

Glass Steagall—To Destroy Wall Street

On the eve of what promises to be a much more devastating financial blowout than that of 2007-08, the drumbeat for restoring FDR's Glass-Steagall Law, to cut off Wall Street's speculative binge from Federal government support, has re-emerged in the United States. Whether this crucial policy issue is pursued or not, will be absolutely decisive for the future of the United States.

Glass-Steagall legislation, properly conceived, is *not* a mere financial tweak, or, God forbid, an electoral strategy. Its re-enactment, *before the blowout*, would be a strategic hit against the main source of the drive for global war and misery internationally—London's junior partner in the United States, Wall Street.

Financial experts, such as FDIC vice-chairman Thomas Hoenig, and former director of the Office of Management and Budget David Stockman, realize exactly what a blow to Wall Street the reimposition of Glass-Steagall would be. Both have recently given presentations documenting the systemic danger to the financial system represented by the huge balloon in derivatives, highly leveraged loans, and speculation such as corporate stock buybacks. Both have been clear that Glass-Steagall would cut these banks loose; The consequences for their continued existence without government support are obvious.

Now Glass-Steagall has become a prominent subject of discussion within the Democratic Party political arena as well.

In a March 3 column on the question of what policies a Democratic Party candidate for President in 2016 should adopt, former Labor Secretary and economist Robert Reich made a strong case for Glass-Steagall's restoration being at the top of the agenda, in addressing the disastrous economic conditions facing ordinary Americans.

Referring to Wall Street's rolling back of the Dodd-Frank Act, he wrote:

"The Democratic candidate could condemn this, and go further, promising to resurrect the Glass-Steagall Act, once separating investment from commercial banking (until the Clinton administration joined with Republicans in repealing it in 1999).

"The candidate could also call for busting up Wall Street's biggest banks and thereafter limiting their size; imposing jail sentences on top executives who break the law; cracking down on insider trading; and, for good measure, enacting a small tax on all financial transactions in order to reduce speculation."

Reich has called for Glass-Steagall before, but it is a new phenomenon for prominent Democratic politicians—other than Massachusetts Sen. Elizabeth Warren—to campaign on that basis. Yet, during two campaign trips in early March, dedicated to testing the waters for a presidential bid, former Maryland Gov. Martin O'Malley called for the bank separation law to be reinstated. "We would make a mistake as a party if we held ourselves out as becoming some kind of a version of Dodd-frank Lite," O'Malley said during stops in South Carolina and New Hampshire; he said it was necessary to return "the finance industry to the rules established by the Glass-Steagall Act passed during the Great Depression that kept banks from gambling with our money."

None of this kind of spirit has been seen in Congress yet—although Rep. Marcy Kaptur's (D-Ohio) HR 381 bill to restore Glass-Steagall has 30 co-sponsors. No new bill has shown up in the Senate.

Time is short. To stop war *and* a new crash, Glass-Steagall must be restored now.