French Cities Fight Toxic Loans, Hollande

Oct. 19—Solidarité et Progrès, the LaRouche-allied party in France, is leading a fight to get members of Parliament to defeat the Socialist government's effort to quietly ram through legislation that would protect banks against lawsuits by public entities that have been subjected to the banks' toxic loans schemes.

Article 60 of the Financial Reform Bill for 2014 would essentially grant amnesty to the banks that extended toxic loans to public entities. This is no small matter. Some 1,500 cities, towns, hospitals, public housing authorities, and other public institutions are being gutted by these loans. About 300 of them have taken legal action against Dexia, Crédit Agricole, Société Générale, Royal Bank of Scotland, Deutsche Bank, and others. Many of the loans had very low initial interest rates, but the rates were indexed to the Swiss franc, or other swap variables, which meant that rates soared after a few years.

Under Article 60, a reserve fund of EU100 million would be set up, covered 50% by the national government and 50% by a tax on banks, to help the public entities pay the debts that the banks are demanding. But to receive the aid, the local entities would have to first agree in writing to waive their right to any legal action against the banks related to all their structured and toxic loans.

Dexia Is Top Lender

One reason why President François Hollande and his Socialist government are eager to have Article 60 go through, is that the number-one lender to local public entities is the bank Dexia, which has been de facto nationalized, so that those debts are now owed to the national government! To be able to pay that debt, the government has to go to the banks (as dictated by European Union treaties), which are demanding an end to all legal action by the public entities first.

As if that were not enough, the financial reform bill also provides for retroactive validation of contracts signed with the banks that did not disclose the overall percentage rate to be charged—but only the (very low) initial rate. This goes directly against a ruling in the Nanterre court of last February, which invalidated such loans made to the Seine Saint-Denis Department. Since then, the number of lawsuits filed against Dexia has tripled.

Now, the government is attempting to blackmail the public entities into dropping their proceedings, in exchange for a bit of aid.

Solidarité et Progrès is rallying local government officials and others to give members of Parliament the backbone to stand up to the banks.

S&P's website has posted a letter that people can sign and have sent to their members of Parliament. Within the first four days of the posting, more than 600 people signed, including 1 National Assembly Deputy, 15 mayors, and at least 2 city councilors who identified themselves as such.

Creative Commons/Heurtelions

Dexia is the top predator-lender to local public entities in France.

S&P continues to expand its tandem effort to get the Parliament to enact Glass-Steagall-like legislation. An S&P call to do just that has been signed by 279 mayors. And so far, 13 municipal councils have adopted resolutions calling on their national MPs to vote for the bill calling for a strict separation of banks. Resolutions have been introduced in another 47 town councils.

The similar Arzviller Declaration, first signed by French and German elected officials at their August meeting in Arzviller, France, has now been signed by 16 French mayors, 2 mayors and 2 municipal councilors in Germany, and 3 municipal councilors in Italy.