

# Why Glass-Steagall Can Cripple the British Empire

by Jeffrey Steinberg

*This is an edited transcript of a telephone presentation to LaRouchePAC organizers, given May 23. The call was moderated by John Ascher.*

It's critical, from a political-military standpoint, that everybody on this call recognize that last week, the action taken by Sen. Tom Harkin represented a very significant political blow to the British Empire, directly. The fact that we now have a Glass-Steagall bill introduced into the Senate, as well as into the House, means that this is now a very serious proposition. The strategy of the London crowd, of Wall Street (which is almost synonymous with the City of London), and the Obama Presidency, which is a wholly owned subsidiary of that apparatus—their strategy was to prevent a bill from being introduced into the Senate. And they had concentrated on a number of Senators, to put excruciating pressure on them—direct bribery, you name it—to make sure that they did not take the step of introducing Glass-Steagall.

And it was genuinely the mobilization that we have been involved in over these past months, that was the decisive factor in getting this bill introduced. There are anecdotal details that may be written up in reflective history books if we survive this crisis, but suffice it to say that this is not speculation, this is not hyperbole, this is the straightforward truth: that our efforts directly produced a major tactical defeat for the British Empire last week, and that's exactly why Mr. LaRouche said

that we've got to expect extraordinary reactions from the British, and from Wall Street, and from the Obama White House, to what we've accomplished.

John Ascher quoted from Ben Bernanke's<sup>1</sup> testimony before the Joint Economic Committee of the Congress the other day—and just bear in mind, that nobody asked him a question about Glass-Steagall. Nobody asked him what his opinion was. It was a prepared message, coming directly from the top down, of this British-controlled world financial system that's on its very last legs. And the message was, “No to Glass-Steagall.”

Now, this is not a new message. Back in the Spring of 2010, when the original work was underway to produce what became the Dodd-Frank Act, many of you who've been active for a longer period of time will remember that Sen. Maria Cantwell and Sen. John McCain introduced an amendment to the Senate version, the Dodd bill, which would have fully reinstated Glass-Steagall. There was an enormous brawl at that time over the issue, and the White House and Wall Street—Senate Majority Leader Harry Reid on the

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1. In his testimony on May 22, Federal Reserve Chairman Ben Bernanke said, with reference to a question about banks that are “too big to fail”: “I think that many of the suggestions to break them up have either involved relatively small changes or a form of Glass-Steagall. I think Glass-Steagall is not the solution, because as we saw in the crisis, investment banks [and] commercial banks separately got into serious trouble.”



*Queen Elizabeth II surveys her underlings, the lords of all her dominions, at the British Commonwealth Heads of Government meeting in November 2009.*

orders from the White House and Wall Street—moved Heaven and Earth to make sure that the Glass-Steagall amendment was never brought to a vote.

We were in direct contact with the people in the Senate who were counting the votes. That amendment required a simple majority of 51 votes, and we had a solid commitment from 59 members of the Senate that they would vote in favor of reinstating Glass-Steagall. And so it was only through a vicious parliamentary trick that that bill was prevented from being added as a poison pill to what became Dodd-Frank.

At that time, a senior American economist who had both ties to some of our people and was also in an advisory capacity to the Obama Administration, was in the City of London, and had a meeting with a very senior official of the British Foreign and Commonwealth Office. And this economist was given a very specific message, with the understanding that it would get back to the United States, and would not only get into the White House, but would be delivered as well to Mr. LaRouche. The message was, that if the United States moved to reinstate Glass-Steagall, this would be considered a *casus belli* by the British. In other words, it would be considered an *act of war* if the United States were to go back to Glass-Steagall.

And I think that that was quite literally the case, as was the case during the period of Franklin Roosevelt, when we had a Presidency that understood that, to defend the general welfare of the United States, and to

promote the general welfare into the future, meant to be in a state of war with the British Empire.

## What Is the Imperial System?

Now, as John said at the outset, there are many reasons why, if you simply relied on sense certainty, you would join with the vast majority of people who believe that the British Empire is some quaint relic of the past. It had a nasty history, as all empires do, but that really the British Empire no longer exists. You look at the economic data for the United Kingdom, and it's pathetic.

But the reality is something quite different. As Mr. LaRouche has emphasized for many, many years, don't think of the British Empire as the

people of the British Isles, of the countries that make up the United Kingdom. The British Empire is, on the one hand, a different system, a monarchy that exerts vast reach around the globe; but at the same time, it *is* the system that dominates the world's financial system today.

