

Glass-Steagall Showdown Will Decide Your Future

by Jeffrey Steinberg and Nancy Spannaus

May 18—*As this issue of EIR goes to publication, the U.S. Senate has yet to debate and vote on the Cantwell-McCain amendment to the Dodd financial reform bill, which would reinstate the Glass-Steagall Act's separation of commercial banking from investment banking and insurance.*

Lyndon LaRouche today identified the passage of a new Glass-Steagall Act as an existential issue for the United States and for the world. Unless the Senate passes the Cantwell-McCain amendment (S.A. 3884), restoring Glass-Steagall, “the world just goes to Hell. Either we wipe out the quadrillions of dollars in illegitimate assets from the books of the banks, or the United States and the entire planet have no protection against a near-term precipitous collapse into a new dark age.”

LaRouche emphasized that the passage of Glass-Steagall is a pivotal first step. Once the U.S. commercial banking system has been restored, under Constitutional standards, we can next look to Western Europe and Russia. “But, the first crucial step must take place here, in the United States,” LaRouche explained. “If the United States Senate forces through the Cantwell-McCain amendment and the President is forced to sign it into law, despite his own desperate efforts to kill the amendment, then this will create the opportunity for

several crucial European countries to break free from the total breakdown collapse they now face.”

LaRouche singled out Germany as the first continental European nation that would key off the U.S. restoration of Glass-Steagall. France would likely follow. “This would save Europe from the already onrushing collapse. This would also provide Russia with the crucial European partners, along with the United States, to break free from the current vise-grip on the Russian economy, by a British-run Caribbean network of financier pirates.” LaRouche explained that, since the times of Yuri Andropov and Mikhail Gorbachov before the collapse of the Soviet Union, Russia’s monetary system has been run by the Rothschild-created Inter-Alpha Group, which is otherwise associated, today, with the so-called BRIC (Brazil-Russia-India-China) project of Goldman Sachs.

“If we can free Russia and the key nations of continental Europe from the present doomed financial system, through a Glass-Steagall bankruptcy reorganization, starting in the United States, then we can proceed to establish a new, global fixed-exchange-rate system. China is already prepared to enter such an agreement, and the freeing of Russia from the ‘pirates of the Caribbean’ is vital for China’s ability to join this new global arrangement,” LaRouche explained.



EIR White House correspondent William Jones (standing, far left) demands of Press Secretary Robert Gibbs (inset), “Why is the White House pressuring Democrats to back off from the Cantwell-McCain attempt to bring back Glass-Steagall?” Gibbs’ lame response: “I don’t have any information on the amendment. . . .” Then, Helen Thomas, dean of the White House correspondents (seated, front, far right), followed up: “Why don’t you know your position on Glass-Steagall, in view of the economy?”

“With such a worldwide fixed-exchange-rate system secured,” LaRouche concluded, “we can proceed with the vital infrastructure projects—high-speed transportation, nuclear energy, and water management—that are pivotal for the survival of mankind, as we reach the 7 billion population level.

“This is the existential issue for all of humanity. Passage of Glass-Steagall in the United States is the pivotal first step, without which humanity is doomed.”

The Battle Lines

In the past 24 hours, the Obama White House, along with the big five Wall Street financial institutions—Goldman Sachs, JPMorgan Chase, Bank of America, Citigroup, and Wells Fargo—have embarked on a desperate drive to kill the Glass-Steagall amendment.

Following a May 17 status report from his White House Chief of Staff, Rahm Emanuel, President Obama reportedly flew into a blind rage over the fact that the Cantwell-McCain amendment had not been repudiated by its sponsors. The President demanded that Senate Majority Leader Harry Reid (D-Nev.) and Senate Banking Committee Chairman Chris Dodd (D-Conn.) use every dirty trick in the book to kill the Cantwell-McCain

initiative, and get the Dodd bill rammed through the Senate before the end of the week.

However, the President’s demands do not necessarily translate into deeds, as Reid and Dodd are facing an enraged electorate, and a growing resistance to White House pressure from a number of Senators. On the night of May 17, Sen. Maria Cantwell (D-Wash.), the co-sponsor of the amendment to restore Glass-Steagall, threatened to join Republicans in opposing cloture, unless the amendment is debated and voted upon. Byron Dorgan (D-N.D.) made a similar threat, if his amendment, barring certain kinds of speculative instruments, is not allowed to reach the floor for a vote.

