machine, have all come under various forms of receivership, especially their school systems—as local and Federal authorities continue to push for privatization of education.

New York

• Throughout the state, there has been a loss of medical facilities, sufficient for ratios of health-care delivery. In Brooklyn, for example, Long Island College Hospital is in line for shutdown by the owner, SUNY Downstate, while area residents and medical staff fight to keep it open.

• Nassau County, Long Island, which was forced into state receivership in 2011, for the second time in a decade, was defrauded of an estimated $13 million by Libor interest-rate rigging.

Pennsylvania

• The Commonwealth of Pennsylvania has been broadly and visibly affected by interest-rate-swap swindles, as documented by Auditor General Jack Wagner in a January 2012 report entitled "Too Big to Trust?—Banks, Schools, and the Ongoing Problem of Interest Rate Swaps." Wagner found that of the 500 school districts in Pennsylvania, 107 had entered into interest-rate swaps between 2003 and 2009, as had another 86 local government entities. Altogether, they had contracted 626 swaps, relating to $14.9 billion in debt during that period.

• The City of Philadelphia and its school district, which Wagner had said had $1 billion in swap contracts in 2010, had already lost $331 million in net interest payments and cancellation fees relating to swaps negotiated with bailed-out institutions such as Wells Fargo, Morgan Stanley, and Goldman Sachs, and stood to lose another $240 million in net interest rates alone. Many other cities, such as Reading and Bethlehem, were similarly ripped off. Philadelphia has been bilked into overpaying $110 million in inflated swaps termination fees by a grouping of 12 banks, which otherwise raked in swaps payments prior to the termination. The particulars are laid out in a lawsuit filed July 26 by the City of Philadephia against the banks, which include JPMorgan Chase, Royal Bank of Canada, Royal Bank of Scotland, UBS, and nine others (see *City of Philadephia v. Bank of America Corp. et al.,* Federal Court, Eastern District).

• Harrisburg, the state capital, came under state receivership as a result of its own interest rate derivative, taken out on behalf of building a sewage system. The result was the evisceration of the city budget. On Aug. 14, the Harrisburg City Council is scheduled to meet, under pressure to rubber-stamp the new killer-austerity proposals.

• More than 20 local governments are at present under state-run emergency management, under which deep cuts in services, workforce, and infrastructure are being imposed. Most, if not all, of these municipalities are among those local government entitites in the state that have been looted under interest-rate-swap swindles. A May 9 memorandum issued by state senators opposing swaps, reports, "These risky and complicated swaps have cost Pennsylvania taxpayers billions of dollars. From October 2003 to September 2012, 108 of 500 school districts—a shocking 22 percent—and 105 local government units had $17.25 billion in public debt tied to swaps, according to DCED [Department of Community and Economic Development].... We believe swaps represent gambling with the public's money..." (Senators Mike Folmer, Rob Teplitz, John Blake, John Eichelberger, Lisa Boscola, whose bill S293 bans swaps for all local governments). The major Wall Street predators include: Wells Fargo, Morgan Stanley, Goldman Sachs, Royal Bank of Canada, and others.

• The Pennsylvania Turnpike Commission lost $109 million in swaps in recent times, according to a January 2013 report by state Auditor General Wagner. Along with this, there is a concerted effort by Wall Street to pressure the state to sell or lease the turnpike to private Wall Street interests, which so far, legislators have rebuffed.

Southeast

Alabama

• Montgomery County/Birmingham was forced into bankruptcy in 2011, as a result of a JPMorgan Chase swindle on interest rate swaps for their sewer system. The county is just now seeking to re-emerge from bankruptcy, after having suffered substantial water rate increases, layoffs, and other attacks on living standards.

Florida

• Sarasota Memorial Hospital lost $5 million in derivative swaps, due to the Libor rigging, which led the hospital to cancel expansion, and left 50,000 people without the services of a needed new hospital.

Kentucky

• Owensboro Medical Health System was swindled out of $14 million through an interest rate swap negotiated through Merrill Lynch, in the Spring of 2010.