When Lyn talks about the difference between monetarism, a money system, and a system of sovereign economies, the difference is between the British imperial system and the American system, which has been all but eradicated even here in the United States.

So, when you think about the British Empire, let's just take the cold hard fact of what it actually *is*, and then look at the larger implications, and a little bit of the history of what we're dealing with.

First of all, as I said, forget the United Kingdom. It's a minor piece of the Empire. And no empire in history ever acted on behalf of the general welfare of its own population. So the cultural and economic impoverishment of the British people is not some kind of an indication of a failed empire; it's a characteristic of every empire throughout history: that your own population is seen as an inventory of cattle, of chattel slaves, and not as human beings in the true sense of the word, as creative beings in the living image of God.

So, the imperial system, by its very nature, is a slave system.

At this point in time, the main visible manifestation of the British Empire, and the power of the British Crown, the British monarchy, is the British Common-

FIGURE 1

## The British Commonwealth



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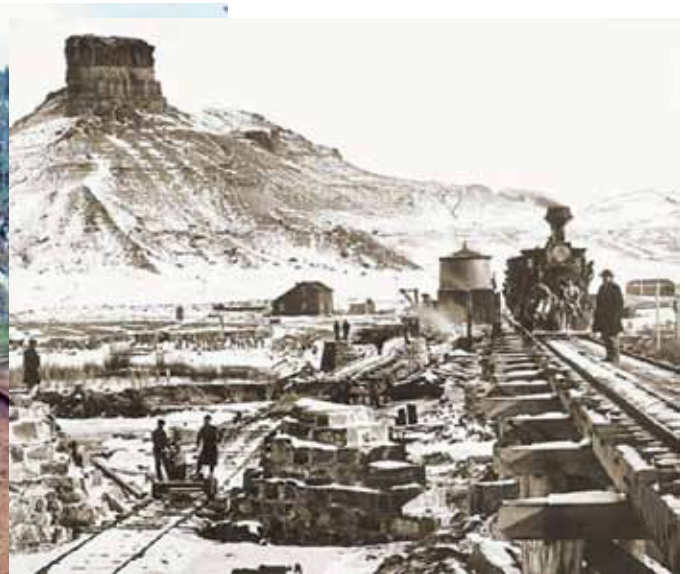
wealth of Nations. The Commonwealth is a political and economic treaty organization that is under the direct control of the British monarchy. There are 52 countries in the British Commonwealth of Nations. Those 52 countries make up 29% of the world's population, a little under one-third of the world's population. They take up 24% of the entire land area of the planet. And among those 52 governments and countries that are in varying degrees under the control of the British Crown, there are 16 countries in which the British monarchy is the absolute sovereign. That not only includes the United Kingdom, but also Canada, Australia, New Zealand, and almost all the British offshore financial centers in the Caribbean, from the Bahamas to the Cayman Islands to Antigua—these British Crown colonies are literally under the direct control of the British monarchy, the Queen.

Now, while there is a parliamentary government in Britain, I would urge anybody who has any illusions about the power of the British parliament, whether the House of Commons or the House of Lords, to catch one of their sessions with the Prime Minister, which are often broadcast on CSPAN, usually after midnight on Sunday. But it's funnier than the Gong Show or Benny Hill. You'll see that it's a travesty, it's a joke; it's not serious government. It makes the United States Congress look like a paragon of virtue in comparison.

And there's a reason for that, because the British parliament is a pathetic sideshow. It has no real power. The real sovereign power inside the United Kingdom itself rests exclusively with the monarchy. The power of the Queen includes the following.

- She has the absolute power to declare war.
  - She has the absolute power to appoint all of the military commanders of all of the British military and intelligence services.
  - She has the authority to dissolve parliament at any time she wishes, without explanation.
  - She has the authority to dismiss and replace a prime minister at her whim.
  - All judges are appointed by the Crown.
  - All of the archbishops of the Church of England are appointed by the Crown.
  - The Crown has the absolute authority to conclude all treaties; and finally,
  - Only the Queen has the authority to issue pardons.
- So, the *real*, physical power resides with the monarchy.