Key to the whole process now unfolding in the U.S. Senate is the mobilization, led by the LaRouche Political Action Committee (LPAC), which has activated thousands of local and state elected and other officials. Many of these officials had been staunch backers of LaRouche’s 2007 Homeowners and Bank Protection Act (HBPA), which would have frozen home foreclosures and imposed a Glass-Steagall bankruptcy reorganization of the U.S. banking system—before the \$24 trillion Wall Street bailout by the combined Bush and Obama administrations.

Senators Get the Message

The LaRouche PAC mobilization began in earnest on May 12, led by the three LPAC Congressional campaigns—Rachel Brown of Massachusetts, Kesha Rogers of Texas (who is the Democratic nominee), and Summer Shields of California. The campaigns all took to the streets of the major urban areas in their districts, demanding that citizens take up their responsibility to “ram through” the Glass-Steagall amendment.

The campaign soon escalated into a drive to get patriots to call their Senators, and demand that they join Senators Cantwell and McCain in fighting for Glass-Steagall. Buttressed by an LPAC video on the significance of the act (see below), and by the reverberations of LaRouche’s May 8 webcast, the LPAC membership went into high gear in a way it hadn’t done since the successful mobilization to pass resolutions endorsing LaRouche’s Homeowners and Bank Protection Act in dozens of local and state jurisdictions in 2007-08.

As of May 17, the impact was being strongly felt. In Boston, Sen. John Kerry’s (D-Mass.) office is telling callers that they have been “flooded with” calls in support of Glass-Steagall. In Washington State, Sen. Patty Murray’s (D) office reports the “phone ringing off the hook” with calls demanding she support Glass-Steagall. In both cases, however, the Senators had not yet committed themselves to vote for the McCain-Cantwell amendment, so LPAC is upping the pressure on them, as well as on most other Senators, most of whom have not publicly committed themselves one way or another.

Cantwell Optimistic

While Internet media coverage of the Glass-Steagall legislation has been dominated by LaRouche PAC for the last weeks, this began to change since May 12. Most importantly, Senator Cantwell herself was interviewed by Bonnie Erbe of PBS, and declared that she expected the legislation to pass. Asked by Erbe about her view of Glass-Steagall, she said:

“Well, I certainly am a big supporter of Glass-Steagall, which would be to go back to what we had prior to 2000, which is the separation of commercial banking from investment banking.

“If you think about it, they are two different functions. Investment banking is about taking risks. But with commercial banking, you want your deposits to be secure. But when you let your deposits—yours and

mine—be used by those investment houses, which are huge risk-taking ventures, it really does put those savings and those deposits at risk.

“And we should go back to separating them. I think the American people know this. They get it intuitively. They know that there was a reason in the last Depression that we got to this point.

“So, what’s taking you so long?! Go back to separating it. So, we’ll have a vote on that.

“But we also need to regulate these derivatives, these new financial tools that came into the marketplace in the late ’90s, and make sure that they have the oversight of the Commodities Futures Trading Commission.

“Right now, hamburger in America—beef futures—has more oversight than some of these derivatives!”

Cantwell’s interview was picked up by *U.S. News and World Report* May 12, and, in the wake of the coverage, others have come forward. Most prominent, is Nouriel Roubini, a New York University economist, who is given credit for being the main prognosticator of the 2007-08 crash. (The major media are under orders to ignore LaRouche.) Roubini has given numerous interviews arguing that the Glass-Steagall separation is the only solution to problems such as derivatives speculation, and exposing as phony, half-measures such as the “Volcker Rule,” which purports to limit proprietary trading, but would do nothing to eliminate the rot.

