

SPEECH

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PUSH BACK: How We the People Can Beat Wall Street and Create the Economy We Need (w.t.)

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The spectacular defeat of “The SAFE Banking Act” in the Senate on May 6th has left average Americans both outraged and frustrated. No issue has united a divided nation as much as our uniform anger at the reckless behavior of large Wall Street Banks, and the role they played in our nation’s recent economic collapse. While millions of Americans remain unemployed, continue to lose their homes, and struggle to meet basic needs, the U.S. Senate resoundingly voted to defeat the very legislation that could have prevented a repeat of this disaster. As Simon Johnson and James Kwak point out in their new book, [13 Bankers: the Wall Street Takeover and the Next Financial Meltdown](#), Congress has been captured by the money and power of Wall Street Banks, and, as such, our leaders are failing to protect us.

Wall Street’s takeover of Congress threatens our economy, our democracy, and the future of the nation. After spending nearly \$1 million dollars per elected official to defeat meaningful financial reform, it looks as if the Wall Street lobby has won, and the American public can only watch and wait for the next financial collapse and tax payer bailout to come.

Or can we? Is it possible average Americans can somehow take up the mantle of resistance against the corrupting forces of Wall Street – and actually win? I am here to say, YES WE CAN! We, the People, are what power this nation, and it is up to us to exercise that power to remind Wall Street Banks and Congress whom they actually serve.

I outline a strategy for doing this in the book I'm currently writing entitled, *PUSH BACK: How We the People Can Beat Wall Street and Create the Economy We Need (w.t.)*. In it I point out that in order to beat Wall Street Banks, it is important to understand the source of their control, and how it is that they have grown so large and powerful. While our nation's first war of independence was fought against the British using guns and bayonets, our current struggle against the corrupting forces of Wall Street is being fought with money. Our money. If we wish to shrink Wall Street Banks down to reasonable size, we need to first STOP GIVING THEM OUR MONEY.

Starve the Beasts

In order to reduce the size, power, and risk of the largest Wall Street Banks, we must first stop using our money to feed these beasts and begin starving them instead. One thing we can do as individuals to reclaim our country from the Wall Street banks that currently control it is this: *PAY CASH*.

Cash, in this context, is radical. It is patriotic. It is a Declaration of Independence from the forces of oppression similar to the one that founded our nation.

When we pay cash instead of using our credit cards, we are denying big banks the money they need to grow large enough to pay off Congress to write the laws that benefit them at the cost of us, so they can take even more our money.

When we pay cash instead of credit, we are sending a message to Wall Street banks that we are no longer willing to play by the rules that have allowed them to grow so large they can pay off Congress to write the laws that benefit them at the cost of us, so they can take even more our money.

When we pay cash instead of using credit, we are telling Congress that We the People intend to act on our own behalves to shrink big banks that have grown so large they can pay off Congress to write the laws that benefit them at the cost of us, and take even more of our money.

When we pay cash instead of using credit, we are making a commitment to live within our means, to not consume more resources than we can afford, and to avoid going into debt. By avoiding debt, we starve Wall Street Banks of the interest and fees they need to grow, while also maintaining control of our financial lives. The financial sector effectively enslaves us through the use of credit and debt. When we live beyond our means and go into we debt, we reduce the freedoms and options for our lives and commit a growing portion of our income to feeding big Wall Street Banks, instead of caring for ourselves and our families. This is true for individuals, and it is increasingly true even for nation-states.

The financial markets, not democratically elected representatives, are now setting the terms for how the people of Greece will live in order to pay off their debt – and they may soon be doing the same in Spain, Italy, and Portugal. These citizens, for years to come, will be working as slaves to the financial markets to pay off their interest and debt instead of tending to the needs of their families, their communities, and their countries. As the

largest debtor nation on the planet, one should ask, can the United States be far behind?

Freedom means living within our means. Freedom means avoiding debt and credit.

