

# The Implications of Glass-Steagall Today

*LaRouche Western States spokesman Harley Schlanger was interviewed by Matthew Ogden of LaRouchePAC on May 11.*

**LPAC:** What is the significance of the McCain-Cantwell amendment, calling for a revival of Glass-Steagall, to the Senate Financial Regulatory Reform Bill, or the Dodd bill?

**Schlanger:** Well, the Cantwell-McCain amendment to the Dodd bill is the whole bill. If you put the McCain-Cantwell bill in there, it changes everything. Because it restores Glass-Steagall.

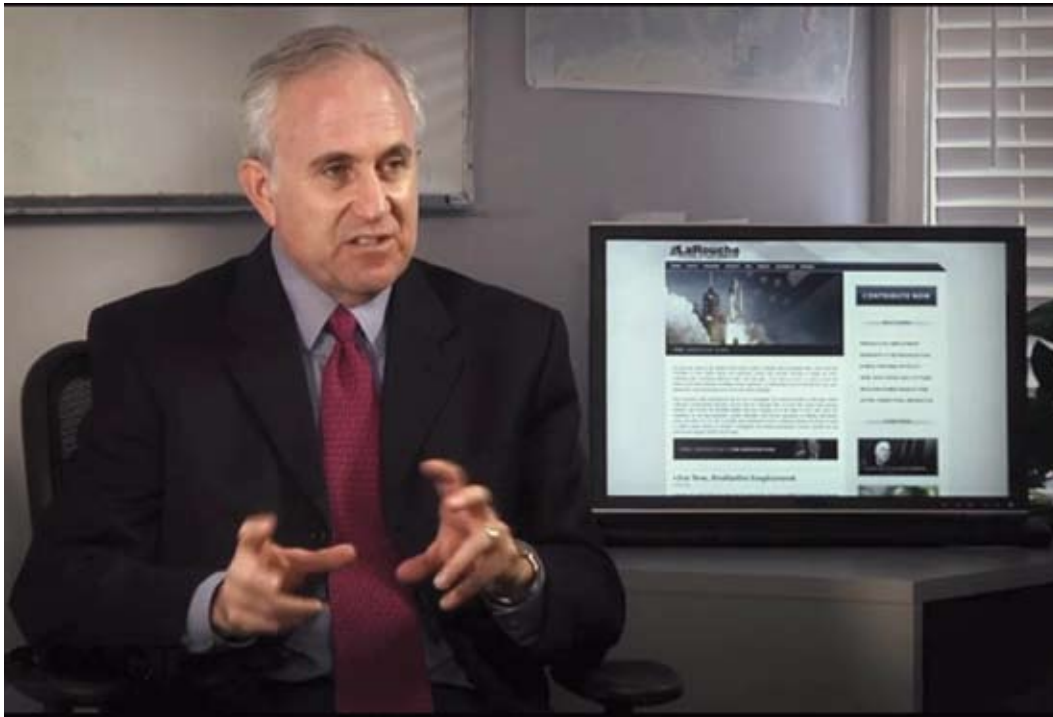
Now, the key to Glass-Steagall is that it's an anti-speculative measure. Because, right now, every financial institution—banks, insurance companies—they all are engaging in trading. And under Glass-Steagall, they would have to decide, are they going to be a bank, protected under the FDIC and Federal regulation? And, if so, they can't do trading. Well, the whole financial system is trading right now.

So, it's not just the separation of commercial banking from investment banking. It's a move to undercut the whole speculative bubble that really took off after 1999, when Glass-Steagall was repealed.

So, this is a crucial flank in the fight to restore a credit system, as opposed to an imperial monetary system.

Now, then, you have the other problem: the Grand Cayman Islands, the Dutch Antilles, the offshore—and this is really where the fixed exchange rates come in—why you have to have a Four Power agreement: That goes back to Franklin Roosevelt's design of the original Bretton Woods. Because if you don't have that, if you allow pockets of the world where money can flow in and out, to engage in speculation, then it's going to undermine governments that are too weak to protect themselves from the speculators.

So, in a sense, Glass-Steagall becoming global means that people like George Soros have nowhere to go to loot; nowhere to go to impose their austerity



*A unique aspect of the American System, is what Harley Schlanger identified as the “morality of production.” What are you working for? The day-to-day income, or because you have a view of the future?*

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against governments through speculating on currencies, food products, and things of that sort.

What it really means, Matt, is that the whole attempt to use monetary policy to impose genocide goes out the window. Because now you’re in a completely different approach to economics. Your approach to economics is: How do we ensure production for the future, as opposed to, how do I cover my short bet today?

### **A Global Glass-Steagall**

**LPAC:** How do we apply a global Glass-Steagall to reshape the world financial system?

**Schlanger:** Well again, you have to start with the fact that the whole world, at this point—the financial system—has broken down. It’s gone. It’s finished. And really, Lyn was right when he identified this in July 2007 as the end of the financial system.