North Carolina

On July 1, 70,000 jobless North Carolinians lost their unemployment benefits, as a result of changes in state law, which not only lowered the number of weeks that benefits were available from 26 to 20 weeks, but reduced the maximum benefit from $535 to $350, thus making the state ineligible for Federal unemployment funds. The unemployment rate is officially 8.9%.

West Virginia

• There are now 23,000 coal miners, centered in West Virginia, and in the other Eastern coal states, facing health-care cutoff in October, because of deliberate Wall Street/London actions to destructure their cartel commodity operations, in order to dump "excess" people and carbon "waste."

The corporate screw-you maneuvering is simple. When "coal was king" the commodities wing of Wall

Street had its stake in Arch, Peabody, and other companies, worldwide. They made a bundle, while mine-safety regulations were kept below minimum, notoriously so, under the successive Bush regimes, when many U.S. miners' lost their lives in numerous mine disasters.

Then, the moneybags behind the commodities cartels pulled up stakes, destructured corporations, and went off with their loot, before the greenie "carbon-is-out" campaign hit full force. Patriot Coal Corp. was created as a shell company, to later walk away from any and all obligations to the workforce, and to discontinue coal-mining activities.

Peabody spun off Patriot in 2007, giving it about 11% of its assets, but over 43% of its retiree liability. In 2008, an-Arch spin-off, Magnum Coal, was absorbed into Patriot. In the process, Patriot got 12% of Arch's assets, and 96% of its retiree health-care liabilities. In 2012, Patriot declared bankruptcy; it soon announced that it could no longer afford to pay pensions and health benefits to its workers, retirees, and their families. On May 29, this was upheld by a Federal bankruptcy judge in St. Louis, headquarters of Patriot, Arch, and Peabody.

On June 25, President Obama delivered the imperial-greenie epitaph: Carbon is out. Coal is out. People are out.

Midwest

Illinois

• The City of Chicago is being forced into new draconian budget cuts, both within its school system and other public services, as a result of the deliberate starving of the physical economy by the Wall Street banks. The Chicago Public Schools authority was paying out in the range of $36 million a year, as of 2011, on swaps deals with Bank of America Corp., Goldman Sachs Group Inc., Royal Bank of Canada, and Look Capital LLC.

One such agreement extends until March 2036. From 2003 to 2011, the swaps claims by the banks forced a net loss to the school system of $120.7 million, according to the Chicago Teachers Union. Now, under Mayor Rahm Emanuel, former Obama chief of staff, the school system is being drastically downsized. In June, 50 schools were closed, with associated layoffs of 850 personnel. On July 18, 2,100 more teacher layoffs were announced, as the budget deficit reached $1 billion.

Michigan

• Detroit is the largest city in the U.S. ever to declare bankruptcy, a victim to the Libor interest-rate derivatives scandal, in addition to the criminal shutdown of the auto industry, which was presided over by the Bush and Obama Administrations. Detroit itself is being murdered, along with its hundreds of thousands of citizens, among whom the official unemployment rate is 18.5%, with real joblessness being much higher. The city was thrown into a Federal Chapter 9 bankruptcy process on a blitz timetable, in service to the Wall Street predators and state collaborators, intent on extracting every last bit of loot, while obliterating the population and region. A rapid timetable is in motion; on Oct. 23 a hearing for whether the state's bankruptcy application is legitimate will take place; but meantime, the apparatus is in motion for cutting government functions and workforce. For example, on Aug. 2, emergency manager Kevyn Orr announced his plan to increase the fees that city workers pay on their health care.

• On Aug. 2, the Pontiac School District, with 4,700 students, was officially designated as in a state of financial emergency, activating a state law under which local leaders are now compelled to choose various options: accepting an emergency manager; filing for Federal Chapter 9 bankruptcy, asking for another "evaluation," etc. The City of Pontiac itself has been dismembered under an emergency manager assigned by the state in 2010.

• Genessee County, 60 miles from Detroit, suffered a failure Aug. 2, in its attempt to secure loans to build a new water system (rather than relying on Detroit's); there were no buyers for its $53 million municipal bond offering. Genessee County bonds have an A2 rating by Moody's, nominally meaning, "a strong ability to repay short-term debt obligations," but no credit for government functions has come forth as of this writing. Only cutbacks and cutoffs.