Every time we use our credit cards, whether we pay them off or not, we are effectively feeding the beasts of Wall Street by giving them more of our money. Two percent of every purchase we make with our credit cards goes to the card issuer, usually a Wall Street Bank. This is called a “swipe fee” and they totaled \$48 billion in 2008, up from \$16 billion in 2001.¹ Credit Card issuers (primarily Wall Street Banks) also earned \$22.9 billion in credit card penalty fees in 2009, up from \$19 billion in 2008.² The GAO estimates that US credit card transactions amounted to \$2 trillion in 2007³ alone – most of which require us to pay big banks high interest on our remaining balances. This is a large area of revenue for Wall Street. We, The People, can help shrink big banks ourselves if we pay cash instead of credit and simply STOP GIVING THEM OUR MONEY.

Move Your Money

Another way to shrink the big banks is to move our money out of them. Americans for Financial Reform, ANWF, and Huffington Post have organized this creative campaign and it needs to grow. If you bank with one of the largest “Banksters” (Bank of America, JPMorgan Chase, Citibank, Wells Fargo, etc...) pull your money out and put it in a local community bank or a local credit union. In this way, we can support the development of our local economy by putting our money in community banks that makes loans to support local businesses, create local jobs, and lend to local homeowners. You

¹ Shearman, J.C. (January 25, 2010). Credit Card Swipe Fees Take a Bite Out of California Sales Taxes. National Retail Federation press release

² Sidel, R. (January 2, 2010). Banks Roll Out New Check, Card Fees. Wall Street Journal.

³ GAO Report 10-45 (November 2, 2009). Credit Card: Rising Interchange Fees Have Increased Costs for Merchants, But Options for Reducing Fees Pose Challenges.

can find a local community bank or credit union at <http://www.moveyourmoney.org> .

Moving your money out of Wall Street banks will give them fewer resources with which to control our elected officials, our economy, and our democracy. DO NOT FEED THESE BEASTS.

Refuse to be a Hostage

One of the reasons Wall Street Banks were able to extract such big concessions from Congress during the 2008 bailout is because they are holding the assets of average American's hostage. Because of how intertwined big Wall Street Banks are with the savings and investments of most Americans, they can blackmail Congress by saying – either save us with a taxpayer money or our institutions will collapse and take the whole economy – people's deposits, investments, stocks holdings, retirement, college funds and personal savings - down with us. They put a gun to the heads of Congress and their hostage strategy worked. However, we, as individuals, do not need to continue being held hostage by Wall Street Banks. We can choose to liberate ourselves from this form of blackmail by:

- A. Protecting our assets;
- B. Moving our assets;
- C. Spending our assets;
- D. Using our assets to become more self-sufficient and less dependent on the risky behavior of Wall Street.

What is this risky behavior? In large part it involves Wall Street banks trading in Over-the-counter (OTC) derivatives. These financial instruments contained many of the toxic mortgage-backed securities that nearly brought down our financial system in 2008.

Nothing has been done (as of this writing) to change this market, and, in fact, derivatives trading has increased dramatically since late 2008.

According to the Comptroller of the Currency Administrator of National Banks (OCC), the notional value of derivatives held in U.S. commercial banks in the third quarter of 2008 was \$175.8 trillion. By the second quarter of 2009 that had increased to \$203.5 trillion and by the fourth quarter of 2009, it was at \$212.8 trillion.⁴ Worldwide, OTC derivatives have grown to become the largest global market in the last decade both in terms of size and interconnectedness of institutions. Between June of 2001 and June of 2008 the OTC derivative market increased by 535% with a notional value \$680 trillion.⁵ The GDP of the entire planet in 2008, by contrast, was \$70.5 trillion. There is nearly 10 times the amount of these toxic assets in circulation as there is money on the planet. Our nation's 5 largest commercial banks represent 97% of the total banking industry notional derivatives and 88% of the industry's net current credit exposure.⁶

