OBAMA ON THE ROPES

Groundswell Is Growing For Glass-Steagall Passage

by Nancy Spannaus

Sept. 17—Nine months into his second term, President Barack Obama is ripe for impeachment, and he and his closest coterie know it. He is being besieged by bipartisan opposition to his violations of the Constitution on surveillance, and to his threat of going to war in Syria in violation of international and Constitutional law. He faces a huge revolt in Congress over his coverup of the truth about the Benghazi 9/11 murders, and near-universal disgust over his economic policies—from plummeting living standards to Obamacare—in the population at large.

This is the context for Obama's latest retreat—his decision to back off from nominating Wall Street toady Larry Summers as the successor to Ben Bernanke as chairman of the Federal Reserve. Oregon Sen. Jeff Merkley had already informed the White House that at least five Democrats on the Senate Banking Committee would oppose Summers, according to a report in the HuffPost-Hill Sept. 16. "He [Merkley] homed in on Summers' backing for the repeal of Glass-Steagall," the publication reported. Summers would be defeated.

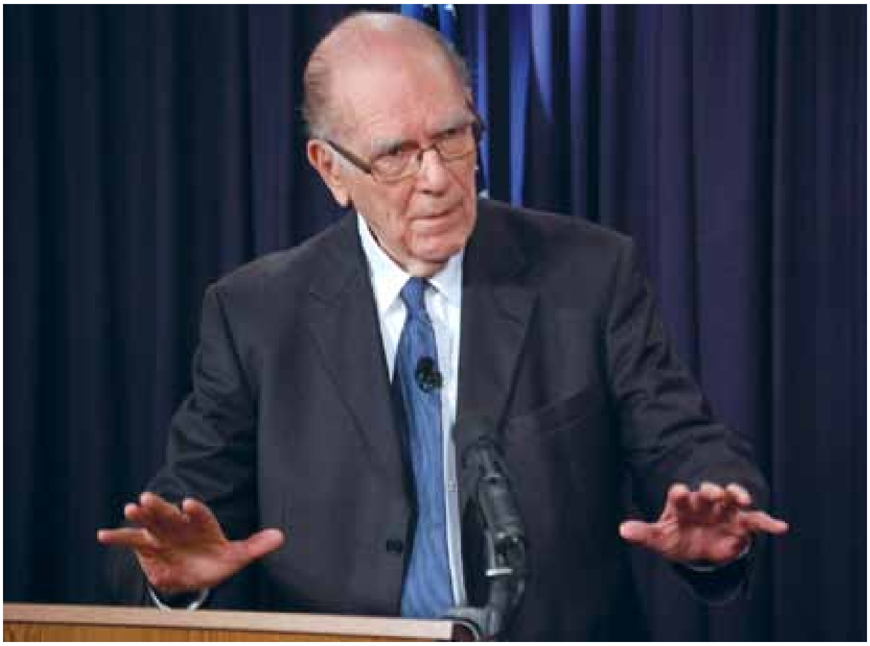
Had Obama nominated Summers, as was widely expected, the stage would have been set for a knock-down, drag-out fight on precisely the issue which Wall Street wants to sweep under the rug: the reinstatement of Franklin Roosevelt's Glass-Steagall Act. With two Glass-Steagall bills (S. 985 and S. 1282) before the Senate, and one before the House (H.R. 129), and the world financial system poised to undergo its next implosion after the German elections Sept. 22, when the entire euro-system is expected to disintegrate, Obama's backers in the British-Wall Street financial empire are deathly afraid of Glass-Steagall's re-enactment. They are even more terrified of the fact that the leadership behind the Glass-Steagall push is coming from Lyndon LaRouche and his movement, who are determined that the FDR law be only the first step in re-establishing the full Hamiltonian credit system that the London-Wall Street financial empire has worked so hard for more than two centuries to destroy.

Indeed, a political groundswell is growing for Glass-Steagall across the United States, and, contrary to the pundits, the possibility of victory is—as LaRouche put it in an interview Sept. 16—"very high." That is, as long as American patriots escalate their offensive for the full solution to the current breakdown crisis, with the determination to win *now.*

Gathering Steam

In the lead-up to the return of Congress after Labor Day, institutional, banking, and Congressional support for Glass-Steagall has grown significantly.

On Sept. 12, New Jersey State Senators Shirley Turner and Jeff van Drew, both Democrats, introduced Senate Resolution 121, which "urges the U.S. Congress



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Lyndon LaRouche told radio host Patrick Timpone, that without Glass-Steagall, "we're going through the greatest financial crisis in modern or related history. It's coming on fast. We can expect a crash, for example, of the Wall Street system. . . . It just cannot keep going."

to adopt the 'Return to Prudent Banking Act of 2013.'" The bill is identical to New Jersey Assembly Resolution 182, which was introduced in June.

Memorials to Congress demanding action are also coming in from smaller localities. On Sept. 12, the City Council of Wilkes-Barre, Pa., a city of over 40,000, passed a resolution calling on Congress to enact H.R. 129. On Aug. 29, the Detroit School Board also passed a resolution to the same effect.

At its national convention Sept. 9-11, the AFL-CIO passed a resolution on financial reform which included support for reinstituting Glass-Steagall, with particular reference to the bill introduced in the Senate by Elizabeth Warren (D-Mass.), Maria Cantwell (D-Wash.), John McCain (R-Ariz.), and Angus King (I-Maine).

