

# Competent U.S. Strategy Begins with Glass-Steagall

by Nancy Spannaus

Feb. 11—Four days before President Obama’s State of the Union address, on Feb. 8, leading U.S. economist Lyndon LaRouche devoted his regular Friday night [webcast](#) to defining the actual strategic situation which confronts the United States. LaRouche’s urgent message elaborated three policies which uniquely address the economic and strategic crises now facing the nation, and the world.

The first was the re-enactment of Franklin D. Roosevelt’s Glass-Steagall. This is not a “new subject,” LaRouche said, but most people, even those who are in favor of it, don’t understand what its implications are.

The second was how to deal with the danger of the outbreak of thermonuclear war, from ongoing conflicts all around the globe.

The third policy was the revival of the concept of the Strategic Defense Initiative (SDI), now to be adapted from merely shooting down ballistic missiles, to shooting down threats from space, such as asteroids. In other words, LaRouche said, we need a Strategic Defense of Earth (SDE), which will defend mankind from war, as well as objects in the Solar System which potentially endanger Earth.

But what is crucial, LaRouche stressed, is that these three policies be conceived as a unified approach. At the end of his opening statement, he summarized the message:

“So, these are the considerations which must be treated as not piece-by-piece, not separate measures, they must be *one measure*—one action initiated by

the United States, encompassing *all* of these measures of action, in one package. And if we do that, we can save the United States, and probably can save the planet. . . .

“You have to remember that the usual idea of piecemeal reforms has now just gone out the window. The idea that you should walk in on economic questions, with a bit of this, and a bit of that, and a bit of the other—that kind of negotiating by the Congress must cease. We now need a coordinated reform, in which all the essential parts . . . must be put into place in a specific order. Without that, this nation is finished. And I don’t propose to have this nation of ours finished.”

## What Glass-Steagall Will Do

Throughout his presentation, and the dialogue that followed, LaRouche put heavy emphasis on one crucial point: The enactment of Glass-Steagall banking separation *must* come first, in launching the necessary reform of the U.S. economy, and strategic policy. Such separation is not just a “good idea,” but it is the only measure that will prevent looming disaster in the U.S. economy.

Specifically, Glass-Steagall—as it was originally devised, and as it is included in Rep. Marcy Kaptur’s HR 129, the Return to Prudent Banking Act—*cuts* the ties of the finances of the U.S. government with the private banking interests which have brought the U.S. and world economy into the disastrous downturn, and the

drive toward hyperinflation, which is now engulfing the U.S. economy.

What are those ties? They are the ongoing explicit, and implicit, forms of support, in the amount of trillions of dollars, being handed to that private banking system from the Federal Reserve and the Treasury. At present, that banking system, especially the major money-center banks, is being massively subsidized by the government, with low interest rates, purchases of worthless paper, and FDIC insurance—just to name a few. The result is an explosion of *money* with absolutely nothing in the real physical economy to back it up. This is a “hyperinflationary swindle,” LaRouche stressed, which has created “a situation where most of the money listed in banks and so forth, is *worthless*.”

“We have to shut it down,” LaRouche said. We have to let the speculators go bankrupt, and then build up a credit system, based on issuing credit against *real* economic projects and investments, which will restart the U.S. economy.

“Now, most of those banks which we have to shut off, from Glass-Steagall—that’s the program—*will go bankrupt*,” LaRouche said. “They will evaporate; most of their funds will disappear; their incomes will disappear. But that’s inevitable: It’s either save the people, or save the swindlers, and I think the time has come: The swindlers have more than had their time; now is the time for the people.”

## Setting the Stage

Right now, LaRouche stressed, “we could stop the bleeding, . . . the destruction now, simply by implementing Glass-Steagall alone.” That would stop the predatory banking system from using hyperinflation, and pure swindle, to bleed the real economy dry. He went on:

“Glass-Steagall, simply as a piece of legislation, is what is needed. *But: It cannot do the job by itself*. It must take the opportunity created by Glass-Steagall, and add to it another element of the Federal government. And that element is the banking system, the credit system, by which we will loan, or take on responsibility, for work which will be useful, in terms of causing a *growth* in the population, an *increase* in the productive powers of labor.

“Now, the biggest component of this will be *one* component, which is essentially necessary, absolutely indispensable, to *save* our agricultural production, and to save many other related things. Without that project,

which is the NAWAPA project, which was designed in the middle of the 1960s, that project will be the life-saver of the United States, of Canada in part, but also Mexico, northern Mexico. So, therefore, that’s a part of the program. It’s a part of the combat to save the United States and other parts of the world.

“And without that program—*first and foremost*—you’re not going to make it, in this country. First and foremost, you must get Glass-Steagall through *first of all* among all economic-related policies. Glass-Steagall must be done *immediately*, it must be done *first*, before any other financial legislation is installed. It must be done *now*, immediately, because once that’s done, then that act, combined with this provision I’ve indicated for a credit system by the United States government itself—and that will save the United States.”

As a result, the British financial empire will be bankrupted, national sovereignty restored in the U.S. and Europe, and the basis for a long-term alternative to war—the SDI/SDE policy—established. Only international collaboration on an economic development policy, provides a basis for lasting peace.

## Do It Now

“So, we must get off this babbling, babbling, babbling, that goes on in government today. We must realize we have to make a fundamental shift, a fast kick to the present situation. You cannot do it piecemeal; you’ve got to take a combination of measures, with agreements—largely on a world scale, because every nation in the world that’s intelligent, knows we cannot continue to go along with what we’re doing now. We must *stop it* immediately, and we must take the appropriate *totality of measures, in the proper order of precedence*.

For example, before any financial reforms are made by the United States government, there must be Glass-Steagall *first*. Because if Glass-Steagall is on the agenda, and you’re serious about it, you cannot *allow* any financial legislation coming in from the federal government. Because, on the one hand, under the *old* system, pre-Glass-Steagall, you would have one policy: You would go with hyperinflation and blow the whole thing out immediately. If you go with Glass-Steagall first, with its three essential components—the Glass-Steagall as such, a credit system, and then great projects such as NAWAPA—those three measures combined will assure a revival of the U.S. economy, and a reversal from this Hell.”