Why is this so dangerous? For one reason, Congress eliminated the Glass-Steagall Act in 1999, removing the legal separation of commercial banks and investment banks that had protected citizen deposits since the Great Depression. With that, investment banks can now legally dip into the customer deposits of their commercial counterparts and use those funds to gamble on derivatives, knowing that the FDIC will insure them "with the full faith and credit of the U.S. Government" for up to \$250,000 per person if they lose. The FDIC now is responsible for some \$4.8 trillion in U.S. deposits.⁷

However, the total U.S. Government revenue predictions for all of 2010 are slightly less

⁴ OCC Quarterly Reports: 3rd Quarter 2008, 2nd Quarter 2009, 3rd Quarter 2009

⁵ Valiante, D. (April 2010). Shaping Reforms and Business Models for the OTC Derivatives Market. ECMI Research

⁶ Sunshine, M. (October 6, 2009). *Who Owns the Derivatives Market?* Seeking Alpha

⁷ FDIC Statistics at a Glance (March 31, 2009).

than \$4.6 trillion.⁸ And how much does the FDIC have on hand to insure all our deposits? For 2009, according to the FDIC's own statistics, it was \$13 billion, down from \$52.4 billion in 2007.²

The safety of the US banking system is like an onion: the more you peel back the layers, the worse it smells. For this, and several other reasons, one way Americans can protect their assets from the Wall Street Banks that are using them to enrich themselves at the cost of average citizens, is to consider moving some of our assets north.

Head to Canada

According to the World Economic Forum, the Canadian Banking system is the safest in the world.⁹ The U.S. Banking System, by contrast, ranks 40th. According to the FDIC, 223 U.S. Banks have failed since the start of the Great Recession¹⁰ with another 702 defined as “problem banks” explained Chairwoman, Shelia Bair.¹¹ Canada, by contrast, is the only industrialized nation that has not experienced a single bank failure during the current recession. It has had only 2 bank failures in its entire history compared with 12,000 bank failures in the U.S. since the Great Depression – 3,000 during the S&L Crisis alone.¹²

Why is the Canadian banking system so much safer than the U.S.? For one thing, Canadian Banks keep and service nearly 70% of their mortgage loans, versus selling those loans as is typical in the US. This encourages prudent lending practices in Canada since banks are putting their own capital at risk. In the U.S., banks typically sell mortgage loans as bundled securities so there is more focus on making as many loans as

⁸ usgovernmentrevenue.com – total revenue 2010

⁹ Taylor, R. (October 9, 2008). *Canada Rated World's Soundest Bank System*. Reuters

¹⁰ FDIC Failed Bank list retrieved from <http://www.webcitation.org/5mrFV7b3r>

¹¹ Dash, E. (February 23, 2010). *FDIC Bracing for a Wave of Failures*. New York Times.

¹² Perry, M.J., (February 26,2010). List of Bank Failures. Carpe Diem

possible, regardless of a homeowner's ability to pay. Wall Street banks lack the incentives of Canadian Banks to make sure they make loans to homeowners who can pay, since they are not risking their own capital to make them. This explains why the delinquency rate for home mortgages in the U.S. was nearly 9.5% in 2009 and only .45% in Canada.¹³

Canadian Banks also have higher capital rates than U.S. banks, and a much smaller debt to cash ratio. U.S. Bankcorp in 2009, for example, had a debt to cash ratio of 1059%, PNC Financial, 650%, Wells Fargo 293%, and Bank of America 223%.⁹ This contrasts with a debt-to-cash ratio of 23% for the Royal Bank of Canada, 39% for the Bank of Nova Scotia, and 16% for the Toronto-Dominion Bank.¹⁴ Canadian Banks also limit their leveraging to no more than 18:1 by law, while US banks are typically leveraged at well over 25:1.

However, the biggest difference in the safety of Canadian Banks vs. Wall Street Banks is their use and exposure to derivatives, those toxic assets that nearly brought down our financial system in 2008. As mentioned above, the top 5 U.S. banks hold virtually all the world-wide exposure to derivatives while providing nothing of value to the larger society but risk.