There have been periods when the monarchy has been weak; generally under those circumstances, it has not been the parliament that's been the center of power, but it's been the City of London. There were periods during the height of the British East India Company, when the Company, which was a Crown-licensed com-



Library of Congress

*The American Transcontinental Railroad (above), completed in 1869 was the inspiration for the Russian Trans-Siberian Railroad (left), completed in 1898 with help from U.S. engineers. The photo shows a switch operator in 1910.*

Library of Congress

pany, had its own private mercenary army; had a more advanced fleet, a more advanced navy; had greater actual power through the control of leading financial institutions, particularly the Baring Bank.

So, there's never been any kind of representative government in the U.K. And the Commonwealth was established in the early 20th Century, because it was clear that there had to be a transformation of the Empire, into something that began to look more like the modern world, particularly in the period after the U.S. Civil War, in which the United States emerged as a leading world power, and in which the Monroe Doctrine, the principle of the recognition of national sovereignty, actually had some meaning.

The British had to deal with the fact that the United States could no longer be defeated militarily—they had tried it three times and failed all three times. They tried to crush the Revolution. They tried it in the War of 1812. And they tried it using other means during the Civil War, when they organized the Southern secession, and tried to destroy the United States through a Civil War.

When they were defeated in all of those efforts, in part through the help of international allies of the United States—including Russia, in a very prominent way—the British adapted to the new reality of the emergence

of the United States as a leader of a system of sovereign nation-states around the world.

### A Shift in Strategy

The first thing that they did was move to crush the extension of that American System of sovereign nation-states, the American System of sovereign credit, first by crushing German Chancellor Otto von Bismarck, and the successful “American Revolution”<sup>2</sup> that had taken place in Germany during the middle of the 19th Century, in the period following the Civil War. Bismarck, who was a leading figure in Germany—his closest collaborators were Americans. There were American students, classmates of Bismarck's at various universities in Germany, in Göttingen and Berlin, who went on to become leading American diplomats in Europe, and who were close friends and advisors to Bismarck.

So, whereas the British successfully defeated the effort to re-create the American Revolution in France, and turned France instead into a bloody mess, in Germany there was relatively greater success.

Britain's response was to launch what ultimately

2. See Helga Zepp-LaRouche, “The American Roots of Germany's Industrial Revolution,” [EIR](#), Sept. 12, 2008.

became World War I, because the American policy at the end of the 19th Century was to establish, with the advent of the railroads, a kind of Eurasian Land-Bridge along exactly the lines that Lyn and Helga LaRouche designed in the 1990s. In the 1890s, that same American System idea was running rampant throughout Eurasia. Following the completion of the Trans-Continental Railroad, in 1869, American engineers immediately began collaborating with their Russian counterparts in building the Trans-Siberian Railroad, which was completed in 1898.

During that period, all of the potential that we're still talking about to this day, was there for a massive Eurasian and a Western hemispheric integrated rail system.

Tsar Nicholas II was the first person, in 1896, to propose the idea of a rail bridge or tunnel across the Bering Strait, to link up North America, the Western hemisphere, with Eurasia. The French, under Gabriel Hano-  
taux and Sadi Carnot, at the end of the 19th Century, were adopting American methods to build rail lines all across Africa. You had the Berlin to Baghdad rail line, the Paris to Vladivostok rail line—the whole idea was to basically adopt the American System methods to build Eurasia as a land power of sovereign nations, and to defeat the maritime powers of the British Empire. And in response to that, the British organized a series of wars ultimately leading into World War I.

## **Malthusianism and Looting**

So, back to the more current situation.

I think you've got a bit of an idea, a bit of an outline, of the fact that the British Empire still does in fact exist, as a formidable international force. Not only does the British Commonwealth encompass a significant portion of the land mass of this planet; the areas that were targeted by the British Empire historically were areas that are rich in strategic raw materials.

So, if you look at Africa, for example, and look at major British cartels—the Anglo American Corporation, the LonRho Corporation, Rio Tinto Zinc—these are among the leading strategic raw material cartels on the planet today. And the British monarchy, by the way, is the largest single shareholder in most of these big raw material cartels, from BP and Royal Dutch Shell, to Rio Tinto Zinc and Anglo American Corporation.

In fact, the world's wealthiest family, by far, in terms of actual physical assets owned, is the British royal family. Their assets are estimated at well over \$1 trillion, between real estate, shares in these raw mate-

rial cartels, the jewelry and art works; and all of these things are the possession of the British Crown. This is not some quaint little backwater factor in world history.

