

# Momentum Grows for New Glass-Steagall

by Franklin Bell

Oct. 24—These are not happy days for Larry Summers, the Obama Administration's chief of the National Economic Council, who, in the late 1990s, was largely responsible for the U.S. abandoning the Franklin Roosevelt-era Glass-Steagall standards, that protected commercial banking from the speculative looting practices of the so-called "investment" banks. Since Lyndon LaRouche, in September, renewed his call for an immediate new Glass-Steagall Act, the drumbeat

has been getting louder—and closer to Summers' ear.

Former Federal Reserve Board chairman Paul Volcker, now a White House economic advisor—one of the few not in the pay of Wall Street and the City of London—has been known within policy circles for his support for a return to Glass-Steagall. On Oct. 21, his perspective was given play in the *New York Times*, which reported that Volcker "wants the nation's banks to be prohibited from owning and trading risky securities, the very practice that got the biggest ones into deep trouble in 2008. And the administration is saying no, it will not separate commercial banking from investment operations." Or as the *Huffington Post* headlined the same day, "Obama Administration Determined To Usher in New Great Depression." The *Post* noted, "Summers' and Geithner's various connections to the banking industry have been well documented, but what's outrageous is that they are now shooting down Paul Volcker's correct assessment that only a new Glass-Steagall will prevent future economic catastrophe."

Kansas City Federal Reserve President Thomas Hoenig, in an Oct. 6 speech, attacked the repeal of the Glass-Steagall Act, as narrowing competition, by allowing "the accelerated growth of the largest U.S. financial firms in the United States, and turning them into institutions that were thought to be 'too big to fail....'"

## 'The Banks Are There To Serve the Public'

Volcker told the *Times*, "The banks are there to serve the public and that is what they should concentrate on. These other activities create conflicts of interest. They create risks, and if you try to control the risks with supervision, that just creates friction and difficulties," and ultimately, fails.

Volcker is a monetarist, and as such, does not agree with the LaRouche Plan's call to put the entire financial system, including the Federal Reserve, through orderly bankruptcy, and have the nation reestablish a sovereign credit system, as provided for in the U.S. Constitution. But he's serious about Glass-Steagall.

*EIR*'s John Hoefle commented Oct. 21: "Commercial banks, which take deposits from the public and are supposed to loan that money back into the economy for productive purposes, have a fiduciary duty to



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*Paul Volcker agrees with LaRouche, that it's past time for the U.S. to return to the Glass-Steagall standard in banking.*

not only protect the public's money, but to do so in ways that protect their customers and the public at large. It was largely because of the predatory actions of banks like J.P. Morgan and National City Bank that Franklin Roosevelt had Glass-Steagall passed. With Glass-Steagall gone, the crooks are up to their old tricks.

"J.P. Morgan Chase, a bank that traces its roots back to Morgan despite several buy-outs, was reported [Oct. 20] by Bloomberg to be moving into physical commodities in a big way. Among other things, the parasites at JPMC are buying and storing oil—physical oil, not just futures—and holding it in the hopes that they can jack up the prices and turn a big profit. According to Andrew Kelleher, head of the bank's physical oil business, the bank owns storage tanks in Canada, Denmark, South Korea and Singapore, and has supertankers filled with oil in the Mediterranean and off the coast of northwest Europe. Kelleher said that the bank 'made over a billion [dollars] last year' in commodities.

"Citigroup, whose main banking unit grew out of National City Bank, recently announced the sale of its highly profitable commodities unit, Phibro, to Occidental Petroleum. Citi, a ward of the Federal government, had been under significant pressure to avoid paying Phibro head Andrew Hall the \$100 million bonus called for in his contract.

"When a bank makes enough speculating in commodities to pay one person \$100 million, something is seriously wrong. When banks are hoarding oil in the hopes of gouging the public, the system is seriously broken. It is high time that we put a stop to this criminal activity, by putting the banks back under a Glass-Steagall standard, and cracking down on the speculation that is ripping us all off."

Calls for Glass-Steagall-like measures are even coming from London. The *Daily Mail* reported Oct. 21 that the governor of the Bank of England, Mervyn King, "put himself on a collision course with the Government over its handling of the economy.... He stunned ministers by suggesting their refusal to hive off the 'casino' invest-

ment arms from High Street [commercial] banks could lead to a crisis 'even worse than the one we have experienced.'"

The *Mail* concluded, "There are increasing calls for reforms to create a 'firewall' between High Street banking, such as savings accounts and mortgages, and riskier internationally-traded services. It would prevent the kind of 'casino banking' that put savings at risk and brought the economy to its knees."

### **'Glass-Steagall on Steroids'**

Calls are also coming from Canada. The editor-at-large of that country's *National Post* wrote in the paper's Oct. 24 edition, "The world desperately needs Glass-Steagall on steroids."

The *National Post* was joined by the *Dallas Morning News* Oct. 24, which headlined its editorial "On financial reform, listen to Paul Volcker." The *News*, after taking note of Volcker's and King's calls, wrote, "given how wrong Summers, Geithner, and other high priests of 1990s deregulation were to trust Wall Street's self-control, an experienced gray eminence like Volcker deserves a wider hearing."

For a full discussion of a new Glass-Steagall Act's role in rebuilding the economy, see the half-hour video interview with LaRouche movement leader Phil Rubenstein at <http://www.larouchepac.com/node/12020>, or the transcript in *EIR*'s Oct. 23 edition.