

NOW BEFORE CONGRESS

## It's Either Glass-Steagall, Or Death by Hyperinflation

by Nancy Spannaus

Jan. 5—Within the opening hours of the 113th Congress, Reps. Marcy Kaptur (D-Ohio) and Walter B. Jones (R-N.C.) moved to revive Franklin D. Roosevelt's Glass-Steagall act by reintroducing a bill, H.R. 1489, which had 84 co-sponsors when the 112th Congress expired. The new bill, H.R. 129, is expected to rapidly gain even more overwhelming support.

The official Library of Congress website on legislation identifies the purpose of the bill thus: "To repeal certain provisions of the Gramm-Leach-Bliley Act and revive the separation between commercial banking and the securities business, in the manner provided in the Banking Act of 1933, the so-called 'Glass-Steagall Act', and for other purposes."

The full text will be available soon. The bill has already been referred to the House Financial Services Committee.

Lyndon LaRouche and his political action committee (LaRouchePAC) have identified the reinstatement of Glass-Steagall as the essential, immediate first step in rescuing the U.S. and global economy, from the catastrophes of hyperinflation and draconian austerity, to be immediately followed by the creation of a Federal credit system linked to inaugurating major infrastructure projects such as the North American Water and Power Alliance (NAWAPA). The objective is to pass the initial bill in January—preferably, even before the Jan. 20 Inauguration.

We are in a countdown, before the hyperinflation,

set off by the bailout policies of the Federal Reserve and the European Central Bank (ECB), creates an unstoppable crisis, LaRouche argues. Many leading bankers are fully aware that we are on the cusp of precisely such a catastrophe, which is why prominent bankers in London and elsewhere are now speaking out for Glass-Steagall. What they, and many in Congress, don't understand is that this emergency measure must be taken *now*, within weeks, in order to launch the crucial next steps of a recovery program: a credit system with funds dedicated to rebuilding the physical economy.

LaRouchePAC will be moving immediately not only for passage of H.R. 129 as an emergency measure, but for introduction of a matching measure in the U.S. Senate, where support is growing for banking separation. Most importantly, LPAC organizers will be stressing the way in which LaRouche's full three-point program, of which Glass-Steagall is only the first part, will overthrow the "tyranny of worthless money," which has been imposed by the London-centered global financial empire, and lead to the re-establishment of the true American System of political economy upon which the United States was founded.

### Monetarist Tyranny

The reintroduction of Glass-Steagall, as part of the LaRouchePAC three-part program for recovery, comes as the hyperinflationary regime of the Federal Reserve and ECB threatens to both blow apart the financial



*Glass-Steagall is back at the top of the agenda, here and in Europe. Now is the time to ram it through the Congress, as the spearpoint for LaRouche's three-point recovery program. Shown: LPAC organizing in New York City, September 2012.*

LPAC-TV

system, and trigger dramatically escalated death rates in the trans-Atlantic region. As LaRouche emphasized once again in his Jan. 4 LPAC webcast, the kind of hyperinflationary monetary emission which the central banks are using to keep their system afloat, is money *with no production behind it*, and thus simply degrades and depresses not only the currency, but also living standards.

On the one hand, the rate of monetary emission is stunning. As of Jan. 1, the Fed began purchasing \$85 billion a month from the banks, to keep them afloat—thus generating an additional bailout obligation of over \$1 trillion a year. One could easily come to the conclusion, as LaRouche noted on Jan. 3, that the London financial powers behind the Wall Street bankers, now being bailed out at the public trough, are actually out to bankrupt the United States.

The solution to that, of course, is Glass-Steagall, which will immediately cut off the bailout of the bankers' gambling debts (see "Use Glass-Steagall Standard To Restore Credit," below), and let them go bankrupt.

A similar, not unrelated, process is underway in Europe. "Financial policy is creating the danger of hyperinflation" blasted the headline of the *Börsen-Zeitung*, the newspaper of Germany's stock exchange, on Dec.

29. The article goes on to attack the process of cheap monetary emission that goes *nowhere* but to bail out the banks, and to warn that hyperinflation is threatened.

On the other side, these bailouts demand that nations be put through hell, allegedly in order to pay off the unpayable, largely worthless debts. The most shocking case is that of Greece, where outright genocide is underway (see "Katsanevas: Greece should Exit Euro, Promote Growth," below). But the other nations of the trans-Atlantic region are on the chopping block as well.

This is the significance of the so-called fiscal cliff discussions in the United States, where the political spokesmen for "the markets," from the President on down, are insisting on budget "adjustments" that will destroy the living standards of the most vulnerable sections of the population. A case in point, is the fact that the one explicit budget cut that was included in the deal reached by the Congress and the White House on Jan. 1, to avoid going "over the cliff," was a cut in Medicare payments to health facilities for elderly Medicare recipients. The standard argument that these cuts, which are reducing the ability of these institutions to provide care, and helping drive many toward closure, only hurt providers, not patients, is worse than a bad joke.

Now, of course, both the Obama White House and the Republican leadership are planning to embark on a new political sideshow over new murderous cuts, in the name of balancing the budget—a Dance of Death. Does the U.S. Congress have a sufficient number of members with the courage and understanding to reject this game, and go for LaRouche’s three-point program, starting with Glass-Steagall? It’s up to those who do understand, to make sure that they do.

## Current Prospects

As of this writing, the mood on Capitol Hill is definitely very positive for the reinstatement of Glass-Steagall. Teams of LPAC organizers scoured Washington on Jan. 3, and found tremendous receptivity to the Glass-Steagall solution. What’s not yet visible, is the initiative and determination to ram it through.

