

California, the Pacific, and The Fight for Glass-Steagall

by Harley Schlanger

Harley Schlanger gave this speech to the Schiller Institute conference, “Forum for a New Paradigm: A Second American Revolution,” in San Francisco, on June 29, 2013. After reviewing the status of the House and Senate bills to revive Glass-Steagall, and conveying greetings to the conference from Rosanne Barr, a former candidate for President for the Peace and Freedom Party, who has endorsed Glass-Steagall; and from Colorado State Sen. Owen Hill, who also is calling for Glass-Steagall reinstatement, Schlanger proceeded with his address.¹



LPAC-TV

“The myth is that California was built by Hollywood,” Schlanger declared. The reality is that it was FDR’s New Deal, starting with Glass-Steagall, which created the basis for one of the most spectacular booming economies in world history.

Let’s take a look at the state of California today: We’ve gone through a perpetual budget crisis, annual revenue shortfalls, budget cuts, from 2002 to today, to over \$120 billion, and you hear this talk, “There’s too much pork, there’s too much spending”—it’s all nonsense! What’s been done with these cuts, is targeting the poor, the elderly, the sick, and children. And the future! Because when you cut health care, the way it’s been done in this state, and the way Barack Obama’s genocidal Obamacare policy is already doing, with Medicare cuts, Medicaid cuts, threats to Social Security, you’re killing people. We’re not talking about, in 10 years from now people will die—they’re already

1. Additional speeches to the conference can be found in *EIR*, July 12, July 19, and July 26, 2013.

dead! Elderly people, people who couldn’t get to emergency rooms, because hospitals were shut down. People who died because of police and fire cuts, food inspection cuts, loss of food production and so on. And the collapse of education, which is denying children access to their real potential, through their imagination.

We had a governor in this state, Arnie Schwarzenegger—how did that happen? You know the guy can’t even speak English—of course Bush became President, so, I guess you don’t have to speak English to be elected.

Schwarzenegger’s big theme: “Government is the problem”—and people bought this. Maybe it’s because of the cult of celebrity that we’ve all fallen for. Now we have a governor

who’s recycled, which is appropriate since he’s one of the big recycling advocates, Jerry Brown. We once had a pamphlet, “If It’s Brown, Flush It Down.” And that’s true today.

Now, every step of the way that California collapsed, our movement has fought it, in California and the nation, because it’s been a common policy. We fought the two leading elements that brought on the deindustrialization that caused the budget crises and the collapse of production: One is the Greenie movement—the so-called environmentalist movement—and the other is deregulation.

California, for its budget, depends on revenue from

two sources, mainly: capital gains taxes on wealthy people, and sales tax; and then, secondly, various kinds of bubbles. That wasn't the way it used to be. This used to be a state of industry, of agriculture, of infrastructure, of innovation, of trade, of expansion. But all of that changed, and in the recent years, we saw the income go up when the bubbles started, like the dot-com bubble, and then the revenue to the state collapsed, and the cuts coming in; and then, after 2007, the same thing happened with the collapse of the housing bubble.

So today, the politicians in Sacramento say, "Oh, we balanced the budget!" because they've already admitted they're going to kill certain people. And also there's some money coming into the state—why? Because of new bubbles. You know, some of you may remember when Facebook went public, Governor Brown said, "This will be great, because California will have a whole bunch of new millionaires made by Facebook stock, and when they sell the stock, they'll pay taxes and our revenue will go up." Isn't that great? Your children's education, your parents' health care, are dependent on a bunch of people lying to each other about who they are on the Internet? With the NSA watching every step of the way, as we now know. There's an economic policy for you!

Also, they're touting "tech jobs," we're getting new "tech jobs" in California. You know what the leading "tech job" in California is? "App" development! I just want to read you something from a paper from the Public Policy Institute, considered one of the leading economic think tanks in California.

"There's a growth in this area, because of media and communication workers, including social network developers, that points the way to the future, including special network developers, public relations jobs, filling positions in digital and Internet economy." And here's an example they gave: "A parking lot company



Gary Kramer

Under Gov. Pat Brown, in the late 1950s and '60s, water projects, as in the Central Valley and the Imperial Canal, were constructed, and California became the number one agricultural economy in the nation. Here, lettuce crops in the Central Valley, 2001.

in Los Angeles is hiring a social media specialist to use social networks pop culture, and social media trends to increase monthly parking at their site." I'm just reporting it!

