

Editorial

Restore the Glass-Steagall Act Now!

People should stop kidding themselves. There *is* an alternative to the New Dark Age, hyperinflationary bailout called the Paulson plan, and it has been laid out repeatedly by Lyndon LaRouche and his associates since the Summer of 2007. The plan is comprised of three simple measures: 1) passing the Homeowners and Bank Protection Act (HBPA); 2) establishing a two-tier credit system which supports the dollar, and pours cheap credit into vital infrastructure projects; and 3) crafting an international agreement among the U.S., Russia, China, and India for a New Bretton Woods system.

On Sept. 27, however, on the verge of the next major bank failure (Wachovia) and the showdown over the bailout fiasco, LaRouche issued a new statement: “We’re at the point, that in addition to the three measures I prescribed since Summer of 2007, that we have to add another provision, as a result of the degree of corruption which has been introduced into the system *since* the Summer of 2007,” he said.

“We now have a corruption of banks, of what were once legitimate banks, through the contamination with the market toxic waste, such that we can’t simply reorganize and protect banks in a simple way. We’re going to have to, in a sense, look at each bank, determine what corresponds to a legitimate bank under Glass-Steagall standards, and take that part of the bank, that corresponds with Glass-Steagall standards, and put that under protection: Which means, you’ll essentially probably have a bank in the same place, physically, but the operation of the bank, as a functioning bank, will be confined to the Glass-Steagall standard.

“The rest of the funds, or the claims associated with what is that bank now, normally—this mixed bag of legitimate and illegitimate credit and debt—

... the part that comes out of investment banking, through mergers and so forth, that will be frozen. And it has to be frozen under Federal and state bankruptcy proceedings—chiefly Federal.”

The Glass-Steagall Act of 1933 was one of the most important banking regulations ever passed, as it prohibited any commercial bank from engaging in investment banking activities. As FDR told the House of Morgan then, you can be a commercial bank or an investment bank, but you can’t be both. This was done to prevent abuses which occurred in the 1920s and early 1930s, as the bankers saved themselves at the expense of their customers and the public. Glass-Steagall forced the House of Morgan to split into two separate institutions, an act for which FDR has never been forgiven; but FDR was entirely correct, as recent events have demonstrated.

The banks began to chip away at Glass-Steagall in the 1980s, and it was finally repealed in 1999, after the illegal merger of Travelers and Citicorp to form Citigroup in 1998. The repeal of Glass-Steagall opened the floodgates as the banks expanded their speculative activities, until the distinctions between commercial banking and investment banking have virtually disappeared. As has the solvency of the system.

Thus, as an adjunct to the bankruptcy reorganization involved with the HBPA, LaRouche stressed, it will be essential to re-enact the Glass-Steagall regulations. Banks must be supported in their function as support for the general welfare, but not in their gambling activities. Those must rather be investigated for suspected illegal activity, as, for example, demanded by House Resolution 1452.

Restore Glass-Steagall! No bailouts! No bail!