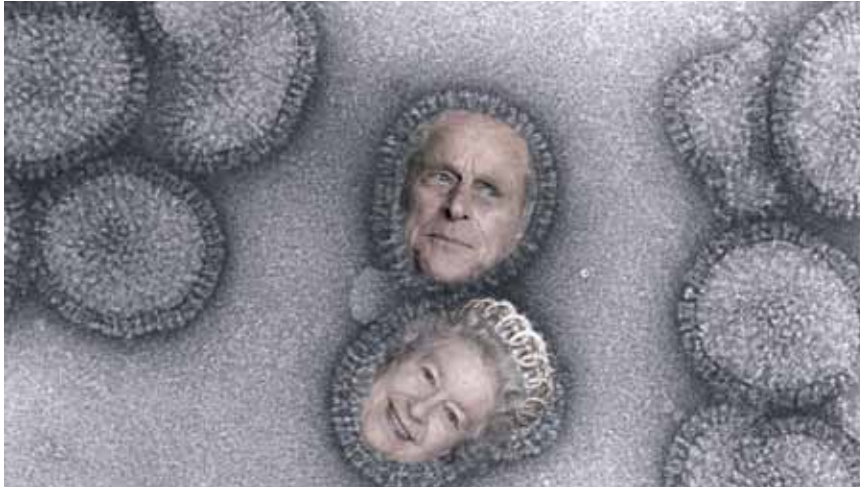
They also have a policy. And their policy, particularly since the end of World War II, has been to resume and revive the policy of eugenics, and radical Malthusianism. Many of you who have heard the famous quote by Prince Philip, the Royal Consort, the husband of Queen Elizabeth, who was interviewed in August 1988 by the German Press Agency, and said, "In the event that I am reincarnated, I would like to return as a deadly virus, in order to contribute something to solve overpopulation."

This is not just sort of whimsical comment from a psychotic oligarch. This is the core policy of the British Empire throughout its history, and particularly today.

You have leading representatives of this Empire who have made the point even more explicitly than Prince Philip, about the importance to them of population reduction, of population genocide, in order to maintain the power of the system of Empire. If you have a large and expanding human population, then you must necessarily have modern science, modern infrastructure, vast capacities for food production, scientific exploration—all of the things that destroy the principle of oligarchical power.

In 1953, one of the leading spokesmen for the British Empire, Lord Bertrand Russell, who many people again are deluded into thinking was somehow or other a peacemaker, because of his Ban the Bomb movement—well, Russell was a leading member of one of the old British oligarchical families. His grandfather, who raised him, had been the Foreign Secretary during the 19th-Century heyday of the British Empire. And in 1953, Russell wrote a book with the alluring title *The Impact of Science on Society*. But here's what he means by science. He means the social science to conduct genocide:

"But bad times, you say, are exceptions, and can be dealt with by exceptional methods. This has been more or less true during the honeymoon period of industrialism. But it will not remain true *unless the increase of population of the world is enormously diminished*. War, so far, has had no very great effect upon this increase, which continued throughout each of the world wars.... War ... has been disappointing in this respect ... but perhaps bacteriological war may prove more effective. If a Black Death could spread throughout the world once in every generation, survivors could procreate



LaRouchePAC

Prince Philip: *"I would like to return as a deadly virus...."*

freely without making the world too full. . . . The state of affairs might be somewhat unpleasant, but what of it? Really high-minded people are indifferent to happiness, especially other people's" (emphasis added).

So, this is the mindset, this is the mentality of the Empire.

People today, a vast majority of people around you, every day, spit out foolishness from their mouths about this or that aspect of environmentalism, global warming, all of these things, when in fact, the whole idea of environmentalism, as distinct from, obviously, scientific principles for advancing technology and avoiding pollution and things like that—but the whole ideology of the green movement, was developed, coming out of World War II, as a revival of eugenics, by people like Julian and Aldous Huxley. Look at their writings from the 1940s, when they founded organizations like the International Union for the Conservation of Nature, and the Nature Conservancy. What they said at that time was, Hitler gave eugenics a bad name, and therefore, to revive eugenics, we're going to have to simply use different terminology. We will call it conservation.

And so all of the environmental movements that you think of today began as elite, oligarchical organizations devoted to population genocide, and to reviving the principles of eugenics. Julian Huxley was the president of the International Eugenics Society at the time that he was involved in founding the Nature Conservancy, and later when Prince Philip and Prince Bernhard were involved in 1961 in launching the World Wildlife Fund, and the 1001 Club. The policy all along has been radical Malthusian genocide.

