

# Glass-Steagall Introduced in Senate On 80th Anniversary of FDR's Original

*The following leaflet, issued by LaRouchePAC on May 17, under the headline, "The 80th anniversary of Glass-Steagall: The American Principle of Progress," is being circulated internationally, and is available for e-mailing and printing on the [LPAC website](#).*

Thursday, May 16, 2013, marks the 80th anniversary of the introduction of Franklin Roosevelt's Glass-Steagall Act into Congress. The purpose of the bill was stated plainly in the preamble, which reads: "To provide for the safe and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative purposes, and for other purposes." Yet, the implications of the Act, as well as the success of the legislation for 66 years, was understood by Roosevelt not merely as a measure to curb Wall Street excesses, but rather as a reflection of the principles of the American System of Economy. In the introduction to his second volume of private papers, Roosevelt stated explicitly:

The New Deal was fundamentally intended as a modern expression of ideals set forth one hundred and fifty years ago in the Preamble of the Constitution of the United States—"a more perfect union, justice, domestic tranquility, the common defense, the general welfare and the blessings of liberty to ourselves and our posterity." But we were not to be content with merely hoping for these ideals. We were to use the instrumentalities and powers of Government actively to fight for them.

Within the first 100 days of his first administration, FDR implemented Glass-Steagall, and, with it, the backbone of his New Deal. Roosevelt's 1933 reorganization of the banks was not done for the banks per se, but was done to establish the institutional framework for providing credit to the real economy, which had

suffered under 20 years of failed policies prior to his taking office. Under Glass-Steagall, the banks were made capable of supporting the New Deal policies, in particular, FDR's initial plan for Credit Banks for Industry, which evolved into the direct-lending credit facility of his administration's Reconstruction Finance Corporation.

To restate the purpose of Glass-Steagall today: It is the means to end the tyranny of speculative financial institutions, and to once again allow commercial banks, the traditional drivers of productive lending to the real economy, to lend in their communities. As "Quantitative Easing" exceeded \$2.5 trillion from 2008 to 2012, overall bank lending contracted by nearly \$1 trillion. Over the course of the last decade, 1,500 community banks have disappeared, with 475 out of business since the passage of the 2010 Dodd-Frank Act, as regulatory burdens on those institutions increased tenfold during that same period.

The purpose of Glass-Steagall, in the words of FDIC Vice Chairman Thomas Hoenig, is to "narrow the public safety net to the purpose for which it was intended. . . . Commercial banks with the protection of the safety net would again be restricted from engaging in higher risk and return activities, such as trading, creating derivatives, or other broker-dealer activities that do not need government protection to function effectively." Exempt from that safety net would be the nearly \$70 trillion shadow-banking "industry," unprotected, and subject to bankruptcy laws.

What is most important, however, is that Glass-Steagall will once again provide the United States, and other nations prepared to follow suit, with "a modern expression" of the principles embedded in the American System of Economy, principles expressed most clearly under George Washington's Treasury Secretary Alexander Hamilton, President John Quincy Adams, President Abraham Lincoln, and President Franklin D. Roosevelt. The greatest periods of prosperity, expan-

sion, and growth in the U.S. economy have occurred when our financial institutions were utilized explicitly for the purposes of nation-building. In each case, the creation and regulation of the U.S. currency were, strictly, a reflection of growth in the real economy.

The present financial system, which counts speculative values, market values, and the multiplication of mere money values as wealth, can be supplanted, as under Franklin Roosevelt, by the return to the American system of human productive values. Typical of this is the proposed North American Water and Power Alliance, NAWAPA XXI, which would absorb inherently anti-inflationary new lending through a Glass-Steagall-regulated, national banking system. Lending would go toward large-scale water and power projects, high-speed transportation routes, leading to a revival of national industry.

Such improvements of the territory of North America would go toward the increase of U.S. food production—to attain long-term food and water security—as well as the creation of corridors of resource development throughout the continent. Under NAWAPA XXI, the increase of cement, steel, and aluminum production, and related manufacturing in the U.S. would lead to at least 7 million long-term productive jobs. Long-term productive employment would not only provide the means, through internal taxes and duties, to make good on U.S. debts, but would also build a new generation of productive citizens.

Glass-Steagall, combined with a lending facility, in this case a new Bank of the United States, issuing direct loans, would make all of this possible. The U.S., as under the administration of Franklin Delano Roosevelt, would have credit in the present, on the guarantee of those future physical improvements, and those increases in the per-capita productivity of each member of society. The rate of progress from one generation to the next, and the subsequent increase in the rate of im-



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*LaRouchePAC activists campaign for Glass-Steagall, in Phoenix, Ariz.*

provement of each generation, underlie the American System of Economics today, as it did 80 years ago.

The popular support for Glass-Steagall is increasing week by week. Since January 2013, 18 states have introduced resolutions calling on Congress to reinstate Glass-Steagall. As of this writing, 63 members of the House of Representatives have signed on to H.R. 129, the bill to reinstate Glass-Steagall. LaRouchePAC has received appeals from institutional figures and political bodies in over a dozen nations, calling on the U.S. Congress to reinstate Glass-Steagall and to pass H.R. 129. Yet, the popular support is not what will ultimately lead to the restoration of the Roosevelt-era policy. What is required is what Lyndon

LaRouche discussed on May 15:

There is no value whatsoever in a monetary system. There may be value in the context of the system. The value of an economy lies in people, not money. It's the ability of people to increase the productive powers of labor, not measured in dollars, not measured in currency.

What is defined is the ability of mankind, through the creative powers of mankind, to increase the productive powers of labor in effect, per capita and per square kilometer. It is that action which defines value. The only true economic value is *that* value, not the money value. You can use money, but you have to use money as a mere shadow of what is reality, which is the productive powers of labor.

Glass-Steagall simply means putting the banking and financial system back in accord with productive values. The dedication to increasing and improving on those productive values will put the United States back on the course of the mastery of man over nature on Earth, and ultimately, mastery of the Solar System as a whole.