Unlike Canadian Banks, the largest US banks no longer primarily take our deposits and loan them to expand businesses, invest in infrastructure projects, build homes, and create jobs as was typical of the banking sector for most of our history. Now, to a great extent, they take our deposits and gamble with them on high risk Wall Street trades that do nothing but make huge profits at great risk. These risks are covered with taxpayer

¹³ Ibid.

¹⁴ Jin, H. (February 15, 2009). Canada vs. US – Whose Banks are Safer? Seeking Alpha.

funds if they lose, but provide Wall Street banks with huge profits if they win. In the U.S., Wall Street Banks can legally gamble with the assets of average Americans – our pensions, college funds, retirement accounts, and savings. And with those huge profits made largely from derivative trading, big banks are able to pay off lawmakers and control regulators so they can continue gambling with our assets.

Wall Street knows that Congress will bail them out using taxpayer money because they are holding our assets hostage. The only way to change this dynamic is to break up the big banks so that they have less power and control over our political and financial systems. And one way to do that is to remove and protect our assets from use by Wall Street Banks. We can help shrink Wall Street Banks by using cash instead of credit, and by moving our assets out of the largest banks. In addition, if we want to protect our financial assets from being held hostage by the risky behavior of Wall Street, we might consider moving some of our assets out of the U.S. financial system all together.

This is not an easy issue to decide by any means. Chances are damage will be done regardless of what we choose. If we do nothing, then many wise economists, such as Simon Johnson, predict we are in for another large economic collapse and taxpayer bailout of Wall Street Banks. If we pull our money out of the system, we risk stressing a system already under stress. But if done in large numbers, I would be willing to bet it would get Congresses attention as they sit in the middle of this uncomfortable standoff between average Americans and Wall Street banks - while our democracy hangs in the balance.

Moving our assets to Canada is one way to help tip the balance of power more in our direction. But it is up to each of us to decide where our allegiances lie. Do we owe our

allegiance to our government whose laws protect the wealth of the wealthy while putting the assets of everyone else at risk – or do you owe our allegiance to ourselves and our families to protect everything we have worked our entire lives to save. That is a personal question I will not attempt to answer. However, if you do decide to move your assets north, I would encourage you to write the following letter in order to help change the current system for the rest of us:

Dear Congressman and Senators,

I regretfully write to inform you that I am compelled to move my assets from JP Morgan Chase, and all US banks, into the safety of the Canadian banking system. I am doing so to protect the assets I have worked my entire life to accumulate, as I can no longer count on you, the U.S. Congress, to do so. The Canadian Banking system is the safest in the world, while the U.S. banking system ranks 40th. I have a responsibility to my family to protect our assets and act in their best interests. Should you, the US Congress, choose to act in the best interests of We, the American people, I would be happy to return my life savings to our banks. Specifically, I ask that you:

- 1. Institute an updated version of the Glass-Steagall Act separating commercial and investment banks, effectively preventing them from gambling with my savings and retirement on Wall Street.*
- 2. Reduce the size of our largest banks to no more than a fixed and safe percentage of US GDP in order to prevent further tax payer bailouts of institutions deemed “too big too fail.” Pass the SAFE Banking Act.*
- 3. Heavily regulate derivatives trading. This form of finance offers nothing to society except risk, and should not be allowed to continue unchanged.*
- 4. Create an independent Consumer Protection Safety Commission to ensure the safety of loan products sold to average Americans.*
- 5. Require banks to hold a large percentage of the loans they make to ensure the soundness of these transactions.*
- 6. Require banks to increase their capital rates to improve their soundness so they can better weather serious downturns in the market without the need for taxpayer bailouts.*

Thank you for your consideration of my concerns. I hope you will act to increase the safety of the US Banking system so that I can bring my money home.