Now, how do you take a society—just take the United States, for example—how do you take a nation which has a history of having waged a successful revolution against the British Empire, and turn the majority of people of that country into people who are unwilling to fight against those principles?

Remember the famous quote from Benjamin Franklin. In the midst of the final drafting of the U.S. Constitution, he was approached on the streets of Philadelphia by a woman who came up to him and said, Dr. Franklin, what have you given us? And Franklin's answer was, "A re-

public, if you can keep it."

Now, we understand that. We understand what it takes to revive a republic when it's on its last legs, as we're facing that situation today in the United States. The British understood it as well, all too well, and beginning in the aftermath of the Lincoln revolution, the second American Revolution, which again defeated the British Empire in their last frontal assault against the United States to overturn the Revolution in the Civil War—from that point on, the British decided that they had to adapt and coopt, and destroy the United States by different means.

## Destroying Minds

And so, a whole series of initiatives were launched from the Rhodes Trust, to recruit elite elements from within the United States to become effectively agents of the British Empire, by recruiting them to the system of imperial power, through seduction and other means. But the problem they had to deal with, with the United States, was the general population: to turn the American people into mush. And so, one of the things that I think is indicative of the British method—this is by no means the whole story, I could take a week to discuss this issue, and still not really complete the discussion—but let's just look, as a good example, at the Baby Boomer generation.

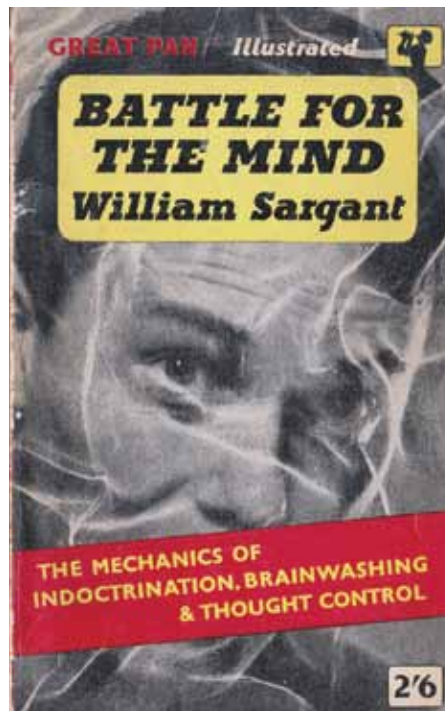
One of the projects that came out World War I, and especially out of World War II, was the British development of war-time psychological warfare. And the critical question was, how to apply those same methods to peacetime. And one of the seminal institutions in Britain that was established in the 1920s, but really, coming out of

World War II, was critical to the British Empire's ability to maintain its global power—particularly in the United States, at the point that they genuinely were facing diminishing resources—was the Tavistock Institute in London, which produced a continuous series of psychological profile studies. We published extensively on this way back in the 1970s.

The post-war director of the Tavistock Institute, a man named Dr. John Rawlings Rees, gave a series of lectures in New York City in the late 1940s that were published in a book called *The Shaping of Psychiatry by War*, reflecting on how to manipulate people under periods of enormous stress. In 1957, one of the leading figures in Tavistock, Dr. William Sargant, came to the United States, and was involved in the LSD experimental secret programs run by the CIA and other agencies. He produced a book in 1957 called *The Battle for the Mind*. And based on the wartime Tavistock studies, what Sargant said was that you can drive an entire society into a state of temporary insanity, by subjecting them to a rapid succession of collective shock-traumas. If you can throw people collectively into a traumatic state of mind, then you can introduce irrational ideas that people would never accept if they were in their right minds, but will accept in this moment of psychological turmoil and crisis, and will become attached to, and cling to those ideas.

What did we have in the 1960s? You had the Baby Boomer generation growing up, going through the late-1950s recession. An awful lot of people were terrified by that. Boomers' parents were terrified of the prospect of losing their livelihoods. And then along came President Kennedy. And there was suddenly a resurgence of optimism, particularly among young people. The commitment to go to the Moon, the Apollo Project, all of these things, were creating a degree of inspiration and excitement.

