

Glass-Steagall Needed Now To Avert Global Dictatorship

by Helga Zepp-LaRouche

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July 30—It is incomprehensible for all thinking people to witness how human civilization is so obviously hitting the wall full-tilt, and yet apparently no single Western government or leading institution has the ability to change the course toward suicide in time. Will it be the state bankruptcy of the United States, which is possible this week, that drags the world financial system into the abyss? Or the “Euro-Angst” due to the threatened downgrading of Spain by Moody’s rating agency, and Italy’s dropping out of the rescue package for Greece? This threatens to suddenly become a superfluous question, since the system as a whole is finished. If the casino economy is not shut down immediately with a two-tiered banking system—a Glass-Steagall standard—we are threatened with dictatorship and a Dark Age.

Despite the totally irresponsible battle between President Obama and the Republican Party over the question of the debt ceiling of the United States, in which both sides are agreed on the murderous austerity policy against the section of the population whose lives depend on Social Security and Medicare, the real existential question for America, and soon for the rest of the world, is whether the Glass-Steagall law will be put through in time—that is, immediately.

Kesha Rogers, who is campaigning for Congress as a LaRouche candidate in the 22nd Congressional District in Texas, has just published a warning that the international financial oligarchy, which also controls President Obama, could try to carry out a coup, as the last-ditch attempt to maintain its control, for which either the threat of chaos or an incident like Sept. 11, 2001, in the tradition of the Reichstag Fire, would serve as a pretext. Because the political parties and the members of Congress have abandoned representing the real interests of the population, she directed her call to the leadership of the states and cities, who must force Congress to ram through the Glass-Steagall law. Whether this existential crisis in the United States is overcome by a two-tier banking system in the tradition of Franklin Roosevelt, or whether events lead to a worldwide conflagration, may well be decided this very week.

Foul Play by Deutsche Bank?

Meanwhile, in Europe, the very shameful submission of the 17 heads of state at the latest European Summit, to the diktat of the Institute of International Finance (IIF)—the interest group of the 420 largest banks and insurance companies in the world, whose chairman is Deutsche Bank CEO Josef Ackermann—accomplished nothing, as expected. Only days after the summit, the danger of contagion of state bankruptcies grabbed Cyprus and Spain, whose creditworthiness

Moody's wants to downgrade. But the next mega-crisis looms in Italy.

The actions of the rating agencies threw everyone into a tizzy, as did those of Deutsche Bank. Italy naturally, as part of the European Stability Mechanism (ESM), is one of the states that are financing the rescue package for Greece; but it now has emerged that Deutsche Bank, from January to June, disposed of more than EU8 billion of its Italian state bonds—leaving a balance of EU997 million. Outraged, the Italian media have asked how the ESM can be trusted, if one of the biggest participating banks is betting on an Italian crash!

The absurdity of the situation becomes even clearer, because Italy must pay higher interest rates than the ESM is demanding for this tranche from Greece, for the EU13 billion which it must raise on the markets in order to participate in the second rescue package for Greece. This is precisely the “bankers’ arithmetic” of the IIF, which is the actual architect of the new mechanism, which essentially allows the banks to trade toxic Greek state bonds at the expense of the taxpayer, for new state-guaranteed bonds. According to this “arithmetic,” the banks always win, and the population is always the sucker.

In Italy this practice is illegal.

But Deutsche Bank's behavior has raised a much more fundamental question for the whole Italian political spectrum: whether the German government is hiding the intention to swap the Italian bonds for mainly German ones, in order to prepare for a new arrangement in the Eurozone, whereby the “periphery” would be dumped. Columnist Massimo Mucchetti demanded in the Italian daily *Corriere della Sera* that the Consob credit oversight agency investigate the Deutsche Bank transactions on suspicion of market manipulation, and hand over the results to the Office of the Public Prosecutor. So much for the trust and wonderful unity in the EU!

Nothing Learned

It is already quite a phenomenon that the governments of Europe, and among them naturally also the German government, always hand over control of financial policy to, of all people, those who are responsible for the crisis. Let's remind ourselves: Both the U.S. Congressional investigatory commission under the leadership of Phil Angelides, and also the Senate committee under the leadership of Senators Carl Levin

and Tom Coburn, assigned the chief blame to the banks, the politicians, and the oversight agencies, and pointed to the banks as a “snakepit full of greed, conflicts of interest, and misdeeds.”