Warren herself has been a vociferous spokesman for Glass-Steagall in every venue she has appeared. In her keynote to the AFL-CIO convention, she gave a rip-snorting attack on Wall Street for its looting of the American people, and urged the passage of her Glass-Steagall bill. Then at a Sept. 12 event on the lessons of the 2008 crisis, Warren blasted the major Wall Street banks, and presented her S. 1282, the "21st-Century Glass-Steagall Act," as the way to address the "Too Big To Fail" problem. While giving the Administration some time to deliver on its timetable to make Dodd-Frank "work," Warren struck a warning note—"If the regulators won't end 'Too Big To Fail,' then Congress must act to protect our economy and prevent future crises."

Most important, perhaps, is that Warren—like LaRouche—struck hard against the pessimism of those who claim that Glass-Steagall could never be passed, due to Wall Street power and money. She concluded, "David beat Goliath with the passage of Dodd-Frank. And I am confident David can beat Goliath on 'Too Big To Fail.' We just have to pick up the slingshot again."

On Sept. 16, on MSNBC's "Morning Joe" program, Warren was at it again, engaging in a 10-minute discussion with host Joe Scarborough on Glass-Steagall. McCain appeared on the same program, and expressed support for the Glass-Steagall bill of which he is a co-sponsor. The same morning, Fox Business News broadcast a three-minute interview with Warren, who cited the nine co-sponsors on her bill (Sen. Bernie Sanders, I-Vt., was the latest to add his name, last week), and then said: "Glass-Steagall gave us 50 years of economic growth without banking crises. Punching holes in Glass-Steagall in the '80's and then repealing Glass-Steagall in 1999 is what put the risk back in the system, that we saw blow up."

Bankers Too

Most indicative of the fact that financial and economic necessity militates for the reinstatement of Glass-Steagall is the new spate of endorsements for that measure from banking circles.

On Sept. 9, no less a banking celebrity than John Reed, former chief executive officer of Citigroup, gave an interview to the *Financial Times* in which he called for Glass-Steagall. Unlike his onetime colleague in repealing Glass-Steagall, Sandy Weill, who declared his support for Glass-Steagall reinstatement in the Summer of 2012, Reed admitted that the logic behind merging Citicorp with Travelers Insurance (the merger which buried Glass-Steagall in 1998), was "flawed."

Reed dismissed the popular notion that a new Glass-Steagall would be difficult to implement."It could be done. The finance industry is amazingly flexible. We don't have big fixed capital bases. It's not like we have factories that need to be re-engineered.

"Had it turned out that you could provide finance to industry more cost effectively, then there would be a benefit to putting the two institutions together. But given that there isn't and given these culture problems ... you end up saying this probably isn't a great structure for industry."

More shocking was the news, which took the headlines throughout the German-language press in Europe Sept. 14, that the banker who administered the bankruptcy of Lehman Brothers, the institution which "broke the bank" in September 2008, now recommends a worldwide Glass-Steagall banking system. Bryan Marsal told the German paper *Die Welt* that he had supported the repeal of Glass-Steagall "until I saw what happened to Lehman." He also dismissed the efficacy of the so-called Volcker Rule for isolating and dealing with the gambling problem:

"The distinction is artificial. You can't draw a hard line between proprietary and customer-requested trading. Therefore the bank should decide: Either it does classic retail and business customer business—or it engages in investment banking, trading securities, and works with hedge funds. Both together don't work. Business with exotic products, which are mainly used for casino games, I would simply forbid that."

What's Missing

What's missing in the increasing public support for Glass-Steagall is the necessary sense of urgency, in the face of what "those-in-the-know" understand to be an impending blowout, even worse than that of 2008.

As LaRouche put it in his Sept. 16 radio interview with host Patrick Timpone:

"What's going on now, is we're going through the greatest financial crisis in modern or related history. It's coming on fast. We can expect a crash, for example, of the Wall Street system, and similar kinds of systems. They may not go extinct, but under present conditions, they're going to have to make some very large adjustments, because the rate of inflation built into that part of the banking system, is such that it just cannot keep going.

"So, what's going to happen—a smaller group of people will take over what has been the Wall Street system, and the comparable British system, as such, while the other people will be dumped on the street. But now, you have to realize that the driver behind this is the Queen of England, who's not just the Queen of England—she actually represents control of about 40% or more of the entire planet—in terms of control, a direct and indirect relationship. You could say, in one sense, a higher one.

"So, this system is going down. The Queen is making it worse by getting agreement throughout most of the trans-Atlantic region, agreement to reduce the human population from 7 billion people, toward 1 [billion]. Which means there are a lot of people—you know, China's got a population of 1.4 billion people. And other nations have similar things. So, obviously, when you say you're going to reduce the whole world population to 1 billion people—which is what the Queen is publicly stating, and is doing—it's not there yet, but that's where it's going. And most of the things that are happening now, are related to the fact that the Queen of England, and institutions such as the Dutch institutions, are actually in the process, and agree to do it publicly, to shut down the existence of most of the human population, to reduce it rapidly from 7 billion people, to 1.

"So, that is really the main driver of what is happening now, in terms of politics, in terms of related policy."

LaRouche is not alone in stressing the unsustainability of the current bankrupt system. Exemplary, but not unique, is a statement by former Bank of International Settlements (BIS) chief economist William White, which appeared in the *Daily Telegraph* column of Ambrose Evans-Pritchard on Sept. 16.

"This looks like to me like 2007 all over again, but even worse," said White. "All the previous imbalances are still there. Total public and private debt levels are 30% higher as a share of GDP in the advanced economies than they were then, and we have added a whole new problem with bubbles in emerging markets that are ending in a boom-bust cycle," said White, who is now chairman of the OECD's Economic Development and Review Committee.

White and economists like him are minimizing the consequences. A collapse of the current system would not be a "bust," but a civilizational collapse—unless a Glass-Steagall reform followed by a Hamiltonian credit system is immediately introduced. It is this which Americans have to put at the top of their agendas, now.