LAROUCHEPAC WEBCAST

Senate Glass-Steagall Move Creates A Potential 'New Era for Mankind'

Here is the transcript of the regular Friday LaRouche PAC webcast of July 10, 2015, also available on video.

Matthew Ogden: Good evening, it's July 10th, 2015. My name is Matthew Ogden, and I'm happy to welcome you all to our weekly Friday night broadcast here from larouchepac.com. Joining me in studio tonight is Paul Gallagher from *Executive Intelligence Review*; he is the co-editor, and he's joining me to speak about what has been a very momentous week indeed, and also what the future holds in store. Paul and I had the opportunity to meet with Mr. LaRouche earlier today, in preparation for this broadcast tonight. And the theme that he continued to emphasize was the absolute critical importance of the action that has been taken this week by Senators Elizabeth Warren, Angus King, Maria Cantwell, and John McCain in the United States Senate, to introduce the 21st-Century Glass-Steagall Act, and the urgency of mobilizing behind this action as priority #1.

The bill number of this Senate bill is S.1709, and it's to restore the Glass-Steagall Act. And Senator Warren gave a very passionate speech on the floor of the Senate, announcing its introduction, which I strongly encourage our viewers to watch. This is easy to find on the Internet.

This action by Senator Warren and the three other Senators was also immediately followed the very next day by an open letter that was issued by Presidential candidate Martin O'Malley; an open letter to the Wall Street mega-banks, titled, "Dear Wall Street, I Will Not Let Up on You", in which he also calls, as a central facet of this letter, for the immediate re-instatement of Glass-Steagall. This open letter was also accompanied by a policy white paper that was issued by his campaign, on Glass-Steagall and related measures to protect the American people, and to shut down the criminal activities of Wall Street.

So, this is clearly a coordinated action, and the point that Mr. LaRouche made, both last night and earlier today, about the reason why this decision was made at this precise moment in time; this week, this moment in history, by these four Senators led by Elizabeth Warren, is the subject of the bulk of the remarks that he made earlier today.... We've transcribed a paraphrase of those remarks, and we made them available on the website earlier this afternoon, so maybe you've already gotten a chance to see that. If not, that's available for you to consult as well; but this will inform what we have to say tonight.

What Mr. LaRouche said, is that the members of the Senate who have taken this initiative, should be legitimately recognized and congratulated as heroes. He said that they deserve full credit where credit was due. And he remarked that he was pleasantly surprised to see that there are now leading members of the United States Congress—the Senate in particular—who have finally begun to see reality as he sees it, and have responded. And what is that reality? The question is, why did they decide to take this action at this moment? And Mr. LaRouche said it's because these members of the United States Senate are fully aware that a collapse of the entire United States economy is about to occur if these Glass-Steagall measures are not taken.

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Senator Elizabeth Warren presenting the 21st Century Glass-Steagall Act July 7: "The biggest banks continue to threaten our economy. The biggest banks are collectively much larger than they were before the crisis of 2007, and they continue to engage in dangerous practices that could once again crash our economy."

Saving the U.S. and Europe

Why? Because Wall Street is bankrupt, and they know that the entire Wall Street system is in the process of a total collapse. So, as he said, we should congratulate these members of the United States Senate for taking this immediate urgent action. I'm not going to summarize in full what he said, because I know this is something that Paul will address a little bit more in depth. But the point which Mr. LaRouche emphasized is that with this action that's been taken by the Senate, we can initiate, we can begin, what Franklin Roosevelt did in the very beginning of his first term as U.S. President; and liberate ourselves as a nation from these parasites on Wall Street.

And he said with that kind of action, this introduction of the Glass-Steagall measure into the United States Senate this week, portends the greatest recovery action in the recent history of the United States; and in fact, a new era for mankind. And he emphasized that we should call it that, a new era for mankind. He called on the Congress to take its authority to act on an emergency basis, to take emergency action now to save the United States from being sucked into what is, in fact, a total collapse of the international Wall Street system; not just here in the United States, but in the entire northern trans-Atlantic region. And this sort of collapse would be the greatest collapse in history; and for that reason, he said, "Nothing else is of the priority of urgency, as the urgency of this Glass-Steagall bill."

So, I'm not going to say more, but what I'd like to do is ask Paul to come to the podium. I know he'll elaborate a little bit more on what Mr. LaRouche had to say earlier today, especially from the standpoint of what exactly is this bankruptcy of the Wall Street system. So, Paul.

Paul Gallagher: OK, thank you, Matt. So, this is indeed something really quite important, and full of the potential of change. If you think: What gross inequality of income, what shrinkage of wages, what shrinkage of the U.S. workforce, what loss of home ownership and household wealth in the United States, can't be traced to that period 20 years ago to 10 years ago when the major banks on Wall Street suddenly—with the regulations off, with Glass-Steagall gone—suddenly multiplied their size, relative to our economy, by five times in a matter of less than ten years? And at the same time, became impossibly complex and impossible to regulate for that reason.

When before in American history did you have an Attorney General who stated publicly, on two occasions, that he couldn't possibly prosecute one of these monsters, because if he were successful and found any of their executives or the bank itself guilty of crimes which might threaten its banking license, he would bring down the entire financial system and potentially bring down the U.S. economy? And so, he was going to leave them alone, despite the constantly multiplying evidence of crimes and riggings and fixings of every conceivable kind of market.