Built by the New Deal

What was it that built California into a great economic power, to at one point being supposedly the fifth-largest economy in the world, if it were a nation? Now, by the way, it's ninth, and it's fallen behind countries in the Eurozone that have already collapsed, so that tells you about the great effects of Schwarzenegger, Brown, and also the Bush administrations and the Obama Administration.

Well, the myth is that California was built by Hollywood. That's a Hollywood myth. The reality is that it was the New Deal, the Franklin Roosevelt policy, *starting with Glass-Steagall*, which created the basis for one of the most spectacular booming economies, on sound principles, in world history.

With Glass-Steagall, you also had the infrastructure policies, which, in California, included the effects of the Hoover Dam; it included many public works projects, the WPA, the PWA, the CCC, and so on, that put people to work *doing* things, that created some-

thing. Not the so-called Obama stimulus, which largely hired people to find out where the stimulus money was going.

Now, this Roosevelt 1930s buildup was just the prelude to the real deal, which was the buildup during the wartime. I'm going to give you a few figures just to give you a sense of this: Between 1940 and 1946, the Federal government spent \$35 billion in California, second only to what was spent in New York. And in Franklin Roosevelt's terms, the "Arsenal of Democracy," that is, the ability to build the machinery needed to defeat the Nazis and the Japanese Empire, was not just Detroit, but Los Angeles. Los Angeles was the second-most industrialized city in the country—did you know that? It's not just tan-lines and boob jobs. It actually had a productive base to it!

Secondly, during the period 1940-46, the manufacturing economy in California increased by a factor of 2.5—a 250% increase in manufacturing jobs. Average income during that period tripled, a 300% increase in income. And 1.6 million people moved to California from around the country, to work in defense-related industries.

In the '40s in California, in addition to auto, steel, and rubber, you had the advance of the machine-tool sector, which is connected to the auto industry, but also shipbuilding, up in the Bay Area in particular, and aerospace down in southern California.

Now, nationally, between 1942 and 1944, under Roosevelt's policies, we had a 1,000% increase in machine-tool production. Not only did they increase the number of machine tools, but the power of those machine tools increased as the war went on. So you had a second-order improvement in the productivity of labor, through that kind of investment.

In 1944, there were 230,000 men and women working in aviation in Los Angeles County, in the aerospace sector. This is what built California. The combination of the water projects and other infrastructure projects in the '30s, the investment policy, and then, the war mobilization—which couldn't have happened without Glass-Steagall, and without the FDR 1930s policies. Between 1940 and 1950, California's population grew by 53%, from 6.9 million to 10.6 million—a huge increase.

This kind of economic development continued until the end of the 1950s, when it was inhibited largely because of water problems. You had, what Dr. [Hal]

Cooper pointed out:² plenty of water in northern California, and none in southern California; and you had a governor elected, Pat Brown, who said, look, California doesn't have a water problem, we've just got water in the wrong places. We've just got to move it.

'Doing the Lord's Work'

I want you to just listen to some quotes from some people involved in establishing the California water project, just to give you a sense of the kind of thinking *then*, compared to now. In his campaigns for governor in 1958, Pat Brown used the rhetorical question to end a lot of his speeches. He said, "Should corporate interests and nature run their course at your expense? Or should the government solve the water problem?" He was referring in part to flooding that killed 64 people in 1955. But this reference to "corporations, corporate cartels and nature"—the idea that nature was a problem! That we have to do something with nature.

One of his top advisors during the campaign said, "By bringing water to the thirsty land, you are, in effect, doing the Lord's work." And when Brown was criticized by spending money to do these water projects, he sent a letter to the press, a letter to the editor; he didn't like the way the press was covering it. And he said, "Well, what are we to do? Build barriers around California, and say nobody else can come in, because we don't have enough water to go around?" And it was in the late '50s and early '60s, that the full Central Valley water project was completed, work done on the Imperial Canal, the All-American Canal, and California agriculture grew to the point that it became the largest source of agricultural production in the country, as we heard from Frank Endres earlier.³

That's how California grew. And not only that, but one other aspect of the Pat Brown policy was funding in education: If someone could get high enough grades in high school, they could go to state schools [colleges] for almost nothing. And the president of the University of California said in 1958, "We want to attract industry to California, not by having cheap labor, but by having skilled, productive, educated workers."