And then what happened? The British killed Kennedy. He was assassinated. Martin Luther King was assassinated. Robert Kennedy was assassinated. There were riots. After the Kennedy assassination, Johnson



William Sargant's book (1957) was based on the wartime studies by Britain's Tavistock Institute.

knew that he had a gun pointed to his head, and he therefore capitulated and brought the United States into a lose-lose war in Southeast Asia. The entire 1960s was a decade of one successive shock-trauma after another. And coming out the other end, you got a young generation that was transformed from an enthusiastic, science-driven, optimistic generation, during those early Kennedy years, into a bunch of drug-rock-sex counterculture freaks, and raving environmentalists.

The environmentalist movement, as a mass movement, was launched top-down by Prince Philip and his Dutch Nazi counterpart Prince Bernhard, in 1961, but it took off in the late 1960s, because you had mass shock-trauma hitting the United States, Europe, and other parts of the world.

## A Global System

So, you've got an imperial force. Does it all simply reside in the City of London or in Windsor Castle? Of course not. But this is the epicenter of a global system that has increasingly come to dominate the thinking among leading governments around the world. It's become the dominant factor shaping the thinking of a majority of people around you. The City of London is the world of speculative finance; Wall Street is an appendage of the City of London; Paris and Frankfurt are appendages of the City of London.

Go back to 1985, when two critical things happened simultaneously. Number one, Prime Minister Margaret Thatcher launched the so-called Big Bang, which was a total deregulation of the City of London's finances. Anything you wanted to do—exotic derivatives contracts, drug-money laundering, any kind of speculative activity you wanted to engage in—you could do in London. And so every international bank, every big Wall Street bank, set up operations in the City of London, to bypass their own laws. And so London became a financial magnet for all of these criminal operations that have destroyed the world economy in the intervening 40 or so years.



EIRNS/Natalie Lovegren

*LaRouchePAC organizing in Austin, Tex., April 11, 2013.*

The second thing that happened the same year is that the British monarchy merged effectively with the Saudi monarchy, through the al-Yamamah deal that we've written about extensively, which created an off-shore slush fund of hundreds of millions of dollars, a revolving fund that's constantly being replenished through drug money, weapons-smuggling money, and other things. And we know those funds are the single source of international terrorism on a global scale today.

Now, this is literally the same year that JP Morgan, which was the flagship British bank that relocated to the United States, launched the project to end Glass-Steagall. It was JP Morgan, under then-JP Morgan director Alan Greenspan, and a taskforce of people, that prepared the paper called "Rethinking Glass-Steagall," which was actually a war plan for destroying Glass-Steagall. And when Greenspan, three years later, became chairman of the Fed, that plan went into full-scale implementation.

It took from 1985 to 1999 to complete the process of overhauling and destroying Glass-Steagall. That process really began in 1971, when Nixon, under the influence of self-confessed British agent Henry Kissinger and George Shultz, brought an end to the Bretton Woods/FDR system of fixed exchange rates among the world's currencies. So that currencies themselves, from that point on, became commodities for speculation on futures markets, and that was when monetarism became

the vise-grip factor of control over the world economy.

So, let's go back to what I said right at the beginning: that what we accomplished in these last several weeks, with the introduction of Glass-Steagall into the Senate, means that Glass-Steagall is now a serious proposition in the Congress. You've got a crisis in the Obama Presidency, as Lyn has said repeatedly, in recent weeks. Obama is going down. You don't get a proliferation of scandals like those that have hit the Obama Presidency in the last two weeks, in such rapid-fire succession, unless there has been a larger decision that this guy's got to go.

And again, in April of 2009, Lyndon LaRouche was the first person to say that Obama is not only a British tool, but he is a dangerous narcissist, who will destroy the United States if he's not brought under control.

So, the Glass-Steagall fight has got to be understood as a fight to *destroy*, once and for all, the real British Empire. You break up the power of monetarism, by going back to Glass-Steagall, and implementing NAWAPA [the proposed North American Water and Power Alliance], and re-establishing the American System of national banking and sovereign credit, and this British Empire will be defeated. But right now, that Empire is very much alive and well, and to ignore its existence, is the greatest danger to all of our survival.

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## Questions and Answers

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*The first question was on the relationship between the British and the Muslim Brotherhood.*

Let me first mention that in September of 1997, *EIR* published a Special Report called "The True Story Behind the Fall of the House of Windsor." This was largely based on three very extensive cover stories that we published in *EIR* earlier that year. It happened to coincide with the death of Princess Diana, which put a certain very big spotlight on the British Empire.