So, this really is extraordinarily important.

As you indicated, Lyndon LaRouche said today he sees nothing that has the urgency and the priority, at this moment, of this legislation; and that in his view, the members of the Senate who have taken this initiative to introduce the legislation should be recognized, they should be congratulated as heroes; and the passage of it—quickly—can avert an economic collapse in the United States, and enable the United States also to save Europe from economic collapse—I'll get into that.

LaRouche also noted today, that the action of those

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Rep. Marcy Kaptur (D-Ohio) addresses the Congressional Progressive Caucus on her Glass-Steagall bill in 2011. The version of her bill in the current Congress (HR 381) has 60 cosponsors.

four sponsors took in the Senate repeats an action which the same four initially took in the previous session of Congress, roughly two years ago; but then very much *pro forma*; this time, in an entirely different way. With great urgency, suddenly, as an emergency action, ordered and coordinated with the Glass-Steagall legislation H.R.381 in the House, and with the sponsors of that legislation; and injected directly into the campaign to create a new Presidency in the United States.

So, it is no exaggeration to say that the rapid advance of the bill can open a new era for this country and for mankind. They took this action now with markets of every kind trembling and quaking; fully aware that a collapse of the entire U.S. economy is about to occur if these Glass-Steagall measures are not taken.

For example, Senator Warren, from her presentation on the floor: "The biggest banks continue to threaten our economy. The biggest banks are collectively much larger than they were before the crisis of 2007, and they continue to engage in dangerous practices that could once again crash our economy."

Then the response of candidate O'Malley, with the white paper, with the letter to Wall Street, with the immediate endorsement of the four Senators' action. Then the response of the head of the American labor movement, Richard Trumka, urging that this be passed immediately, and saying that it would be a test the labor movement would put on candidates for their attitude toward this legislation. Other candidates will be responding, some of them, I think, quickly, because the consequences of not passing Glass-Steagall now would be fatal for the United States and really for the world. They know, these Senators, that the entire Wall Street system is in the process of a collapse; the European system as well is even further over the edge. And let's see why.

The Effect of Glass-Steagall

The Glass-Steagall Act's regulations basically had four components or four actions. First, the requirement that commercial banks, investment banks and broker-dealers, and thirdly insurance companies—which could underwrite insurance as well as sell it—had to be entirely separate from one another and could not share directors, ownership, or management. And any commercial bank or holding company which had interconnections with investment banks, broker-dealers, insurance companies, had to separate completely from them within a reasonable period.

Second, the definition of a significant range of securities and also financial derivatives bets as "not sufficiently closely incident to banking as to be proper to it"; and therefore, not to be permitted to commercial banks. The emphasis is: A significant range of securities and derivatives—the entire range of derivatives—are not permitted to commercial banks.

Third, the provision of Federal Deposit Insurance exclusively to support commercial banks and their depositors.

And fourth, the prohibition of transferring risky securities and derivatives within a holding company, onto the books of a federally-insured commercial bank; thereby causing these risky securities to become the responsibility, ultimately, of taxpayer funds. (**Figure 1**)

More than 60 years after it was passed, the Glass-Steagall organization of the commercial banking system ensured that no U.S. bank failure triggered failures or bail-outs of other banks. And after it was progressively eliminated in the course of the mid-'90s to '99, the effects in U.S. banking were absolutely dramatic. In 1999, the failure merely of a large hedge fund—not even large by today's standards, but large then—Long-Term Capital Management hedge fund, nearly broke the entire banking system then, because 55 banks had poured leveraged loans into its derivatives

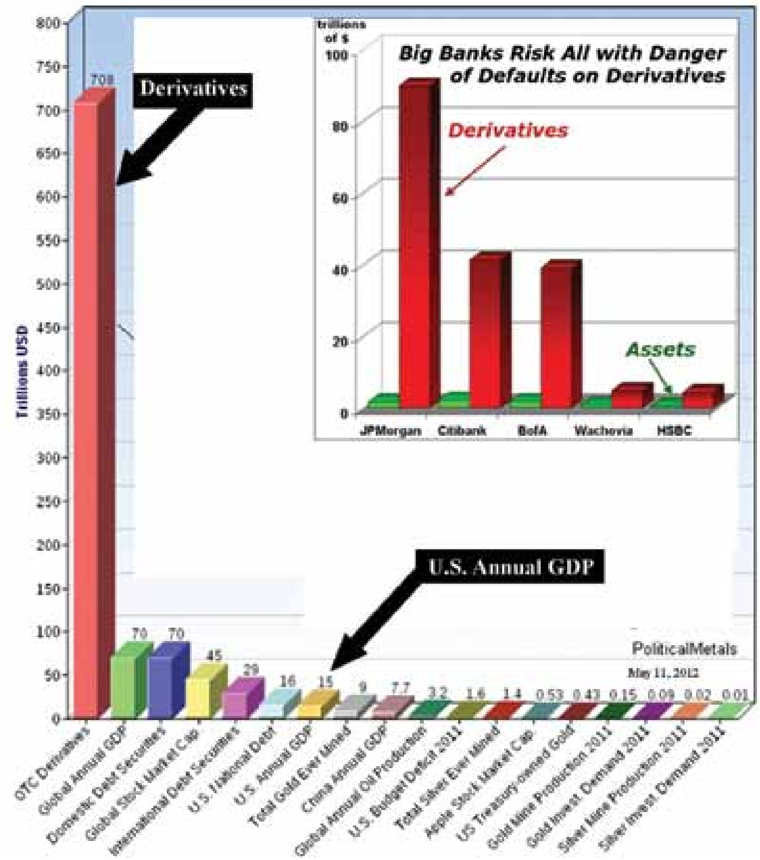
FIGURE 1

bets; something which Glass-Steagall had prohibited them from doing.