Sincerely,

Your Name

Cc: Jamie Dimon, President and CEO, JP Morgan Chase

Pull Stocks and Invest in The Future

As I mentioned, above, we are being held hostage by Wall Street because of the way in which our assets are entangled in theirs. As such, if a Wall Street Bank goes down, they can take our savings, pensions, and college funds with them. This has been the excuse for using taxpayer funds to bailout Wall Street in a crisis, so they can continue their risky behavior. Besides “not feeding the beasts” by using cash instead of credit, moving our money out of the largest banks (and possibly out of the country), another way to protect our assets is to pull them out of Wall Street so that we are no longer hostages in the current gambling casino. Much of our pensions, college funds, 401(k)s, and stocks, are all hostages in this game of blackmail. If we pull our assets out of the stock market, we will likely have to pay penalties and fees. However, we will also free up assets that can then be used for other purposes. This could allow us to use these assets to actively invest in creating a more secure future for ourselves and our families – one independent from Wall Street and sustainable over the long-term.

Beyond Problem Banks

Though outside the scope of the topic at hand (breaking up Wall Street Banks), it is important that I take just a moment to expand our understanding of the problems we face to include a larger convergence of threats. First, as Simon Johnson describes, we have another looming economic crisis caused by the reckless behavior of our “too big to fail” Wall Street Banks. Another collapse on the heels of the current recession could well push our nation, and the world economy, into a global depression.¹⁵

¹⁵ Johnson, S. & Swak, J. (2010). *13 Bankers: The Wall Street Takeover and the Next Financial Meltdown*.

In addition, we also have the two other large crises we will soon be contending with. These are peak oil and climate change. For those of you who are unfamiliar, peak oil is the point at which we have extracted the peak amount of cheap fossil fuel beyond which, oil starts becoming less available and more expensive. It is not the end of oil; it is the end of cheap oil that is easy to extract.

According to research by the U.S. Department of Energy, we have past the peak of oil production, and are currently in a flat period of supply and demand. Supply will start falling behind demand sometime in 2012, reaching a decline of 4% a year by 2015. DOE predicts that the supply of oil will drop by 63% in the next 20 years.¹⁶

The decline of cheap oil will have a dramatic impact on our lifestyles which are now almost completely dependent upon cheap fossil fuels. This includes the food we eat, the gas we put in our cars, the way we power our homes, and everything that we use in our day to day lives that is imported or transported beyond our home towns.

In addition, dealing with climate change and the increasing occurrences of extreme weather events, will continue to call for greater changes in how we spend our resources and live our lives.

What these convergences mean is that we are in for serious structural changes in our economy and way of life, whether we want them or not, and that these changes may well be permanent. Unemployment will likely remain high as credit continues to constrict, while government spending will decrease to accommodate our growing debt. We will likely have less money, less credit, less oil, and less ability to import the things that we want and need to live. All this portends of an economic future that will likely be much

¹⁶ EIA & DOE 2009 Energy Conference: <http://www.eia.doe.gov/conference/2009/session3/Sweetnam.pdf>

more locally focused, once importing goods becomes prohibitively expensive due to the end of cheap oil.

So how does this relate to Wall Street Banks and the need to shrink their size and power? Currently they have captured our government making it difficult for our leaders to take effective action to protect the nation from these looming threats. By using cash instead of credit, and by moving our money out of Wall Street banks, we can prevent them from using our assets to grow and control our leaders. This could also help reduce their size and power to the point where it is easier for our representatives to do what is necessary to prepare and safeguard the nation.

In addition, we should consider taking action to prepare ourselves for the future by become as self-sufficient as possible in how we live. By doing so, we can more easily survive any shock to our current system whether economic, energy, or climate related. One way to do that is to pull some of our assets out of Wall Street while we still have time, and use them to invest in a more durable and independent future. Not only will this free our assets from being held hostage by Wall Street when the next economic collapse occurs, but by pulling some of them out the stock market today, we can then use these assets to help prepare ourselves for tomorrow.