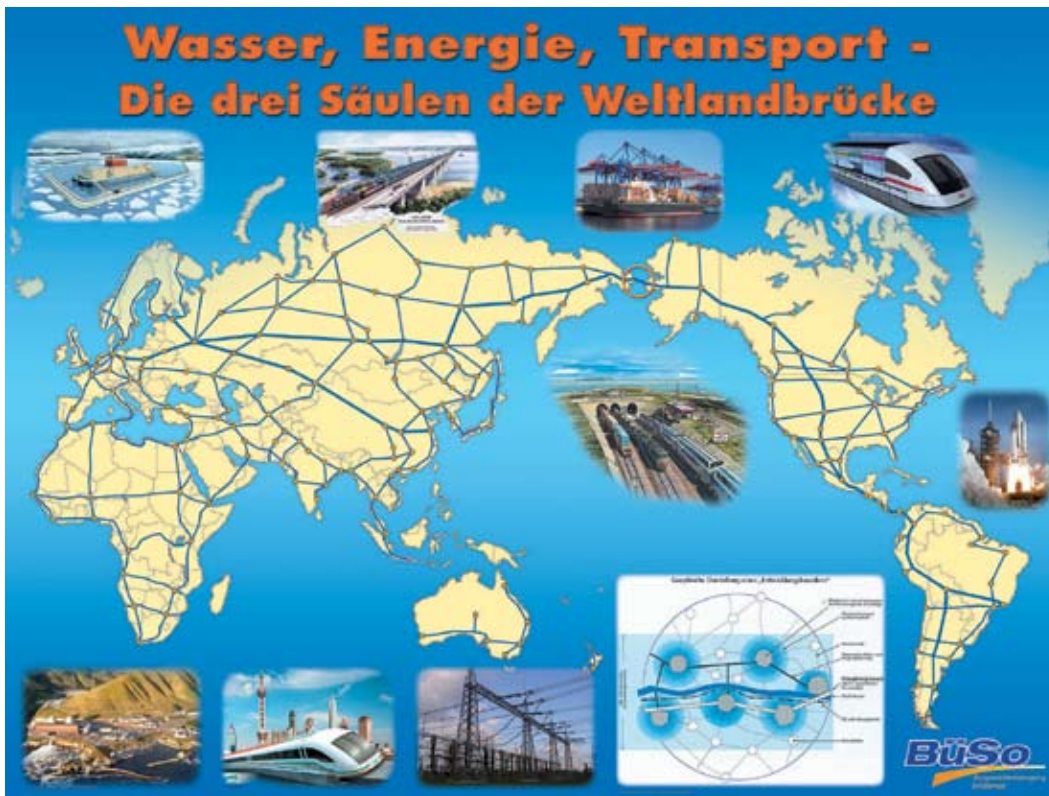
An entire 46-page chapter of the Levin Report was devoted to Deutsche Bank, which it accused of having heated up the financial crisis with its behavior, by knowingly bundling problematic mortgages, which then turned out to be wastepaper, into collateralized debt obligations—the so-called CDOs—and selling them to investors. In the case of the lawsuit of the medium-sized firm Ille against Deutsche Bank, it turned out that Deutsche Bank had knowingly sold interest-rate swaps to the company that had a negative market value, pointing out in an internal memo that the bank could only make profits if the client lost money.

The scandal is that neither in Brussels nor in Berlin has there been the slightest effort to view the results of the U.S. Congressional commissions as a cause for concern, to cancel the deregulation of the banking sector which was identified as the culprit, or to draw even the slightest conclusion from these insights. Instead the government and the parties in the Bundestag are ceding the fate of Europe to the financial institutions, and the shameless redistribution of wealth from the poor to the rich proceeds nonstop. Nothing has been done to curb or prevent the drive of the so-called shadow banks, and thus the high-risk speculation transferred to the hedge funds and other institutions, such that profit rates of 200% per year are being reached. Two hundred percent profit from honest labor?

Now the bill is coming due: Four years of a constant policy of “rescue packages,” thus the conversion of private gambling debts into public debts, which led to the current state bankruptcy in the U.S.A. and Europe, has led to ruin. Either there will be a chain-reaction collapse into chaos, or further money-printing by the central banks will lead to hyperinflation and worldwide chaos.

What Should Be Done?

So what is the option, if the leading institutions show themselves incapable of protecting the general welfare against robber finance capital? We must build a broad international citizens' movement for the shut-down of this monetarist system and for the establishment of a credit system. A two-tiered banking system must immediately be introduced: the parts of the banks' transactions that are involved with the real



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economy and people's livelihoods must be placed under state protection, and the gambling debts must be cancelled. The commercial banks must be provided with new productive credit, which must be invested in targeted growth on a high scientific and technological level.

We must do, in most parts of the world, what the Kreditanstalt für Wiederaufbau (Credit Bank for Reconstruction) did in Germany, after 1945, namely, create an economic miracle within a few years, with a well-defined reconstruction program. The BüSo elaborated the concept for this long ago, with its program for the World Land-Bridge, and, especially, the development program for Africa. What's needed now is the mobilization of citizens, which can make that a reality.

Unfortunately, Germany does not have the political culture to think this way. People have become too much accustomed to thinking that you "just can't do anything anyway." But to remain in this state of mind would be capitulation to plunging the human race into a dark age.

The battle has not yet been decided in the United States. Rep. Mary Kaptur (D-Ohio) has introduced a bill into Congress, H.R. 1489, for a return to the two-

tiered banking system, to Roosevelt's Glass-Steagall law, which has gathered the support of 32 bipartisan co-sponsors, and many unions and other organizations. Over the next weeks, perhaps only days, the decision will be made as to whether America returns to the positive tradition of the American Revolution, Alexander Hamilton, Abraham Lincoln, and Franklin D. Roosevelt, and introduces the Glass-Steagall standard, or whether it comes under an emergency government.

In Europe there is only one opportunity, if we realize that the construct of the euro was a mistake, and never had a chance to function, and was never intended to function, according to the intention of its authors, François Mitterrand, Margaret Thatcher, and George H.W. Bush. There are competent studies which show that the reintroduction of a new deutschemark would be relatively simple, and that the return to sovereignty over its own currency and economy would bring Germany quickly onto a solid path of growth.

We find ourselves at an historical moment, when history will be decided for a long time to come, and in which the outcome depends above all on the subjective factor of whether enough people will commit themselves to the cause of humanity.