The largest banks became impossibly complex—going from typically 100-200 subsidiaries to now typically 2,500 to 4,000 subsidiaries—buying and creating, overwhelmingly, security and broker-dealer vehicles. The derivatives markets exploded geometrically with the flow from these depository giants backing up derivative bets. It went from $57 trillion in notional value of the bets in 1997, to $700 trillion ten years later, according to the Bank for International Settlements.

And the largest banks became entirely interconnected with one another, particularly through making the same derivative bets, and therefore having the same

FIGURE 2
Derivatives



Source: Bank of International Settlements—The Future Tense, June 15, 2012.

If it was this bad in June 2012, you know it's much, much worse today.

derivatives exposures; while their leverage ratios—their assets to capital—was allowed to rise from 16:1 as a typical ratio to 30-35:1. And their loans fell to about half of their total assets; they stopped lending to the businesses and households while they got so much rapidly larger. Then they crashed and burned in 2008 and were saved by government agency credit to the financial system, which at one point reached $14 trillion, according the chairman of the Federal Deposit Insurance Corporation at that time.

Then, after being saved, the largest banks' lending plunged, their derivatives exposures became 30% larger than they were in 2007, and their total lending last year was below the level of six years earlier (**Figure 2**).

In the European Union, these figures are all much worse.

The situation a year ago, as described by a leading U.S. regulator, an official of the FDIC, on May 6, 2014, was "Compared to 2008, the largest financial firms today are larger, more complicated, more interconnected. The eight largest banking firms have assets that are the equivalent to 65% of the GDP of the United States. The average notional value of derivatives for the three largest banking firms at the end of 2013 exceeded $60 trillion *each*; a 30% increase over their level at the start of the crisis." He then went on to discuss their increased complexity, the way they use taxpayer insurance and what he calls "the federal safety net" to support their expansion across the globe and across the speculative securities markets and the derivatives markets. He said, "They remain excessively leveraged, with ratios on average of nearly 22:1."

So, that was a year ago. Recently, the same official warned that Wall Street's leveraged loans bubble had tripled to $800 billion, combined with a junk bond bubble that had reached $1.6 trillion; and that much of both of those were in the energy industry, which is being pushed into defaults and derivatives blow-outs by the collapse in the price of oil. And the $1.3 trillion auto loan market today, looks like the mortgage bubble in 2006; full of sub-prime, high-interest loans—extended long-term, because the buyers can't really afford to pay them.

And the condition of the largest banks in London and in the European Union is much worse. The trans-Atlantic banking system is heading for a general crash, despite, and because of, the endless money-printing and zero interest rate policy of the central bank.

For a Recovery, Bankrupt Wall Street

Now, here's how the Glass-Steagall legislation that we're talking about leads towards recovery. Based on the action that has been initiated in the Senate now, Congress—together with competent regulators—can do exactly what Franklin Roosevelt did in the beginning of his Presidency in March 1933, as Matthew referred.

The overall financial system at that time was in bankruptcy. Before doing anything else as President—and actually using a plan that had been developed by a Treasury Under-Secretary who was a Republican—he ordered a thorough investigation and auditing of every one of the 14,000 banks in the United States. That was done in a 10-day period; and by going through their books in that completely national dragnet way, they separated—and enabled the Treasury and Roosevelt himself to judge the separation—between the trash, toxic assets which made many of these banks bankrupt, and the sound commercial banks which had real productive assets.

This then opened the way for the recovery from the Great Depression; it was actually codified a few months later when Congress first passed Glass-Steagall in June of 1933. Roosevelt signed it, and at that point, this kind of examination of the soundness of the commercial lending of the commercial banks was going on every six months, which had gone on in that critical 10-day bank holiday under Roosevelt; which had enabled the banks to re-open and the recovery from the Depression collapse to begin.

And this is what Glass-Steagall, driving forward in both Houses of Congress, means today. You look at the derivatives provision alone, in what the Senators have just introduced: It will mean that, as the FDIC official identified for you, the roughly $225 trillion worth of derivatives bets, which are on the books of the six biggest U.S. bank holding companies, will have to go *off* those books, if there is any connection to insured commercial deposits, to bank deposits of ordinary depositors. That is clearly spelled out in the legislation.

Remember, they have 2,500-4,000 units each, under these bank holding companies. The great majority of those units are going to disappear, very quickly. Without the underpinning of the vast amounts of deposit money which is in these banks, and without Federal insurance backing these derivatives up, these things are going to be exposed for the bankrupts that they are. They're going to disappear.

