

More and More U.S. Patriots Are Demanding Glass-Steagall

by Nancy Spannaus

April 22—Under pressure from the murderous economic policies of the Obama Administration and other austerity-mongers, more and more patriots from around the United States have gone into action to demand that Congress immediately reinstate FDR's Glass-Steagall act, in the form of the Kaptur-Jones Return to Prudent Banking Act, HR 129. LaRouche Political Action Committee organizers, cognizant of the fact that it is not only the survival of the U.S., but the entire planet that depends upon this action, are finding increasing receptivity to their demand for action now.

Over the last two weeks, memorials for Glass-Steagall have been put on the agenda of four additional states, one of which, Indiana, immediately passed a resolution in its lower house, by unanimous consent, in the course of one day. Memorials for Glass-Steagall are now also officially on the agenda in Minnesota, North Carolina, and Colorado, which brings the total number of states where a memorial has been introduced, to 17.

The others, in order of the date of their introduction, are Rhode Island, Montana, Virginia, Kentucky, Pennsylvania, Maryland, South Dakota, West Virginia, Alabama, Washington state, Maine, Hawaii, and Mississippi. The memorials in South Dakota and Maine have passed both houses, and been sent off to Congress.

In addition to pressing for action in the remaining states, activists are aggressively seeking to either pass memorials, or get letters of support, in nine additional states, with emphasis on some of the biggest states, California, New York, and Texas.

In Congress, the progress has been slower. Three additional Congressmen, all Democrats, signed on to HR 129 last week, bringing the total to 56 (see www.larouchepac.com for full list). Senate supporters of Glass-Steagall are still holding back, fearing Wall Street and/or Obama, more than the fate of the nation without re-establishing the tried and tested firewall.

A New Blowout in the Offing

While the victims of the current austerity regime are providing much of the impetus to reimpose Glass-Steagall, the mood within the financial community—especially community bankers—is also feeding the support for reviving FDR's 1933 regulation. More than the average citizen, these circles see the makings of the next financial blowout in process, because *nothing has been done over the past 5-6 years to prevent it from happening.*

The reality is the one which *EIR* and LaRouchePAC have consistently exposed: The trillions of dollars in quantitative easing have done nothing to eliminate the bad debts, nor to put money into investment in the physical economy. Instead, the monies are being used to build up new asset bubbles—the latest is real estate in the U.S.—which will bring about a new collapse, at the first unpredictable misstep.

This danger was front and center at the April 17-19 annual monetary policy conference of the Levy Institute of Bard College, held at the New York City headquarters of the Ford Foundation; it offered a clear picture of just how much anxiety there is among leading

economists about a looming new and bigger financial crash. An *EIR* representative attending the first day of the conference, which featured a keynote by FDIC Vice Chairman Thomas Hoenig, reported that the mood among the audience of several hundred academics, bankers, and regulators, was one of deep anxiety and recognition that nothing had been done since the start of the financial crash in 2007-08 to prevent a new blowout of even greater magnitude.

Hoenig delivered a useful “primer” on the historical hows and whys of the Glass-Steagall banking regulations, in contrast to the disastrous effects of Gramm-Leach-Bliley Act, from 1999 to the 2007-08 crash. He referred throughout his presentation to the problem of “financial institutions which are too big and complex,” and several times showed how this resulted from Gramm-Leach-Bliley and the end of Glass-Steagall, which led to the extension of insurance/discount/bail-out protection to every insane thing these huge conglomerates wanted to do.

Hoenig concluded his prepared remarks by noting, “The actions of two presidents stand out as our country determines how to define the structure and role of the financial system going forward. President Teddy Roos-

evelt, the ‘Trust Buster,’ changed the competitive landscape of America for the good. President Franklin Roosevelt enacted the Glass-Steagall Act, which coincided with decades of relative economic stability and financial growth.”

Among this grouping of the financial cognoscenti, *EIR* found significant support for Glass-Steagall.

Indeed, apparently at the same time, according to the blog *nakedcapitalism.com*, on April 17, well-known economist Jeffrey Sachs, infamous for his “shock therapy” prescriptions of the 1990s, was addressing a conference of the Philadelphia Federal Reserve, where he too went on the record as saying that Glass-Steagall regulations must again be put into effect.

The Next Steps

Can the U.S. Congress be pressured by the American people to act in time to prevent the financial system, and economy, from going into an unstoppable decline? That is the crucial question.

The most substantial blockage is the failure of U.S. Senators to act. LaRouchePAC has identified a good half-dozen or more Senators who have expressed themselves in favor of reinstating Glass-Steagall, once the support for the action reaches what they consider “critical mass.” But this vaunted “millionaire’s club” is being controlled by both party discipline, and agents of Wall Street, who have determined that such a measure will not be allowed to go forward, precisely because it would open up the floodgates in the House, where there is a sense of futility in pushing a bill which has not been simultaneously introduced into the Senate.

A healthy lack of respect for protocol and “tradition”—as well as an understanding of the real danger of the consequences of failure—is going to be required to break this blockage.

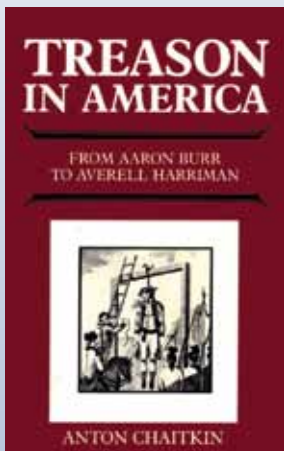
Another notable difficulty the growing momentum for the bill in the Congress faces, is the shortage of Republican co-sponsors. This is particularly egregious because recent measures taken in the states— notably Colorado, Indiana, Minnesota, and North Carolina— have been spearheaded by Republican legislators, who understand the necessity of Glass-Steagall regulations to revive the economy. To break the Congressional holdup on getting Republicans on board will obviously require more aggressive pressure from the states.

Hundreds of LaRouchePAC activists are strategizing on how to overcome these barriers. They are determined to make the necessary breakthroughs now.

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