

## EIR Puts Glass-Steagall, War Threat on Agenda

by Michelle Rasmussen

Nov. 4—Ministers and parliamentarians gathered in Copenhagen, Denmark Oct. 31-Nov. 3, to discuss cooperation among the countries of the Nordic Council. However, as the Greek crisis and the increasing threat of Southwest Asia-centered war, shifted the strategic backdrop, *EIR* brought these issues to the fore, in several press conference interventions and interviews with government officials.

Finland, whose destiny is closely tied to its proximity to Russia, responded most clearly to the danger that conflicts in the Middle East could lead to general war, and Iceland, trying to recover from a speculative bank blowout, responded positively to the Glass-Steagall solution.

With eight prime ministers—those of Finland, Denmark, Norway, Sweden, Iceland, Latvia, Estonia, and Lithuania—seated on the dais, *EIR*'s correspondent stated:<sup>1</sup>

“Our editor, the American economist Lyndon LaRouche, emphasized after the recent European summit, that it in no way solved the combination of the unpayable debt and the speculative debt.

“And, at the same time, after the killing of Qaddafi, and calls for Syria to be the next venue for intervention, there have been increased tensions with Russia, which could lead to a larger conflict, as previously in the Balkans....

“There has been growing support for reenacting Franklin Roosevelt’s Glass-Steagall law, which would separate the banks, and in which nations would not save the speculative debt. And I want to know if you would consider such a Glass-Steagall separation as the first step towards a solution; this could also lead to cooperation with Russia, to build up the real, productive economy.”

Finland’s Prime Minister Jyrki Katainen, the

spokesman for the group, responded first (slightly edited for clarity):

“When it comes to political cooperation, especially questions like Syria and the Middle East in general, we need Russia there. And there is no other way than to try to find political compromises and common political will, when talking about big political issues, for instance, the issues we are witnessing in Northern Africa at the moment....

“Russia is still an economy which is growing, and it gives economic potential, especially for Northern Europe. Everybody knows that Russia, in order to get a sustainable economy and economic growth, needs to diversify its economic base. Russia is a very natural resource-[dependent] economy at the moment, and they themselves have said that they have to diversify. They need direct investments and cooperation, especially from the European countries.”

Latvian Prime Minister Valdis Dombrovskis then contended that Glass-Steagall would not solve the sovereign debt problems related to, for example, Greek bonds, and that the measures agreed to at the European summit would make the situation just about manageable.

### Economic Aftershock

That was the day before Greek Prime Minister Papandreou called for a referendum on the EU bailout package, causing aftershocks at the Nordic Council session. Afterwards, *EIR* interviewed Icelandic Finance Minister Steingrímur J. Sigfússon.<sup>2</sup> While, as of this writing, the Greek referendum has been taken off the table, reflections from Iceland, whose banking crisis began in 2008, and whose population has twice voted “no” to the Icesave bailout, are instructive. Excerpts follow:

**EIR:** “LaRouche, has stressed that there was no real solution come to at the European summit meeting, because the debt is still unpayable, and the populations will not go along with the level of austerity they are speaking about. The Greeks have just announced a referendum. And there was really nothing put into place to have funds for positive economic development.”

*EIR* then asked if they had, or would, discuss a Franklin Roosevelt solution, based on Glass-Steagall, and massive credit to build up the real production economy.

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1. See the video at <http://www.youtu.be/Y3FSIeBdeNA>

2. <http://www.youtu.be/Z7LIImwQvILU>

**Steingrímur:** “Well, we have not discussed that in that sense at our meeting, but we decided to lay down a working group to go over our policies regarding the banking sector, and on a broad basis.... The Nordic countries are interested in having their voice in how this financial sector will be reshaped....



OECD/Hervé Cortinat  
*Icelandic Finance Minister  
Steingrímur Sigfússon*

“Obviously, this has to be dealt with in steps. Firstly, you have to avoid a total breakdown of the system, so you could call the first measures sort of rescue measures.

“But I would personally agree that you then have to have a strategy for how you go further and build up the economies and create growth, and as yet, you don’t sort of see that in the packages being designed....

“If [Greece sends] the austerity measures to a referendum... one can question how likely is it that the population will accept to shoulder an increased burden.”

**EIR:** As in Iceland.

**Steingrímur:** “Yes, well the experience from Iceland is quite clear. If people believe that they have a choice just to vote it out, they are very likely to do so; but I think generally the voters understand that these things need to be tackled.” The measures “cannot be too drastic.... I think it’s difficult to put a straightforward austerity package to the vote, if it is not followed by a long-term strategy of how you get out of the crisis, and how you build the economy up, and how you improve the standard of living again. So this is not an easy phenomenon to deal with, also in a democratic sense.”

*EIR* then stated that we are calling for a “Roosevelt shift,” away from deregulation, derivatives, and the private interests of the financial markets, back to the general welfare of nations, with Glass-Steagall and state credit for the productive economy.

**Steingrímur:** “I welcome the discussion that is taking place now about Glass-Steagall, or some kind of security for ordinary customer banking, and separating that from the more risk-taking investment.... Personally, I am very interested in that discussion, and would like it to materialize.”

“I would suggest that you have a closer look at the

Icelandic program. It was, in many ways, unorthodox, in the way we architected measures on both the revenue and expenditure side. We saved the welfare services from cuts, as much as we could. On the revenue side, we increased taxes on the high income, the wealthy, the capital-gainers. So, you should make a clear distinction between the different approaches that countries take....”

The minister said that it is problematic for highly indebted nations to borrow more money to stimulate the economy. *EIR* explained that what we are proposing is Hamiltonian national credit creation for future-oriented projects, not financial market loans.

**Steingrímur:** “Yes, I mean, measures like that would come in very handy, when you have this big dilemma of high debt, but at the same time need to facilitate growth in infrastructure, investing in education, environmental green innovation, and so forth. How can you do that if you are highly indebted, and at times when the financial markets are very unstable, and the cost of borrowing likely to be rising, and so forth? Then I, for one, would not exclude unusual measures like that. But we have not been into that as yet, to discuss anything like that.”

## The War Danger

The next day, *EIR* raised the threat of war in the wake of the Qaddafi murder, at the press conference of the five Nordic foreign ministers. Their spokesman, Finland’s Foreign Minister Erkki Tuomioja,<sup>3</sup> answered in a general manner:

“There are, in reality, way too many possible scenarios for conflicts in the Middle East. Today, we concentrated on the situation in the Palestinian areas, and the situation between Israel and Palestine. There is also the Iran question, and there is also a very bad situation in Syria. I believe that we all naturally have the same standpoint, that we will do everything possible—that means for us, first and foremost, through the EU—to prevent these potential conflicts from actually leading to war, because war is never an acceptable and productive solution for today’s problems.”

*EIR* correspondent directly discussed the crucial issues of war and financial collapse with the eight ministers, as well as some of the parliamentarians, including guests from the Russian Duma, and Balkan nations.

3. <http://www.youtu.be/pn-oPUrJEF8>