On the House side, in addition to Kaptur and Jones, there are at least 74 other Members who have gone on record in support of restoring Glass-Steagall. On the Senate side, at least 5 new Senators have come out for banking separation, with the most outspoken being Sen. Angus King (I-Me.), a former board member of the Bank of Maine, who, in an interview with the *Portland Press-Herald*, declared Glass-Steagall to be just the kind “structural change” required to prevent financial crises like that of 2007-08. He called it his “dream fix” to prevent another meltdown.

One of the major blocks to actually passing Glass-Steagall in 2012 was the fact that no Senator would introduce a complementary bill in the Upper Chamber.

## Growing International Support

As the financial and economic breakdown crisis worsens, international motion toward restoring Glass-Steagall has become visible once again. The latest call came from a British think tank, the Institute for Public Policy Research (IPPR), which issued a report in the first week of January saying that ring-fencing—which places a bank’s riskier investment activity in a separate legal subsidiary—the current policy of the Cameron government, won’t solve the problem of reckless gambling, and the need is for full banking separation.

But a review of the trans-Atlantic region shows that 2012 was a breakthrough year for the Glass-Steagall issue in Europe. Compared to one year ago, when the LaRouche movement worldwide was almost alone in pushing for such a reform, it is now the center of the debate in all G-8 countries (France, Germany, Italy,

Japan, the U.K., the U.S., Canada, and Russia). It started with Jacques Cheminade’s campaign for President in France, and the bill introduced by Sen. Oscar Peterlini in Italy, which was sponsored by Movisol (the LaRouche movement in Italy). These initiatives then reverberated in François Hollande’s electoral promises in France, and in further legislative proposals in the Italian Parliament by individuals such as former Economy Minister Tremonti, and the Lega Nord party.

Then, in May, came the first of a series of financial shocks which boosted the call to action: JP Morgan’s derivatives losses of \$2 billion. That shock, together with the worsening banking crisis in Europe, prompted Elizabeth Warren, who has since been elected to the U.S. Senate from Massachusetts, to start her campaign for Glass-Steagall in the U.S., collecting 100,000 endorsements within a few days. Signatures on the Kaptur draft bill for Glass-Steagall in the House went over the 70 mark. LaRouche Democrat Keshia Rogers’ victory in the Democratic primary in Texas on May 29 was also a strong signal from the Democratic Party base for real bank separation.

To drive the momentum, Helga Zepp-LaRouche and Jacques Cheminade issued an “Appeal to Governments and Parliaments for Glass-Steagall Now,” on June 19.

Then came the second shock: revelations on the deliberate manipulation by the major banks of the Libor/Euribor rates, which showed just how rotten the entire financial system had become. This offered popular backing for a significant policy shift in Great Britain. On July 4, the *Financial Times* announced its support for a full-fledged, Glass-Steagall-like banking separation. The *FT* shift reflected a policy shared by a faction in the political establishment and in the Bank of England.

On July 17, the third shock: the U.S. Senate Subcommittee on Investigations released a report revealing that HSBC had recycled at least \$7 billion of drug money. (This led to a \$2 billion fine being slapped on the bank in December.)

Never had the time been so ripe for a cleanup of the rotten financial system. Had the President of the United States heard the public outcry and supported the existing bills providing for a Glass-Steagall law, it would have passed the Congress in a matter of hours. Instead, the Obama Administration blocked any action. In vain, did Andrew Haldane of the Bank of England bring the debate to the yearly meeting of central bankers at Jackson Hole, Wyo., with his now famous “The Dog and the

Frisbee” speech.<sup>1</sup>

How did the EU respond? The group headed by Finnish central banker Erkki Liikanen issued a report in early October rejecting Glass-Steagall, and promoting a fake separation of banking activities under the same roof.

Soon after, Obama’s response was stated loud and clear in an interview with *Rolling Stone* (Oct. 25), in which he repeated the Wall Street mantra that Glass-Steagall would not have prevented Lehman Brothers from going belly-up. That may be true, but it would have prevented U.S. families from going belly-up!

The degeneration of party politics led to Obama’s re-election on Nov. 6, which has brought the world closer to the collapse of the economy and general warfare because of the continuation of Obama’s Wall Street policies.

At the same time, more and more people, including those in the political establishments, are aware of the acute nature of the danger. In Great Britain, a poll published by the *Financial Times* on Dec. 28 revealed that a 6:4 majority in the British Parliament would support a Glass-Steagall-like, complete banking separation.

## **No Time To Spare**

As LaRouche emphasized in his Jan. 4 webcast, there is currently no leeway for failure. The question is whether the gambling banks, or the population, are going to survive. Those who choose to save the people, have no choice but to dump the current bankrupt system, and go for the Glass-Steagall/credit system/NAWAPA solution. It needs to be done this month, this week—even tomorrow.

Dumping the British Empire’s financial system is the most potent act anyone could take to deal with the war danger, as well as the devastating financial-economic crisis.

The models for how it can be done are readily available, in studies *EIR* has produced on Alexander Hamilton, Nicholas Biddle, the Second Bank of the United States, and physical economics in general. It means once again defining economy and finance as Hamilton did: as a means of developing the productive powers of labor for current and future generations, at higher and higher levels of power over nature.

And it starts with implementing Glass-Steagall.

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1. Haldane’s speech can be found at: <http://www.bis.org/review/r120905a.pdf>