Remember, just last December, when Wall Street and Obama rode roughshod over the Congress, in order to, in a desperation move, *keep* precisely the most risky and dangerous of all the derivatives that they had, including the commodity derivatives, keep them inside their commercial banking units, where the Federal insurance would be exposed to exactly those derivatives which were dying under the collapse of the oil price. And they forced Congress, by bribery, by direct phone calls, by, of course, the pressure of the President who backed this, they forced Congress to keep that protection—which the Glass-Steagall legislation is going to completely take away.

You're going to take all of this—no insured commercial bank will be able to underwrite these derivatives, under Glass-Steagall. No insured commercial bank will be able to play the securities markets. When this is enforced, we're going to find that the Wall Street casino is as bankrupt as it was in 1931-32. And, just as FDR's national inspection found that one-third of all the banks in the country were bankrupt, and closed down, the bankruptcy of much of what today's megabanks are holding under their holding companies, will be exposed.

C-SPAN

Bush's Treasury Secretary Hank Paulson, browbeating Congress into passing the bank bailout in November 2008.

So, with the dead debt flushed out, before it really begins to stink, the insured commercial banks under Glass-Steagall can potentially then invest, to contribute to a recovery of growth and productive employment.

This will be the greatest recovery action in the recent history of the United States. Congress has to use its authority to take an emergency action, now—not in the indefinite future, but now—and save the United States from being sucked into a total collapse of the international London/Wall Street financial system. We're witnessing a terminal bankruptcy.

A Change of Values

And, therefore, as LaRouche said, *nothing* is as urgent now, as this legislation. This is the future speaking to us, and the future is now being recognized by a significant group in the U.S. Senate. And the only way to give the U.S. economy a future, is by going back to Glass-Steagall, immediately, to open the door to investment in that future.

So, with Glass-Steagall, we can change the whole ordering of the relative values in the economies of the trans-Atlantic region. Don't worry about stock values, as people spend most of their time obsessing about now. Don't worry about Wall Street's interests. The entire Wall Street system is a fatal liability within the U.S. economic system; it is not an asset. It must simply be canceled. You can't have an institution which is that bankrupt, poisoning our system from within, aided and supported by Federal Reserve policy.

Look at the current investments in the United States, where the large businesses use *all* of the money that they borrow, and *all* of the profits that they earn, in order to buy their own stocks and stocks of other companies, in mergers, on the Wall Street markets. These large companies have become virtual appendages of the speculation by their big lenders, their big banks; while the small companies can't get any credit at all. And the result is, no capital investment, no productivity growth, therefore, no wage growth.

These bankrupt values have to be canceled. At that point, the United States will be liberated, and all these fictitious values can give us, as we throw them away, a fresh view of reality. And those activities which are real and productive, will suddenly rise in their relative value, as opposed to what has been dragging us down.

We will, for example, focus on the urgent necessity to invest in relieving the intensifying Western drought, by advanced technologies to produce and move water, including scientific frontiers involved in increasing total precipitation off the oceans onto the land masses of the Earth. We'll think of making travel rapid and comfortable, and freight travel rapid and cheap, by the kind of high-speed rail corridors across this continent, which have been built rapidly in Asia in the last decade and a half.

And the people of the United States, who have been suffering under this fraudulent system, will be given the opportunity to be productive again, and the opportunity to create the future.

So, we can lose no time in getting this done. This, again, takes priority in what has to be done in order to save the United States, and enable the United States to save Europe.

The 'Greek Debt' Drama

Ogden: And that's precisely what I want to pick up on, right here. Mr. LaRouche was saying earlier today, Wall Street is dead, but there's no reason why we need to have a funeral. We don't need to mourn the death of Wall Street. He said, this should be cause for jubilation, for celebration. And, he recommended, maybe, a traditional Irish wake. I think that might be more appropriate.

But, let me pick up on exactly what you just ended with.... You purge the system of these fictitious values. The entire system has been dying, suffocating, under the influence of these parasites that have been dragging it down, and distorting the entire relative idea of value within not only the United States economy, but within the entire trans-Atlantic economy as a system.

What Mr. LaRouche was emphatic about, is that this is not just Wall Street. This is representative of this entire trans-Atlantic financial system, which includes Europe as well. And, obviously, over the past week, the eyes of the world have been fixed upon Europe and the events that continue to unfold around Greece, there.

So, let me just present our institutional question for this week, which is on this subject, and ask Paul to respond. It reads as follows:

"Mr. LaRouche, your role in promoting a global Glass-Steagall, is widely recognized and appreciated. Now that it has been introduced into the United States Senate, how can Glass-Steagall help solve the European crisis, now coming to a showdown point with Greece?"

Gallagher: Well, Matt, I appreciate your reference to the Irish affair. 'Tis meself that will be after celebratin' it.

But on this question that's been given to us, it's simple and fundamental. First of all, there's not a Greek debt crisis. There's a London debt crisis. To give you an example, the big banks, which are all London centered—and people need to keep this in focus: Of all the derivatives bets in the world, the whole $700 billion, or $1 quadrillion in derivatives bets that there are in the world, half of all of them are in the London banks; and the $230 trillion notional value that our big banks have, is *half* of what's in the few monsters in London.

