Editorial

Glass-Steagall, Immediately!

The clock is ticking on the blowout of the world financial system, centered as it is in London and Wall Street. And the *only* way that such a blowout, likely triggered by the "bail-in" procedures that have been put in place by Dodd-Frank and the European Union, would not destroy what's left of the economies of the trans-Atlantic sector, and millions of lives with it, is the immediate implementation of Glass-Steagall.

You wouldn't know it from the apparent inactivity in Congress on the four bills for reinstating Glass-Steagall that have been filed, but knowledgeable financial insiders are fully cognizant of the imminent threat. Within the last week, two of these experts—Thomas Hoenig, the vice-chairman of the FDIC, and Liam Halligan, British economist and financial journalist for the *Sunday Telegraph*—delivered unmistakable warnings about the danger.

Hoenig, who has frequently spoken out for restoring Glass-Steagall, addressed the Boston Economics Club on May 7, where he made clear that the so-called "reforms" under Dodd-Frank had done nothing to prevent the big banks from becoming larger, more complicated, and more bloated with derivatives than in the 2008 crash, and that this is why they want "bail-in," which amounts to a bailout of derivatives counterparties. In essence, he argued that bailouts can't currently be stopped because Congress has not separated the investment banks from the commercial banks, by reinstating Glass-Steagall.

Halligan, a public supporter of Glass-Steagall, made his argument in the May 10 *Telegraph*, under the headline "Only full separation will make our big banks safe." Arguing that the "lack of meaningful reforms" over the last five years makes another crash more likely, Halligan delivers his message:

"The only way to make our big banks safe, or as safe as they can be, is a full, line-in-the-sand separation of investment and commercial banking.... This is the Glass-Steagall divide, implemented in the U.S. after the 1929 Wall Street Crash. Glass-Steagall kept America safe from major, systemically damaging bank failures for almost 70 years.... My 11-year-old daughter gets it. And the only reason the banking lobby doesn't is because, for obvious financial reasons, it doesn't want to."

Indeed. The top Wall Street and London firms are currently playing the risky game of trying to grab as much loot as they can, with increasingly flimsy deals, before the whole shebang collapses. Note, for example, the rush of companies buying their own stock—an action that puts the market through the roof, and piles on trillions in (unpayable) debt—90% of non-financial corporate debt added since 2009 has been for this purpose—funded by the loose money from the Fed's Quantitative Easing.

Meanwhile, households and productive sectors of the economy are cutting back—and the basic means of survival of the nations of the trans-Atlantic region are disappearing.

Glass-Steagall must be reinstated now. That will collapse the Wall Street bubble, and let those banks who do nothing but suck the blood of the American economy go under—as they should. Those who have made valid productive investments can and should be saved, but the speculators will lose their shirts. It's time to let them go. They've never done anything good for the economy anyway.

Most importantly, the London-Wall Street predator banks will lose their power, with immeasurable benefits for the prospects for world peace and prosperity.