

## LaRouche's Emergency Plan for January 2010

by Nancy Spannaus

*Dec. 30—In the immediate aftermath of the crushing defeat delivered to the British Empire at the December Copenhagen Summit, Lyndon LaRouche called for an emergency mobilization to ram through the crucial measures required to bring the United States into collaboration with the three sovereign powers—China, Russia, and India—which defied the Empire.*

*Those measures fall into four steps: 1) bankruptcy reorganization; 2) emergency protective measures for the U.S. population; 3) a massive employment program to rebuild U.S. infrastructure; and 4) linking up with China, Russia, and India in their ongoing collaboration to rebuild the planet. We review the Constitutional basis, and necessity, for each of these measures, below.*

*Put together, this emergency program amounts to a patriotic defense of the United States from what has been a 60-plus year process of subversion, and attack, by the British Empire of finance. It has to be fought for in that fashion, because the life of our nation depends upon its implementation.*

*LaRouche said on Dec. 22:*

*“This has to be done in the first weeks in January. . . . This is emergency legislation, because if we don’t do that, somewhere, maybe a little bit after the middle of January, or even possibly before, the whole system’s coming down, if we don’t do it, beforehand.”*

*Since LaRouche’s formulation of this program, a number of video presentations on the LaRouche January Plan have been made available on [\*rouchepac.com, which dramatically summarize what must be done in the few weeks ahead. Here, we provide a complementary elaboration in print, highlighting the major steps required.\*](http://www.la</a></i></p></div><div data-bbox=)*

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### I. Bankruptcy Reorganization, Along Glass-Steagall Standards

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*“First of all, you agree that you’re going to change the U.S. system, from a monetary system, which it is now, to a credit system.”—Lyndon LaRouche*

Nothing can be done to reverse the collapse of the U.S., or world economy, without starting with a sweeping bankruptcy reorganization, which will put trillions of dollars of gambling debts which have been created by the British-dominated world monetary system, into the deep freeze, and thus clear the decks for the re-establishment of a sound credit system, based on the standard set by President Franklin D. Roosevelt: the Glass-Steagall standard.

First, the President must declare a national emergency. Then he must put the whole banking system, from the Federal Reserve on down, into bankruptcy, and start sorting out the mess.

The standard for reorganization was preeminently defined by the U.S. Constitution in its Preamble, which



EIRNS/Stuart Lewis

*The defeat of the British Empire's climate agenda, at the Copenhagen Summit in December, clears the way for the "LaRouche Plan": emergency measures to rebuild the U.S. economy, and to join China, Russia, and India, to establish a new world credit system.*

sets out the overriding principle of the General Welfare which governs the U.S. Constitution as a whole. It is in line with that principle that the specific powers of the Federal government are outlined, including that which gives the Congress, in Section 1, Article 8, the exclusive right to "coin money, regulate the value thereof, and of foreign coin," and "to establish . . . uniform laws on the subject of bankruptcies throughout the United States." This Congressional power leaves no room for a foreign institution controlling the finances of the nation—as later occurred with Anglophile President Woodrow Wilson's creation of the approximation of a European-style central bank, the Federal Reserve system.

What was therefore established through the Constitution, and the subsequent institutions created by the first U.S. Treasury Secretary, Alexander Hamilton, to implement Constitutional objectives—especially the First National Bank—was a credit system, in which currencies issued were directly derived from the government's decisions to provide for the general welfare of its citizens.

## The Glass-Steagall Act

Violations of this Constitutional system during the course of U.S. history are myriad—but, in the nation's existential crisis of 1932-33, Franklin Roosevelt acted to return to the standard set by the Constitution, by enacting the Glass-Steagall Act. Glass-Steagall set up a firewall between state and Federal commercial banks, and investment banks, which specialized in speculation in everything from commodities, to real estate, to what could be called a secondary market in debt.

What the Glass-Steagall Act said was, that a commercial bank, a bank that holds citizens' deposits, for example, and then uses those deposits for certain kinds of investments in the real economy—mortgages, etc.—that kind of bank cannot engage in speculative investments. And a series of regulations specified that these banks can have no proprietary role—in other words, the bank doesn't use the

savings of citizens to make money on its own investments.

So, it's a complete firewall. There are two separate kinds of banks, and one can't engage in the activities of the other. The Roosevelt Administration also put in certain controls over interest rates that certain banks could pay, for example, savings & loans. This was a rigorous regulation, constraining commercial banking, that is, state and Federally chartered banks. It also created a certain separation between Federal and state banks. So that these things were completely regulated: that the banks had to be oriented toward investments in the real economy, and relatively limited. You couldn't sell the mortgages and securitize them, the way the banks have done today, and turn them into instruments for speculation.

But, to be clear: FDR's regulations worked, *only after he declared a bank holiday*, and sorted out the dross. In our case, we need bankruptcy reorganization first—then Glass-Steagall.

Once this standard is applied, there is no question about what will happen. Literally trillions of phony

debt—including the bailout funds which were issued in order to protect the investment banks over the past two and a half years—will be wiped out. Debts that do not correspond to a Glass-Steagall standard will simply be set aside, and not honored. Legitimate debts, which correspond to payrolls, pension obligations, and the like, will be honored.

## **Bankruptcy Protection**

Once again, we are applying a Constitutional principle—the principle of bankruptcy reorganization in favor of saving the productive capacity of the nation. Contrary to Europe, the United States had a tradition of permitting individuals, and eventually, corporations, as well, to be protected from their creditors in respect to their vital functions in service to the community. Whereas in Europe, going bankrupt was considered to be a crime, to be rewarded with debtors' prison, in the United States, bankruptcy reorganization could be used to relieve the bankrupt entity or person of immediate pressing debts, and permit the entity or individual to work their way out of penury.

On June 7, 1934, FDR signed the Corporate Reorganizations Act, which instituted bankruptcy protection for corporations “in line with the public interest.” It called for freezing collection efforts against an entity, and maintaining that entity's ability to continue to operate. The entity is also permitted to obtain new credit necessary for ongoing operations, implicitly beginning with a clean slate, with the old debts in deep freeze. The purpose is to keep productive activity going, because it is in the interest of the community as a whole.

This is precisely the kind of protection which is required today for our *bankrupt* chartered banks, and for much of our industry, and many of our families as well. It's the kind of protection which was effectively applied by Alexander Hamilton for the nation as a whole, when he was organizing the finances of the young United States, which was saddled with unpayable debts following the Revolution, to be able to grow.

When FDR died, however, agents of the British monetarist system began to roll back his measures, culminating, in 1999, when Glass-Steagall was repealed altogether, effectively opening up the path for the unbridled looting which has brought us to the economic disintegration, and financial bankruptcy, we face today. Only a bankruptcy reorganization, which cancels the bailout and trillions more of illegitimate debt, can put us back on track.