So, this is a London crisis, a London debt and derivatives crisis, and these banks, these mega-banks in Europe, have on their books $2 trillion in real estate-based bad loans, alone; not to mention the $500 billion European TARP program, basically, which loaned—EU500 billion, $550 billion—in bail-out funds to bail out these banks, but it wound up as the debt of Greece, and Portugal, and Ireland, and Spain, and some of the Eastern European countries.

So, they're into multiple, multiple trillions of bad

CC/Giannis Angelakis

One of millions of Greeks left homeless by EU austerity. This photo was taken on January 16, 2013.

debt on their books, and the debt of Greece, and its inability to pay this debt which bailed out these banks, which is triggering this crisis in recent weeks, is a very small part of it.

So anything could cause these banks to crash. They literally are dead monsters; they're lying in the road, in the way of any possible recovery from what's now effectively 10-year recession/depression collapse in Europe, a complete stagnation of all the economies there. And including a 10-year suppression of the industrial potential of Germany, which under the Merkel government is committing economic suicide, by keeping the clamps on the leading economy of Europe, as a result of all this unpayable debt which needs to be written down, and which these banks refuse to allow to be written down a single euro of it.

And within that, is lodged the Greek crisis, because the Greek government is one of the first, and with the biggest mass of debt, to arrive at the point when it's clearly unpayable—it's not going to be paid in anybody's lifetime.

Relief from Unpayable Debt

There've been many proposals for a replication on behalf of Greece, of the 1953 debt conference in London which forgave more than half, at that time, of all the debt of Germany. And of course, the ironies are very pungent here, because it's Germany which is refusing, or taking the lead, the Merkel-Schäuble government is taking the lead in refusing debt relief to Greece, when Greece was one of the creditors which gave debt relief to Germany on a *far* larger scale, 60 years ago. And that debt relief—clearly everyone understands this—led immediately to the German economic miracle of the 1950s, and 1960s, and early 1970s.

So, it appears to be a complete perversity on the part of Merkel, Schäuble; it gives her the name of "Murky Merkel," because it appears that there's no possible reason—but there is a reason. My colleague Dean Andromidas and I wrote [an article] back in late January on the subject of this 1953 London Debt Conference, and why and how it could be applied to the problem not only of Greece, but of the half-dozen super-indebted countries in Europe see *EIR*, Jan. 23, 2015.

And we made clear, then, that the problem is the lack of Glass-Steagall: That is, in 1953, the banks of Europe were under Glass-Steagall principles. Most of the countries, after World War II, had actually passed copy-cat Glass-Steagall acts, laws, based on the U.S. law, and they had separation of their commercial banks from all of this casino speculation.

That put those banks in a position to allow debt to be written down, without setting off a bank panic and a chain-reaction collapse.

In addition, those banks were not in the derivatives markets to the extent of hundreds and hundreds of trillions of dollars of debts. So, a debt write-down on a large scale—60% of Germany's total debt going all the way back to the First World War period—could be agreed on, and could be implemented.

In Europe, that *cannot* happen until Glass-Steagall is done first. When the banks are put in that position where they can stand it, then that kind of debt write-down can take place.

What's happening now, what's being proposed, even by the Greek government now, after getting the support in this national referendum, is merely to add another roughly $60 billion, and with bank recapitalization probably $75 billion of debt on top of this European TARP that exists, of which almost none of the lending to those super-indebted countries by this European TARP has been paid back.

So you'd pile another $60-75 billion worth of debt onto that, and you'd say Greece owes this back in three years; with additional austerity—that's the proposal—with additional austerity measures applied in the meantime, which have already made it impossible for Greece to pay any debt, even on the scale of 30, 40, 50 years. So it's guaranteed that Greece will not be repaying any debts in three years; so this is a proposal to increase the unpayable debt burden in the London-centered banking system, by another $60 billion to $75 billion. It is completely unworkable.

But, it's ironic and very useful, that the more Angela Merkel insists—"No debt write-down for Greece, not a euro"—the more she insists, the more articles appear, reminding her, in the German press as well, reminding her that 60 years ago Germany got not just debt relief, but 60% of its debt wiped away completely, and then went on to an economic miracle which made it the leading economic power in Europe ever since; and put it in a position to do extraordinary things with regard to Eurasian development as a whole.

So that irony is very useful. And if it contributes to Merkel's departure from office quickly, it would be even more useful.

But again, it is not soluble, except Glass-Steagall coming from the United States—and here's, again, as LaRouche said immediately about this Senate introduction of the already-existing House bill—that it's not just opening up the United States for an economic recovery. It's life-or-death for Europe now. If Europe collapses completely, the world is in trouble. Glass-Steagall's enactment now, puts the United States in a position to force that through all over Europe, and actually knock out this debt problem that is completely strangling and collapsing the European economies, and let them grow as well.

So, it means, really—this collapse in Europe—that it's the British banking empire that's going down, and there's room for a renewal, there's room for a fresh start on economic productivity and growth, and the United States can open that up for Europe by the Glass-Steagall Act which was just introduced in the Senate in the U.S.