While former Federal Reserve Chairman Paul Volcker, who nominally heads Obama’s economic team, had, at one point, proposed a separation of commercial and investment banking, he is now kowtowing to his banker friends, including his former employer, Inter-Alpha Group head Jacob Rothschild. On a trip to London May 13, the former Fed chief gave an off-the-cuff interview to BBC in which he went so far as to *attack* Glass-Steagall. Volcker has also written letters and campaigned personally *against* control of derivatives, especially the measure associated with Arkansas Sen. Blanche Lincoln (D), which is in the Dodd bill. LaRouche has insisted that Volcker is intelligent enough to know better, but he is refusing to act like a patriot, and is propitiating Obama.

London vs. the Patriots

As LaRouche and various of his interlocutors pointed out during his May 8 webcast, the Glass-Steagall issue is not just one of banking. It cuts to the center

of the strategic battle between the British financial empire, and the American System of economics, which is a model for all truly sovereign nation-states.

It is lawful that the center of this battle would be Wall Street. Wall Street has been a center of treason throughout the history of the United States, and functions, in fact, as an army of the British empire. The sophism that the health of “Main Street” (the physical economy on which the standard of living of the American people is based) depends upon the health of “Wall Street,” as President Obama has argued, is more than ludicrous—and most of the American people know it.

In fact, the rage of the U.S. population against Wall Street’s rip-offs, and the bailouts given to the international banks, is only growing. As a result of the collaboration of a network of prosecutors, such as New York State’s Attorney General Andrew Cuomo, Securities and Exchange Commission head Mary Shapiro, and others, Goldman Sachs’s crimes were brought up before public hearings. Now, prosecutions are multiplying, with Federal criminal investigations of virtually all the big Wall Street banks, for trading against the interests of their clients—and, one might honestly say, their country.

Over just the last week, Attorney General Cuomo announced several new probes, including of U.S. branches of several major European banks. He is also looking into manipulation by the rating agencies, a criminal practice, well known from the outbreak of the current breakdown crisis in 2007. (Remember, AAA ratings for junk?)

Under Glass-Steagall regulations, the problem of these banks can be easily taken care of. Entities such as JPMorgan Chase and Citibank will have to decide whether they will be commercial banks, or investment (gambling) houses. If the latter, they will no longer have government protection—and they, and their illegitimate debts, will disappear. Legitimate banking functions, however, will be protected—and banks that practice those will be opened up to be lenders for the kinds of massive infrastructure projects we so desperately need.

This is the only pathway to recovery, and it lies within the grasp of the American people, if they listen to Lyndon LaRouche. Restoring Glass-Steagall is the first step toward realizing the prosperity, at home and abroad, which Franklin D. Roosevelt envisioned after World War II. The British sabotaged that vision then; they must not be allowed to do so again.

The Implications of Glass-Steagall Today

LaRouche Western States spokesman Harley Schlanger was interviewed by Matthew Ogden of LaRouchePAC on May 11.

LPAC: What is the significance of the McCain-Cantwell amendment, calling for a revival of Glass-Steagall, to the Senate Financial Regulatory Reform Bill, or the Dodd bill?

Schlanger: Well, the Cantwell-McCain amendment to the Dodd bill is the whole bill. If you put the McCain-Cantwell bill in there, it changes everything. Because it restores Glass-Steagall.

Now, the key to Glass-Steagall is that it’s an anti-speculative measure. Because, right now, every financial institution—banks, insurance companies—they all are engaging in trading. And under Glass-Steagall, they would have to decide, are they going to be a bank, protected under the FDIC and Federal regulation? And, if so, they can’t do trading. Well, the whole financial system is trading right now.

So, it’s not just the separation of commercial banking from investment banking. It’s a move to undercut the whole speculative bubble that really took off after 1999, when Glass-Steagall was repealed.

So, this is a crucial flank in the fight to restore a credit system, as opposed to an imperial monetary system.

Now, then, you have the other problem: the Grand Cayman Islands, the Dutch Antilles, the offshore—and this is really where the fixed exchange rates come in—why you have to have a Four Power agreement: That goes back to Franklin Roosevelt’s design of the original Bretton Woods. Because if you don’t have that, if you allow pockets of the world where money can flow in and out, to engage in speculation, then it’s going to undermine governments that are too weak to protect themselves from the speculators.

So, in a sense, Glass-Steagall becoming global means that people like George Soros have nowhere to go to loot; nowhere to go to impose their austerity