

MARTIN O'MALLEY

Restoring Glass-Steagall Is the Central Issue

by Debra Hanania Freeman

March 16—With a potentially catastrophic blowout of the entire trans-Atlantic financial system looming large, a pattern of explicit calls for the re-instatement of President Franklin Roosevelt's Glass-Steagall law has emerged to dominate the policy debate in the United States, despite a concerted effort to distract the American people with trivial non-issues ranging from Hillary Clinton's email address, to speculation that Russian President Vladimir Putin has cancelled meetings to pre-empt over the birth of his lover's child.

Prominent financial and economic figures like FDIC vice-chair Thomas Hoenig and former OMB director David Stockman have both delivered dramatic presentations documenting the systemic danger to the financial system represented by the gigantic balloon in derivatives, highly leveraged loans, and other forms of wanton speculation.

Economist and former Labor Secretary Robert Reich, who has called for Glass-Steagall's re-enactment before, wrote a series of columns beginning on March 3, insisting that resurrecting Glass-Steagall be the first item on the agenda of any serious candidate for the 2016 Democratic Presidential nomination. Reich's support for restoring the FDR-era legislation was echoed in a number of presentations given by Massachusetts Sen. Elizabeth Warren (D), Rep. Elijah Cummings (D-Md.), Vermont Sen. Bernie Sanders (I), and former Virginia Sen. Jim Webb (D). But the most dramatic and comprehensive demand has come from

former Maryland Governor (and Baltimore Mayor) Martin O'Malley.

O'Malley, who has been touring the country pressing his exploratory bid for the 2016 Democratic Presidential nomination, has made restoring Glass-Steagall central to addressing what he sees as the defining issues of income inequality and continually declining wages.

Talking to reporters in Concord, N.H. on March 6, O'Malley pushed fellow Democrats to be more vocal about Wall Street reform, warning that Democrats "can't let [them]selves become the party of Dodd-Frank lite," referring to the bogus excuse for Wall Street reform that Obama signed into law in 2010. Not mincing words, he said, "If a bank is too big to fail without harming the common good of our nation, then it's too big, and we must break it up before it breaks us." Making clear that he wasn't just touting populist rhetoric, he said there was a very specific remedy for dealing with the big banks and their outsized influence on the economy. "It's simple. I think we need to reinstate Glass-Steagall."

Repeal: A Grave Mistake

O'Malley has continued to drive the issue in all his speeches and interviews, pointing out that since being signed into law in 1933, during the Great Depression, Glass-Steagall worked to stabilize the banking industry for decades, until Federal Reserve chairman Alan Greenspan allowed it to be whittled away, at the behest



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Presumptive Presidential candidate Martin O'Malley was asked, in an interview, what would be the one thing he would do, to restore wages and reduce income inequality. He responded without hesitation, "Reinstate Glass-Steagall."

of Wall Street. In 1999, a compliant President Bill Clinton, beaten down by the orchestrated Lewinsky scandal, signed its formal repeal. O'Malley, who has been a longtime Clinton ally, has noted that in both private and public discussions, the former President has acknowledged that signing that repeal was a grave mistake.

O'Malley has argued that that repeal was a key ingredient in causing the financial crisis of 2008, allowing the "casino culture" of investment banking to intrude into what had been a relatively more stable, regulated commercial banking industry.

In a recent piece in *U.S. News and World Report*, James Rickards, the author of *The Death of Money: The Coming Collapse of the International Monetary System*, backed O'Malley's argument, explaining that "while there were certainly other factors that helped craft the toxic stew of predator lending and sliced and diced mortgage securities that blew up the system, it was Glass-Steagall that prevented the banks from using insured depositories to underwrite private security and dump them on their on customers. This ability, along with financing provided to all the other players, is what has kept the bubble machine going."

Since the 2008 crash and subsequent mega-bailout at taxpayers' expense, there have been several efforts to bring back Glass-Steagall, the most widespread having

been in 2013, when more than half of the nation's state legislatures passed LaRouchePAC-initiated resolutions demanding that Congress bring back the FDR legislation. Reps. Marcy Kaptur (D-Ohio) and Walter Jones (R-N.C.) introduced HR 129, "A Return to Prudent Banking," which garnered broad bipartisan support with 113 co-sponsors. In the Senate, Elizabeth Warren (D-Mass.), Maria Cantwell (D-Wash.), John McCain (R-Ariz.), and Angus King (I-Me.) beat the same drum, spearheading the 21st Century Glass-Steagall Act. The clamor grew to such a feverish pitch, much to the consternation of the Obama Administration, that Obama himself was forced to voice his opposition to the drive in an October 2012 *Rolling Stone* interview.