A Role in the BRICS' New Order

Ogden: Now, as I said earlier, what Mr. LaRouche stated to us, was the restoration of Glass-Steagall and the cancellation of this entire fraudulent gambling system that's based in Wall Street, portends a new era for mankind. And I think this question of how does the restoration of Glass-Steagall open up for us this new era of productivity, this new era of a science-driver for the planet as a whole, is one that I want to address before we conclude tonight's discussion.

And I especially want to go back to what Paul brought up earlier, when Mr. LaRouche was describing this total reordering of relative values in the trans-Atlantic system; what he described as a cancellation of this fictitious value and a restoration of sanity, to what we define as "value," what we deem economically valuable. And when you look at this type of total reordering of values, that would be precipitated by a Glass-Steagall cancellation of this fraudulent system on Wall Street, how that would be applied not only in the United States, but also, in Europe, and how that would play in the entire world.

Mr. LaRouche said: Look at the role of China and Russia, especially. These nations as we speak, already, are unleashing productive forces that are unprecedented in world history. They're unprecedented in their scope, of both accomplishment already, but also, what they aim to accomplish, in the future. Look at the Chinese lunar program as an example, with the helium-3 component. These are absolutely crucial. And this has the power to initiate a science-driver era for the planet, and again, would create an explosion of productivity that has never before been seen.

You could also, as Paul just mentioned, look at the potential relationship between Germany and Russia, if Merkel and Schäuble and those like them can be defeated. We can reorder the economies of Europe, as a whole.

And so, if you look at the actions by the BRICS countries, for example, that they've taken during their recent summit this week: Simultaneous with all of these other developments occurring, the BRICS were meeting for their Seventh Summit in Ufa, Russia this week. This portends a great future, a new international order for mankind. And Glass-Steagall has a crucial role to play in that, here in the United States.

So as I said, simultaneous with the introduction of Glass-Steagall into the Senate, simultaneous with what we were just discussing about the events in Europe, the

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Russian President Vladimir Putin at the 7th BRICS Summit in Ufa, Russia on July 9.

leaders of the BRICS nations—Brazil, Russia, India, China, and South Africa—*together* with the leaders, and I think, the observers, of the SCO (the Shanghai Cooperation Organization), both of these organizations were meeting together in Ufa, Russia.... This occurred almost exactly a year after the Fortaleza summit last year in Brazil, which happened in mid-July.

The New Development Bank, which was agreed to at the Fortaleza Summit last year, is now officially up and running. And you have the integration between the BRICS, the SCO, also the Chinese New Silk Road initiative, and the Russian Eurasian Economic Union [EAEU] initiative: All of these are now being integrated, and this integration is being solidified and is being recognized as being indicative, of a total realignment of the planet, and a creation of a new, international economic *and* strategic order.

So, for example, there was a headline today in *The Hindu*, which is one of the leading newspapers out of India, which read as follows: "BRICS, SCO, EAEU Can Define New World Order: China, Russia." And I just want to read a few sentences from the beginning of this article, because I think it aptly describes exactly what just occurred, in Ufa this week. The article starts by saying:

"China and Russia have described BRICS, the Shanghai Cooperation Organization (SCO) and the Eurasian Economic Union (EAEU) as the core of a new international order, defined by a multipolar world.

"Far from being rival organizations, the three groupings should be looking at their ties from a 'strategic and long-term perspective,' Xinhua reported that Chinese President Xi Jinping said." Xi Jinping "briefed leaders of the three organizations on China's One Belt, One Road" initiative (which is the Silk Road initiative), "the establishment of the Asian Infrastructure Investment Bank (AIIB) and the $40 billion Silk Road Fund," and "Mr. Xi underscored the convergence in the development strategies of the three groupings."

The article continues later to say:

> Echoing Mr. Xi's perceptions, Russian President Vladimir Putin, also said at Ufa ... that the three groupings can premise an 'a powerful economic breakthrough."
>
> "There is no doubt," Mr. Putin said, "we have all necessary premises to expand the horizons of mutually beneficial cooperation, to join together our raw material resources, human capital and huge consumer markets for a powerful economic spurt."
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> Russia's TASS news agency also quoted Mr. Putin as saying that the Eurasian continent had vast transit potential. He pointed to 'the construction of new efficient transport and logistics chains, in particular, the implementation of the initiative of the Silk Road Economic Belt and the development of transportation in the eastern part of Russia and Siberia. This may link the rapidly growing markets in Asia and Europe's economies, mature, rich in industrial and technological achievements. At the same time, this will allow our countries to become more commercially viable in ... creating new jobs, for advanced enterprises."

So that's just a taste of what is coming out of this BRICS summit that occurred this past week in Russia. And clearly, the United States must join this new, "win-win" economic order, as it's been called by Xi Jinping.

Which we will be free to do, once we've eliminated the Wall Street parasitical system, by restoring Glass-Steagall. Obviously, this is the subject of a petition which has been circulating for several months now and continues to be circulated by the Schiller Institute, which is called "The U.S. and Europe Must Have the Courage to Reject Geopolitics and Collaborate with the BRICS," which was featured in a *very* significant way on the eve of this BRICS summit, July 6, by the Russian news outlet Sputnik, which conducted an interview with Helga Zepp-LaRouche, which it published in printed form and also ran as a full 15-minute segment live on Sputnik Radio; Helga Zepp-LaRouche, the chairwoman of the Schiller Institute and the initiator of the petition. And this is available on the LaRouche PAC site also.