Preparing for the Future

So how can we prepare for the future? First, and foremost it's important to evaluate the sustainability of our current lifestyles. In a world that may include less access to oil and money, how will we live? It might be a good idea to consciously reduce our overhead and consumption to a lower level, so we simply need less money to survive. This, in turn, can liberate us from the overspending and debt that has fueled some of the

massive growth of Wall Street banks. Not only will reducing our consumption provide less fuel for Wall Street's growth, it also provides us more freedom from Wall Street debt. In addition, consuming and using less can mean working less to buy all that stuff, which, in turn, can provide us with an even more precious commodity than money. That commodity is time.

Time, as it turns out, is a critical component of happiness. We know from quantifiable research on happiness (aka, subjective well-being) that humans, by and large, do not derive happiness from the accumulation of money and material goods. Income matters some, but beyond meeting basic needs, research has shown that more money does not equal greater happiness.¹⁷ According to Dr. Daniel Gilbert, a psychology professor at Harvard University, there is a societal conspiracy to keep people in the dark about the real sources of happiness. "If a society realized that money would not make people happy, its economy would grind to a halt."¹⁸ Research shows that happiness from the purchase of a big home, new car, the latest technology, or even an expensive vacation, is usually short lived. In addition, the downside is the stress of later paying for these purchases that often greatly increases our debt.¹⁹

By contrast, here is what research says does increase happiness. Beyond meeting basic needs, greater happiness comes from strong human relationships, a sense of control over one's life, meaningful work, good health, basic economic security, trust in others and in government, engaging in pleasurable activities - and this all takes time. Developing strong human relationships take time, as does engaging with your community, seeking

¹⁷ Diener, E. & Seligman, M. (2004). Beyond Money: Towards an Economy of Well-being. American Psychological Society. Vol 5, No. 1.

¹⁸ Lambert, C (Jan/Feb. 2007). The Science of Happiness. Harvard Magazine.

¹⁹ Diener & Seligman, Ibid.

meaningful work, and doing things you love. However, Americans actually work more than any other nation on Earth, and, not surprisingly, consume more than any other nation on Earth. This leaves us with decidedly less time for the things that actually make us happy, but provides a whole lot of fuel to Wall Street Banks in the form of our increased consumption and debt.

Working to pay for our current lifestyles also leaves us less time to engage in the political process; something we will need to do if we want to reclaim our democracy and free ourselves from Wall Street's control. By actively giving as little of your money to big Wall Street banks as possible, you will help weaken their hold on our elected officials, and give average Americans a better chance at being heard. Let us each do our duty to the nation by respectfully reminding Congress for whom they actually work. A real game-changer here would be the enactment of publically financed political campaigns as a way to reduce Wall Street's influence in the political process. We must also demand the Congress resurrect and pass the "SAFE Banking Act". Whatever your concerns, put it on your calendar to regularly contact your elected officials. It could be the most important ten minutes you spend each month.

Why? Because we need our political leaders to be on board and create good policies that can guide us during this critical time. However, they will have difficulty passing legislation to help us as long as they are under the control of big money lobbyists and Wall Street banks. Congress needs our help. We can help shrink Wall Street down, make it easier for Congress to act, and improve our quality of life by taking the following steps:

1. Stop feeding the banking beasts of Wall Street;

2. Pay cash instead of credit whenever possible;
3. Move our money out of big Wall Street banks into local community banks and credit unions.
4. Consider moving some of our assets north.
5. Write our Congressmen and Senators telling them we've moved our money, and what it would take to bring our assets home. Be sure to cc the CEO of your former Wall Street bank.
6. Pull some of our assets out of the stock market to prevent them from being held hostage, and use them to invest in a durable future.
7. Reduce our dependence on Wall Street by reducing our consumption and becoming as self-sufficient in our lifestyles as possible.
8. Regularly call and write our elected officials to make our voices heard.

Doing these things will not only help us reclaim control over our democracy and our lives from Wall Street. They will also help shrink Wall Street banks so that Congress is better able to write laws that support the needs of average Americans and prepare us for the future. If We the People lead, our nation's leaders will follow. The time to act is now. We are the ones we've been waiting for.

Thank you.