Kaptur and Jones have reintroduced their bill—now HR 381—with 30 co-sponsors thus far. No new bill has shown up in the Senate, although Warren and Cantwell both say they do plan on reintroducing their bill.

But pressure from the Administration and the Wall Street lobby has caused many members, too eager to feed at Wall Street's trough, to step lightly.

LaRouche: O'Malley Is Right

O'Malley hasn't hesitated to address Congressional inaction. On March 12, in an interview on MSNBC, he said: "Our problems are not going to solve themselves. Many of the things that we did to disconnect the hard work of American workers from the productivity of corporations are things that *we* did. So these are things we brought upon ourselves. We'd like to pretend that the economy blew in here on some sort of Gulf Stream or Jet Stream. But the fact is, we make these rules. And we can make better rules in order to restore that link between hard work and the opportunity to get ahead. . . ."

"One thing that would [be vital], would be to reinstate Glass-Steagall. For 70 years, we prevented banks from gambling with our money, and wrecking our economy and running roughshod over the common good that we share as a people; and having a stable and good economy. Everybody—I mean on both sides of the aisle—I mean, so many people say we should do that, and yet it remains undone. And some people in my own party are holding themselves out as promoting some sort of a Dodd-Frank Lite—'We don't want to



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LaRouchePAC-initiated resolutions were passed in more than half the U.S. state legislatures in 2013, demanding that Congress restore Glass-Steagall. Here, LPAC organizes at the August 2013 AFL-CIO convention.

offend anyone on Wall Street, so let us not talk honestly about how we can rein in this excessive behavior.’

“Because one of the things we haven’t talked about too much, is that for all of the pain from the home foreclosures and the job losses, the concentration of wealth after each of these last two busts on the stock market actually *increased!* In other words, while other people lost homes, the people at the top came out even further ahead.”

When asked during the “Morning Joe” interview what would be the one thing he’d do, if he could only do one thing, to restore wages and reduce income inequality, O’Malley didn’t hesitate: “Reinstate Glass-Steagall.”

Lyndon LaRouche gave his full, unequivocal sup-

port to O’Malley’s statements: “O’Malley is right.” LaRouche pointed out that O’Malley is the only potential Presidential candidate from either party who has raised this issue just now, not only exhibiting the qualifications needed in a Presidential candidate, but, LaRouche stressed, “The others will now have to declare themselves on this issue. You cannot ‘go along to get along’ forever with Wall Street.” (see LaRouche’s statement below).

In later statements, LaRouche emphasized that there should be active, aggressive support for the ideas that O’Malley has injected into this early phase of the Presidential debate. “The bottom line is that Congress needs to pass Glass-Steagall *immediately,*” he declared.

“It’s the only measure that will adequately deal with the looming blowout of the entire trans-Atlantic system. And only by reinstating Glass-Steagall now, can we put the United States in the position to play a constructive role in the new paradigm of economic development that has been put forward, under Chinese leadership in particular, by the BRICS countries.

“So, the United States, yes, must join the BRICS. But in order to do that, we must first repudiate all of the ongoing policies that are carry-overs from the Bush-Cheney Administration on through the Obama Administration. If we don’t do that, we are facing the imminent prospect of global war, even thermonuclear war,” LaRouche concluded.

LaRouche: O’Malley Is Right About Glass-Steagall

March 12—Former Maryland Governor Martin O’Malley, a potential Democratic Presidential candidate, has been speaking out on behalf of the need to revive FDR’s 1933 Glass-Steagall law, as the unique solution to the post-2007-08 economic collapse in the United States. Lyndon LaRouche today fully endorsed O’Malley’s call:

“We should get this out everywhere,” he said.

“Both Glass-Steagall, and the fact that O’Malley’s running on it. O’Malley’s raised this question, and anyone who opposes that policy, has to be considered as a defective choice for a candidacy for President. O’Malley is the only one right now, who has the qualifications for being a Presidential candidate. The others will now have to declare themselves on this. You cannot ‘go along to get along’ forever with Wall Street.”

“O’Malley’s right,” LaRouche said. “It has to be done. It is the key step. That, of course, would sink Wall Street. That’s the whole point. Anyone who’s running on a Wall Street ticket doesn’t deserve election.”