Building Infrastructure

Now, what I just want to ask Paul to conclude with, and address briefly in the context of what I just laid out, is the point that Mr. LaRouche made in his remarks earlier: After Glass-Steagall, what's next? How do we replicate what Franklin Roosevelt did in his first term as President? What do we learn from the lessons that Alexander Hamilton, our first Treasury Secretary, taught us, the "hero of New York," as Mr. LaRouche identified him today? And how does the United States join the BRICS?

Gallagher: Well, that really was a crucial part of our discussion of this issue today, with Lyndon LaRouche, because obviously, the opening of this legislation's introduction in the Senate, and the possibility of its rapidly passing on an emergency basis in this crash, opens up, then, what the rest of the world, or at least a significant part of the world that you're talking about, is already engaged in; it opens it up for the United States and for Europe, the trans-Atlantic sector as a whole, you might call it, which are flat on their economic rear-ends.

These institutions, new international development banks which are being set up by India, Russia, China, the BRICS nations, and others—57 countries joined what was originally the Asian Infrastructure Investment Bank (AIIB), is now a bank backed by 57 countries, against the opposition of the Obama administration—; so this is being done. And the avowed purpose of these new international development banks is financing modern infrastructure, high-speed rail, modern power infrastructure, water management, water production, making "connectivity" as they call it now; and no country in the world needs this worse than the United States!

We have a drought which is threatening to cut off one-third of the United States from the rest of the country—the most productive part of it—and depopulate it and leave it as essentially a desertifying and eventually a desert area. This is a threat to the national economy of a sort which very few nations face. And we are doing *nothing* about it! President Obama doesn't even discuss the issue! We have the crazy governor of California, who proposes exactly that kind of depopulation, and in the process, poor people dying from lack of water and disease in the Central Valley of California and elsewhere; and we do nothing about it.

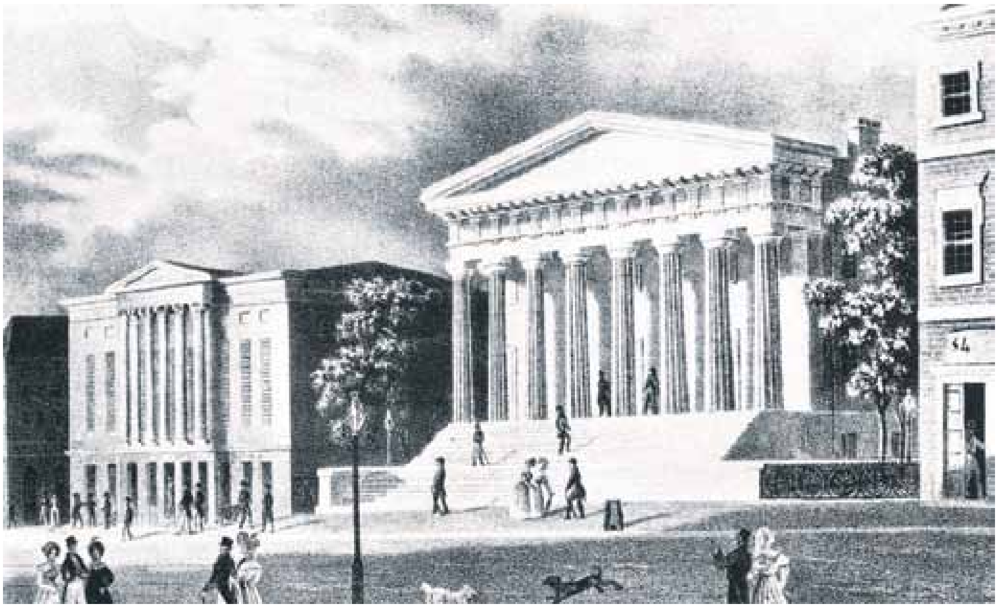
And everyone knows that we do nothing, year after year after year, about the breakthrough areas of high-technology economic infrastructure, which *alone* can really raise productivity in the economy again, and thereby reestablish productive employment, and remunerative employment, because it is on a rising level of productivity: This has to be done.

Enter Alexander Hamilton

We're discussing here, tonight, with all of you, as if you were members of Congress, the principles and the methods by which Glass-Steagall worked in the past, and will work now to open this possibility of investment in economic recovery, to clean away the trash, of many, many trillions of dollars of unpayable debt.

But, there's an even bigger prospect in front of us in the future: You have to consider that 200 and some years ago, the Congress of the United States was capable of debating, deliberating and passing, two pieces of legislation introduced to it by Alexander Hamilton: The Act for the Establishment of Public Credit; and the Act for the Creation of a National Bank. And yet, today, there's not a single member of Congress who understands anything about Alexander Hamilton's economics!

So there is *really* quite a future development ahead of us, here, because then was a time when we actually had elected officials, who were able to understand national credit. They may not all have all understood it equally, they debated it, but they were able to under-



A sketch of Alexander Hamilton's Bank of the United States, as it was erected in Philadelphia in 1797.

for the economy as a whole.