2. See, "Hal Cooper: The Extended NAWAPA: World Rail and Nuclear Power," *EIR*, July 26, 2013.

3. See, "Frank Endres: Keeping the Farmer on the Land," *EIR*, July 19, 2013.

Now, just to review again, why this thing collapsed. It happened over successive decades, going back to the Nixon 1971 policy that Lyndon LaRouche identified, that created floating exchange rates, and had severe damage to U.S. industrial economy, especially as it was a step forward to free-trade and speculative economy. The deindustrialization that resulted in the '70s and '80s; the expansion of real estate bubbles, which happen every couple of years in California. And then, the decline of the aerospace—in the '70s and '80s. It was the auto industry that was shut down in the '80s; it was the aerospace sector after 1989. Instead of going with Lyndon LaRouche's SDI concept, which was the scientific basis for developing not just anti-missile systems, but new technologies based on new physical principles. Instead, they shut the sector down.

And at the same time, the counterculture took over California; the so-called “tech revolution”—you know, the personal computer came from a bunch of acid heads, working for DARPA [Defense Advanced Research Projects Agency]. I once wrote a piece called, “From Hippies to Hedge Funds”—you can look it up.⁴

The drug culture, the celebrity culture, and the *infantilization* of the population, in the focus on the self, rather than what Victor Chang just presented about acting for the good of the other, as a philosophical principle.⁵

So, in the late '70s, 50,000 high-wage jobs left southern California. In the '80s, we saw the loss of millions of jobs in California: 1.3 million manufacturing jobs remained in 2009, but it was a 21% drop from 2005. California lost 81,000 manufacturing jobs in 2008 alone, and between 2000 and 2009, California lost 471,000 manufacturing jobs.

And let me just finish with this example: The California Central Valley, the most productive agricultural area in the country, lost *150,000 billion gallons of water*, to protect a fish, a fish that was too stupid to swim to another stream. And that took 85,000 acres of useful farmland out of production.

So what we're looking at is a real collapse! When you talk about these jobs, you're talking about families being destroyed, you're talking about people losing homes, tax collection collapsing except for in the ex-

tremes, because people aren't working. And now, a *killing policy*, an admitted *killing policy*, as someone from the European Union told Helga [Zepp-LaRouche]—age 66, that should be the extent of life—after that, you're on your own.

All of this should bring us back, then, to the theme of this conference. Most people in this room are Americans. Now, Americans include people from all over the world. We have a very diverse culture. People came here because of the freedoms that were enshrined in our founding documents. And yet, most people have no idea what those are. And that those principles, in those documents, represent the salvation for our country and for themselves.

And so, when we go out of here, after this conference, we have to take these ideas with us, starting with the *most basic*, which is that with Glass-Steagall, we get back to the principles of physical-economy, on which this nation was based. And this is the path to justice, because with Glass-Steagall you end the bailouts and the bail-ins, and you begin the potential for rebuilding, as we've outlined in our three-part policy [Glass-Steagall; a Hamiltonian credit system; and NAWAPA—ed.] which includes the credit system which is necessary, because once you get rid of all this debt, you're going to find that the banks have nothing in them! And we've got to start figuring out a way to put production back together and the infrastructure policies are the key to that.

Now, can we do it? Well, our whole nation has been, as Robbie [Barwick]⁶ said, this question of ironies and anomalies: We beat the biggest power in the world to form a nation! We beat 'em again in 1812; and we beat them again in the 1860s. And now, we're rolling over and surrendering to them, with the Bush administrations and with Obama.

But that's not the American way! And as Lyndon LaRouche demonstrates, what an American does, is *fight* for principle, no matter what the odds!

The other day, Lyn said, “I'd rather be right, than be successful.” Now, a lot of people think, that goes against the American way, because success is everything, right? No! *If you're right*, and you *stick* to it, and you *never back down*, but you always are open to ideas on how to express that, and how to communicate it, then ultimately, you will be successful.

4. Harley Schlanger, “From Hippies to Hedge Fund Operators: The Case of Jeff Skoll,” *EIR*, April 20, 2007.

5. See, Wenji Victor Chang: The U.S. and China: Natural Allies for Justice, Peace, and Prosperity, *EIR*, July 26, 2013.

6. See, “Robert Barwick: Australia—Free of the British Empire!” *EIR*, July 26, 2013.