Those three *EIR* cover stories are accessible through the *EIR* website, [larouchepub.com](http://larouchepub.com), and the Special Report is available. We wrote it as an order of battle, to give people a sense of how this British Empire works. The report is 218 pages, and so it has obviously a great deal more documentation than I have time to go over today.

We have done a number of videos, but it's probably a convenient time to put something new together.

## **The Muslim Brotherhood**

Now, on the Muslim Brotherhood. The answer is yes, the Muslim Brotherhood was basically created by the British. The founder of it in the late 1920s, Hassan al-Banna, was operating from the British center of control over Egypt, which was in the Suez Canal area. This was all a British protectorate from the breakup of the Ottoman Empire at the end of World War I, when Britain and France signed the Sykes-Picot Treaty, effectively dividing up the entire territory of the former Ottoman Empire into artificial countries, controlled entities; and the British were expert at creating political and religious movements that could be used as mechanisms of control.

There are a number of books, fairly well documented, that go through the history of how the British created the Muslim Brotherhood, how the British used some of these Islamist networks, particularly during the Cold War, as major instruments against the Soviet Union, under the dynamics of this perpetual war situation.

There's a paper that was produced very recently, in April of this year, by one of the leading imperial think-tanks in Britain, called the Royal United Services Institute, and this briefing paper is called "A Return to East of Suez? UK Military Deployment for the Gulf." What they talk about is that, because Obama is carrying out this so-called Asia Pivot, shifting certain U.S. military resources into the Asia-Pacific area, basically Britain is going to move back to the Persian Gulf, and integrate with the United States, and fill the gap.

What they say in this paper is quite extraordinary. They say that Britain really never left the region. You should know that back during the period of the British East India Company, in the 1700s and 1800s, the Persian Gulf region, long before there was any oil discovery, or even any use for petroleum, was critical to the British Empire, because it was the half-way point to India, a major refueling and resupplying depot, and was

crucial to the British. So that by 1819, the British had established control over all of the emirates in the Persian Gulf, including Saudi Arabia.

In fact, all of the current ruling families of the United Arab Emirates and of all of the other countries of the region—Oman, Bahrain, Qatar, Saudi Arabia—those royal families were installed by the British in the 18th and 19th centuries. And in return for British protection against rival tribes and other groupings, they agreed that all of their foreign policy, and all of their national defense policy, would be directly controlled by the British. That treaty agreement was established formally in 1819, and was abrogated in December 1971; but it was only abrogated in a formal sense. No longer were the British the guarantors of the security of the countries of the Persian Gulf.

By this point, the Brits had gotten the United States to assume that responsibility, passing the financial buck onto the U.S. But in the meantime, the British maintained tight control over all of those monarchies and military dictatorships throughout the Persian Gulf region. And now they're announcing, as the U.S. is moving into an Asia Pivot, that they're coming back with a vengeance. They are intent on controlling the flow of petrodollars, and they're urgently in need of sales of military equipment to prop up what little is left of the British economy, and so they're dependent upon \$20 to 50 billion a year in arms sales to the emirates of the Persian Gulf.

This is why the British have a strategic interest in promoting a policy of what they call permanent managed chaos.

So what do they want? They want permanent conflict within Islam between Sunnis and Shi'ites. They created and promoted groups like the Muslim Brotherhood, like al-Qaeda as an offshoot of it, as a way of maintaining permanent asymmetric warfare, permanent conflict. Terrorism is really a form of asymmetric warfare, and it's a form of imperial warfare. And so, groups like the Muslim Brotherhood were created by the British, and have been closely controlled by the British ever since. Not necessarily by having this, that, and the other person in the leadership as a British agent, or carrying some secret MI-6 identity badge, but because they created the ideology. They created the organizational structures, and when someone threatens to drive in a different direction, they're eliminated.

That's one of the reasons that the British maintain a certain special relationship with the Israelis. The Israelis

are always willing to carry out an assassination of a leading figure in one of these Muslim organizations, if the person is getting out of control of this whole British apparatus.

So, this Middle East region—the United States is really, really a newcomer to it. And that's why the United States is constantly making egregious mistakes in this part of the world. Because this is a British colonial, imperial playground, and the ideology of oligarchism is all over the place. It's the dominant factor, which makes it very, very difficult to change things there, unless you're going to come in top-down with a revolution in economic policy.