That was part of Hamilton's genius. But he also understood something which requires transformation on an even deeper level in the United States, now. He understood that we, at that time, despite the high level of education of the colonists and of the citizens of the United States in 1790—much higher than comparable citizens in England, for example—despite that, they were not very productive in their economic activity because the country essentially had no division of labor; it was essentially a nation of husbandry, a nation of farmers, who were in the process of expanding to the West and farming, and farming, and farming.

And Hamilton began, for the first time in U.S. debate, to introduce the ideas that a higher division of labor, a greater progress of scientific inventions into technology and into labor, and a greater ability of exchange between various divisions of manufacturing, labor, and agriculture, that this could provide scientific and technological progress in *both* branches—agriculture and manufacturing—and that it, as he said, provided the most fertile ground for the spiritual and intellectual development of the most inventive souls in the population; provided that there were banks there. Provided that there were banks there, and credit was generated, and these kinds of inventions could be realized.

And Hamilton, in that process, defined and created for the first time, what we call today a "commercial bank"; it's really an invention of Alexander Hamilton. Before that, banks were either merchant banks, which means they financed the largest international companies in their trading and in their colonization; or, they were banks that speculated in government debt.

There was no such thing as what Hamilton created, which was, first with the Bank of North America, and then the First National Bank, and then with a number of other banks; and by the time he wrote the *Report on Manufactures* in 1792, he was pointing to the fact that

stand, act, pass it through: Get national credit created and of course, the genius of all of that, as Lyn said, the "hero of New York," was Alexander Hamilton, who absolutely has to remain on the $10 bill. And as one columnist said, "He should be on all the currency, because he invented it." Not just on the $10 bill.

What is involved in this, really, starts with his urgent reorganization of what was then unpayable debt of the United States and its constituent states, which had accumulated these debts as colonies when they were fighting for their independence, and then had accumulated more unpayable debts, in the Confederation period as states, because of the lack of an effective federal government.

Hamilton was able to devise the principles by which a debt reorganization, of debt that couldn't be paid at the time it was due; a debt reorganization could actually be used to create a National Bank which could inject credit into an economy, into productive activity—particularly at that time, roads, canals, the most important infrastructure of that time. And provided that this debt was given a means of its "extinguishment" as he said, a means, over a longer period of time, to reliably pay it off, then that debt would be a national blessing, and would actually be usable as credit through a National Bank which would be large enough, but yet, limited in what it did to productive lending, so that it could actually drive the science drivers and the technology drivers banks were multiplying, and that the purpose of these banks was to lend to the husbandman, the farmer, to the manufacturer, and to the households of both.

And his National Bank, which he had created from this debt reorganization, was itself not lending to or speculating in government debt; it was a national bank not created to buy the government's debt, and in fact it was not allowed to, by its charter. And that was true of the Second Bank, which was based on Hamilton's principles again, and would have been true of the Third Bank when Henry Clay designed it in 1841; it was true of Lincoln's greenback policy: This has been the basis of creation of credit by every real Presidential President that we have had, from Washington, to Quincy Adams, to Lincoln, to FDR and JFK, who understood this to a significant degree.

And these Hamiltonian methods of dealing with unpayable debt, including writing it off, in part; reorganizing it in part into an institution that can get backing and turn it into credit; these methods which Hamilton pioneered, resulted in the fact that the United States, throughout the Nineteenth Century—and really until the Depression—enjoyed thousands and thousands, and *tens* of thousands of banks, on a small scale, financing the advance of local industry, homeownership, agriculture, and the advance of science and technology in each of these branches; and that's exactly how Hamilton foresaw the development of the United States, nearly 250 years ago.

A Study for Congress

This is what is opened up by getting Glass-Steagall now through both Houses of Congress, bankrupting Wall Street, in order to get rid of this unpayable debt and its derivatives betting on top of it; above all, getting us out of the business of guaranteeing the derivatives bets of the banking casino. Then you get to Hamilton's methods of what the United States needs more critically than any other nation in the world, really, and that is, large-scale, high-technology transportation, connection, water, power, infrastructure, connecting us across the Bering Strait, into the Eurasian high-speed rail networks which have been built over the last 15 years; and really providing productive employment for our population.

We've got to go back to Hamilton. But the door is open for doing that, by the action that the Senators have taken, and the rapid progress of Glass-Steagall through both Houses now.

Ogden: And Mr. LaRouche underscored the four reports that were written by Hamilton: The *Report on Manufactures*, the *Report on Public Credit*, the *Report on a National Bank*, and the *Argument for the Constitutionality of a National Bank*, which are not classified, not redacted, they're in the public domain; they're available for anybody to read, and they're even written in English.

Gallagher: You can get them all in one book.

Ogden: Even a member of Congress can study these.

So I think in conclusion, we can celebrate the introduction of Glass-Steagall in the Senate; we can mobilize like Hell to pass this as soon as possible. We can celebrate the death of bankrupt Wall Street system, and we can always remember, that the name of the future, is Alexander Hamilton.

With that said, I'd like to thank all of you for joining us here today; I'd like to thank Paul for joining me here in the studio, and I would like to invite you to please stay tuned to larouchepac.com. If you are in the New York area, there's another like dialogue via video with Mr. LaRouche tomorrow afternoon, Saturday, in which you can participate by contacting our office up there.

Thank you all for joining us tonight, and please tune in next week.