• Saginaw County plans a bond offering of $60.6 million, not for infrastructure, just to fund its pensions. Many Michigan localities, already in dire straits, are now consigned by Wall Street as uncreditworthy because of "Detroit contagion."

Southwest

Texas

• The State of Texas, home of the Bushes, has undergone a massive cut in the 2012-13 education budget, losing over 10,000 teaching positions, and over 25,000

Goldman Sachs and CEO Lloyd Blankfein were leaders in the criminal syndicate that bilked millions from U.S. cities, using the Libor scam, and other forms of "creative" looting.

jobs overall, even as enrollment rises by 83,000 students per year. Schools have been closed across the state, with poor children losing access to free lunches.

• The City of Houston has been forced to make multi-millions of dollars of artificially high payments to a group of predator banks, including Bank of America, Barclays, Citigroup, and others, against which the city filed a lawsuit in July 2013, over their the banks' manipulation of interest rates, in particular, the Libor.

Western States

California

• As the most populous state in the Union, California has been looted in myriad ways by the predator banks and the austerity and environmental policies of the Obama Administration. We highlight three examples here:

• Oakland, a city of 390,000, has been bled dry by Goldman Sachs interest-rate swaps, which were part of the Libor rigging. The police force has been drastically cut, leading to an increase in crime, and hundreds of jobs cuts, to allow the city to pay exorbitant, fraudulent fees to Goldman.

• The Central Valley, a rich agricultural area, has been devastated by the Obama Administration's environmental policies, including support for the cutback of necessary water for irrigation in the drought-stricken area, and refusal to provide for the water projects to solve the problem in the longer term.

• Crucial state institutions, such as the state pension fund (CalPERS) and state universities, have been swindled massively by the Libor-rigging scandal.

• JPMorgan Chase is estimated to have cost California electricity customers about $160 million in fraudulent costs in 2012 (and Michigan customers another $83 million), through its electricity market "merchant bank investments," which were prohibited when the Glass-Steagall Act was in force. The bank has been fined some $500 million for price-rigging, by the Federal Energy Regulatory Commission (FERC). Barclay's Bank has been fined $470 million by FERC, for the same crime, but is refusing to pay.

Using the Enron *modus operandi*, JPMorgan holds interests—many of them controlling—in 35 electricity-generation plants nationwide, totalling 8,000 megawatts-electric, with 13 of the plants in California. (This is not to mention its ownership of 100 oil tankers.)

Many of these plants are operated by the electric utility holder AES Corp., but Morgan sells them their fuel supplies, controls their prices, and decides when they go on or off line.

California has likewise been hit by swaps rip-offs. Dozens of government and specialty entities in the state were roped into swaps deals rigged to oblige them to pay multi-millions to Wall Street; these include the University of California system, the cities of Richmond and Riverside, and 18 cities in the counties of San Diego, Sacramento, and others. In 2013, so far, 15 entities have filed lawsuits against banks including Deutsche Bank, Bank of America, Citigroup, Bear Stearns, Merrill Lynch, Morgan Stanley, and more.

Besides rigging the Libor, the Wall Street/London/Eurozone banks are implicated in the manipulation of another rate-setter, the ISDAfix Index, which has been used to rig derivatives and other kinds of speculative deals. Last year, the Commodities Futures Trading Commission (CFTC) began tracking through a million e-mails associated with the banks and ISDAfix, and according to an Aug. 1 Bloomberg report, there are patterns showing how the banks used the rigged trends on the ISDAfix Index to impose losses on companies, governments, and pension funds such as CalPERS, the largest in the nation.

Oregon

• The Rogue Valley Medical Center, in Medford, a city of 75,000, with an unemployment rate of 9.6%, as of April 2013, was looted when the Wall Street crisis hit in 2008, collapsing the auction-rate securities market. The interest rates on its swaps soared from 5% to 18%, leaving Medford to pay a $30 million termination fee to end the swaps—which it did at the expense of hospital staff and other cutbacks.