Now, the only way you can put this back together again, is that you have to have investment in areas that produce wealth, real productive investment, starting with infrastructure. This can’t happen anywhere in the world, if you still have these predators, these financial speculators, who use the global system, the deregulated system, the same way the British East India Company imposed cheap raw materials, and cheap labor policy, slave-labor policies, at the

time of our Revolution.

So, in this sense, what Lyn is saying, is, the first thing you do is get it in the United States. Once the constitutional intention of the policy in the United States is clear, then, the rest of the world will be sent a strong signal: The U.S. economy is no longer a speculative casino.

Once this intent is clear in the United States, then we are going to be able to clean out the pockets of British operatives existing in the Russian government, who are saying, “No, the United States is the model; this globalized economy is the model. You’ve got to get in it.” Once the United States says no to that, then the Russians can very easily say to these British agents, the Gorbachov crowd and everyone else, “You’re no longer welcome here.”

### **Deregulation**

**LPAC:** What was the process which led to Glass-Steagall eventually being repealed?

**Schlanger:** From 1971 forward, there was one move after another to deregulate banking. There were two bills in the early ’80s, and one of them led to the collapse of the Savings and Loans, which was integral to FDR’s notion of Glass-Steagall: that is, you have a separate, protected category of banks, which provides

money for people to get housing, and holds on to a mortgage for 30 years, and the monthly payments provide an income stream which can then be lent to someone else to buy houses.

Now, once you shift that, and turn that into a speculative instrument, as in mortgage-backed securities, then, nobody even knows who owns the mortgage anymore. So, we've lost all morality with this.

There's an interesting aspect to the American System, which is what I often call "the morality of production." It's this question of immortality. If you have a sense that you're going to have 40 years of work, maybe 45 years of work in your lifetime, and you want to produce a body of work, whether it's construction, whether it's as a scientist, whether it's as an artist, you're doing it for, what? For the day-to-day income? Or because you have a view of the future?

Now, we've lost the view of the future, as a society. We can win it back through something as simple as going back to a regulated banking system. Because it has a *Constitutional principle* underlying it, about the nature of Man.

And this is why I think it's so important, that Lyndon LaRouche always emphasizes this Constitutional principle. The idea of "the pursuit of Happiness," which is not simply a spiritual question. But it's a question of knowing that your life is building towards something better, for your children and grandchildren. That's in our Constitution, in the Preamble.

And that's the way our nation should function. That is the idea of—that the nation was founded, from the Declaration of Independence and the Constitution, to give Man that sense of purpose, as opposed to being a serf, or a slave, or a slave-owner. Which is almost as bad a conception as being a slave.

## What Is Value?

**LPAC:** How does the Glass-Steagall principle reassert this moral standard of economic value?

**Schlanger:** Well, you see, this gets to the question that Lyn has been really insisting on recently, which is: What is wealth? What is value? And if you look at the foolishness, the sophistry, of the Greenspan arguments since 1987—once you accept the idea that money is wealth, that a bet that will bring you money is a way to become wealthy, then a society gets far away from the intention of Glass-Steagall and Bretton Woods.

The whole idea in Bretton Woods was not just to

rebuild the powers of Europe; it was to end colonialism. And so, ending colonialism means no more imperial impositions of value. It means that nations can act for the interests of their population, not just for today, but starting to do infrastructure programs.

Just as an example: You know, the original idea of the World Bank—it was called the World Bank for Reconstruction and Development. Now, there were some projects—and these projects tended to coincide also with nation-building factions in the United States—it went out and did water projects, and some infrastructure. But, at a certain point, the World Bank and the IMF became policemen of the speculative economy. And so, they vetoed virtually any construction or reconstruction program.

So you have whole nations of the world, in parts of Africa and Asia—even China and India, where infrastructure is 19th Century or earlier. Of course, Massachusetts also has 19th-Century infrastructure, as we found out this last week in Boston.

So, we've got to have a commitment to a notion of physical economy: the production of things of value, in terms of increasing the energy flux density of an economy, and the potential relative population density of the planet.

Now you can't do that with a speculative economy. The uniqueness of the American System, the idea of the Founding Fathers, of a Constitutional basis for credit—which is what Roosevelt went back to, and which we really haven't had since his death—this is what LaRouche is reviving. And *this is the American System on a global basis*. And that's why the British don't like it!

It's from 1945 to the present—from '45 to '71—that sort of a coexistence of somewhat of a Bretton Woods system with an imperial system; from '71 to the present, it's been an imperial system, based on belief in money and power.

And so, we're now at a point, where we're reasserting the power of the American people, through their elected representatives, through institutions of self-government, to say, "We're not going in this direction anymore. We're going back to something which reflects the principles of the founding of our nation."

And that's why this is so important. It's not just an amendment to a bill. It's a reassertion of a national mission. And that national mission is not completed until we've brought it to the whole Solar System, not just to the rest of our current planet, the Earth.