### Glass-Steagall and the British

**Q:** What does the passage of S. 985 have to do with British economy?

**Steinberg:** Let's look at what happens if you pass Glass-Steagall. Pass it in the Senate, pass it in the House, either force it down President Obama's throat to where he's got to sign it, or perhaps he'll be gone from office by impeachment, or perhaps the support for Glass-Steagall will be so overwhelming that it will pass with a veto-proof majority. So, let's just say that Glass-Steagall is passed into law a month from now.

What happens immediately, is that the major banks, the too-big-to-fail banks, are going to be broken up, and government forensic auditors will go into those banks, will audit the books, and will determine which bank assets are commercial banking obligations, depositors' funds, loans that have been made to businesses, home mortgages, things like that, traditional vanilla-flavored banking activity of commercial banks.

All of the other stuff, all the gambling activity, the derivatives, the asset-backed securities, the insurance, all of that will be separated out, and, without government backing to bail them out, anybody looking at those books separated, from the ability to loot from the depositors' base of the commercial banks, will realize that these entities are hopelessly bankrupt; they're finished.



*JPMorgan's "London Whale," a.k.a. Bruno Iksell, lost billions on a bad derivatives debt: the kind of gambling operations that Glass-Steagall will wipe out.*

So, what you're talking about is, in a very short period of time, all of that speculative debt will be wiped out, in what will be the biggest margin-call in history. And with the wiping-out of all of that gambling debt, you wipe out the political power of the gamblers—those people on Wall Street who operated on the basis of stealing depositors' funds, using those funds to gamble with, knowing that if they made good bets and won money, they could keep it, and if they made bad bets and lost money, the taxpayers would bail them out. That's the system of oligarchical power which has brought this trans-Atlantic economy to a point of total disintegration.

So, by wiping out that system of speculative looting, you wipe out the power of the system that was built on that approach. We'll have undercapitalized commercial banks in the United States that will be FDIC-protected. Depositors' funds will be protected and sacrosanct.

Remember, we're in a transition now from bailout to bail-in, and what bail-in means is that if a bank gets in trouble, the funds in the bank, put there by depositors, will be stolen to bail out the bank's debt. In other words, if your banker gambled and lost on a derivatives bet, in the past, under the Bush-Paulson-Geithner-Bernanke system, taxpayers took on liabilities of up to \$23.7 trillion to bail out the banks on their gambling debts, and created a total economic mess. With the separation of commercial banking from all of the gambling activity, the gamblers lose, and the gamblers are the power base of the City of London oligarchy.

Think about the announcement that was made last December: that JPMorgan suddenly had to admit that they had lost \$12 billion, \$22 billion on a bad derivatives debt. Remember the name of the guy who made that bet, so-called? He was called the London Whale. Why? I don't know where the whale part comes from, but he was based in London. All of these gambling activities, for all of the American banks, all the other international banks, all run through the City of London. In effect, you're talking about bankrupting the entire

financial power base of the system of the British Empire, the imperial system of money power, versus the power of sovereign governments to institute credit for real development, real growth.

We implement Glass-Steagall, we bankrupt the power of the British Empire. It's going to take them decades to sort out their debts. And in the meantime, we go back to a sovereign credit system. We launch NAWAPA and other great projects, and once the United States does that, the rest of the world will follow. There are even factions in Britain that are hedging their bets, and they're saying, if it really looks like the United States is going to go for Glass-Steagall, then we'd better get in on it, and position ourselves and come back to fight another day for the empire system.

## Conclusion

We're in a position to give the Empire the biggest shock, the biggest blow, that they've ever experienced in the history of empire, going back to Rome, and even earlier. That's what we're going for, and it's only possible because the United States indeed was the only successful republican revolution in modern history. If

we can go back and remember our history, we can realize that Glass-Steagall is not just a piece of legislation—it's a founding, cardinal principle of our republic. It says that we are a sovereign credit system, and that the government exists to promote the general welfare. That means building infrastructure, providing education, providing a decent standard of living, driving for scientific breakthroughs, and then disseminating those breakthroughs as widely as possible.

That system of republicanism has never existed in a pure form. The idea was there with our Founders, from the Massachusetts Bay Colony through the Constitutional Convention, through the Lincoln greenback policy, through FDR and Glass-Steagall, and so, when we say Glass-Steagall, we're talking about a revolutionary concept embedded in the very nature of the American republic. And that's a force today in this world, that can defeat the forces of empire as they've never been defeated before.

So, the bad guys will have a choice: If we win, their power is finished, and maybe they'll go back to get some remedial education and get an honest job for a change.

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