

# LaRouche Democrats Mobilize: Glass-Steagall, or Die!

by Nancy Spannaus

June 22—At its regular monthly meeting on June 9, the Borough Council of Lansford, Pa. unanimously adopted the LaRouche PAC resolution, entitled, “To Save Our Nation, Congress Must Pass Glass-Steagall and Shut Down Derivatives Now!” Lansford thus became the first locality to go on record for reviving the FDR-era law separating commercial and investment banking—a measure Lyndon LaRouche has defined as the essential first step to preventing a total disintegration of the U.S. and world economies.

The Council is sending official copies to the local Congressman and to the two U.S. Senators, as well as to Senators Maria Cantwell (D-Wash.), John McCain (R-Ariz.), and Blanche Lincoln (D-Ark.), and is also putting out a press release in the area.

LaRouche Democrats, spearheaded by the three LaRouche Congressional candidates Rachel Brown (Massachusetts, 4th C.D.), Kesha Rogers (Texas, 22nd C.D.), and Summer Shields (California, 8th C.D.), have presented the same emergency resolution to more than two dozen other city councils, so far, most of which are in the midst of agonizing discussions about how to survive the economic breakdown crisis with their citizens, and infrastructure, intact. The resolution is also being endorsed by local political leaders, and candidates for office.

In a statement issued June 14, Kesha Rogers expressed the spirit of the LPAC mobilization.

“Since the 1776 American Revolution, there has never been a stronger mass movement of growing opposition, and hatred, in the population against our Brit-



LPAC videograb

*Kesha Rogers, who won the Democratic nomination for Congress in the Texas 22nd C.D., is one of three LaRouche Democrats running for Congress this year, who are leading a nationwide fight to restore the Glass-Steagall banking principle.*

ish Imperial foe as we are witnessing today among American patriots. The mass strike building up in the population against the atrocious policies of the London- and Wall Street-backed puppet, President Obama, and so-called leading political figures alike, is a clear sign that Wall Street and the British Empire should beware. The American people are in a fighting mood. . . .

“The reality is that the entire global financial system is on the verge of a hyperinflationary collapse. Just look at the breakdown in physical production, look at the situation in Europe. The entire Eurozone is finished. There is no possibility of reversing this deepening crisis, except for the reinstatement of the 1933 Glass-

Steagall banking reform, that created a firewall of protection for commercial and savings banks, against investment banks, implemented during the Presidency of Franklin D. Roosevelt. This reform was repealed in 1999, under current Obama economic advisor Larry Summers, and Sen. Phil Gramm [R-Tex.], while my opponent, Pete Olson, the current congressman of the 22nd district, was an aide to Senator Gramm!...

"This growing sentiment is spreading across the entire political spectrum. We have to act now at once, again, to return our nation to the productive power which it once represented. We must have an optimistic vision and mission for the next several generations. This will only be accomplished in a post-Obama world, and with the cancellation of dirty derivatives contracts and Wall Street-run operations. I am endorsing the currently drafted Glass-Steagall resolution by the LaRouche Political Action Committee, being circulated to city councils and state governments across the country for support. I call on each and every one of you to back this fight. Call your city council members, labor leaders, and state reps and demand that they support the reinstatement of Glass-Steagall, now."

### **A Battle Royal**

Although Wall Street and its lackeys in the Congress and the Obama Administration have succeeded in preventing the popular Glass-Steagall amendment from even being discussed, much less put into the so-called "financial reform" bill now being worked out in Congress, there is no question but that the Glass-Steagall issue is at the center of a furious behind-the-scenes debate. It is well known, especially in banking circles, that reviving Glass-Steagall is the unique way to get rid of the hundreds of trillions of dollars of derivatives now strangling the economy and the banking system—and to get onto the road to a real recovery. And it is clear that the Dodd reform bill, even if Sen. Blanche Lincoln's section regulating derivatives survives, will only protect the derivatives-holding predators.

The Federal Reserve Board of Governors, meeting this week in Washington, is, itself, publicly split on the issue of derivatives and Glass-Steagall, as shown by a letter issued June 10 by Kansas City Fed head Thomas Hoenig and Dallas Fed chief Richard Fisher. Some political insiders have reported that other Fed chiefs are

likely to join these two in calling for a derivatives ban, and the "reinstatement of Glass-Steagall-type laws to separate higher-risk, often more leveraged, activities of investment banks from the commercial banking system."

Yet, Federal Reserve chairman Ben Bernanke used the occasion of a question raised at a conference sponsored by the Squam Lake Group of academic economists and former policy-makers in New York City on June 16, to reject his colleagues' view. Bernanke stated that reinstating Glass-Steagall would "not be constructive" and is "not on the agenda." Bernanke lied that the 1999 repeal of Glass-Steagall had no clear relationship to the current financial crisis, concluding, "It's not clear it would be particularly constructive to revive Glass-Steagall."

In addition, the Wall Street crowd is pulling out all the stops, lobbying for the removal of the Lincoln section of the bill, which, although weakened in its enforcement provisions by Dodd, would demand the separation of derivatives operations, the primary source of revenue for the top Wall Street firms, from commercial banking operations. As the Lincoln provision was not in the House bill, and Rep. Barney Frank is playing his usual protection role for the bankers, they think they have a good chance.

The only alternative is for the population, which continues to be *for* Glass-Steagall by an 80 to 20 margin, to weigh in forcefully, and overturn the applecart, demanding that Glass-Steagall be enacted once again.

### **Restoring Sanity to the Economy**

In 2007-08, LPAC mobilized hundreds of thousands of citizens, and more than 100 local jurisdictions, to demand Congress enact LaRouche's Homeowners and Bank Protection Act (HBPA), only to be betrayed by their Congressmen. If the HBPA had been put into effect, the horrors of mass foreclosures and many of our banking problems would not be with us today.

Now, with a new phase of financial breakdown crisis looming, the U.S. population must act even more decisively, to force through Glass-Steagall immediately. The situation in Pennsylvania, where the first small town has passed the LPAC resolution, shows how very ripe the conditions are for that action.

Lansford, a town of about 4,000 in Carbon County,

is in the heart of the old anthracite coal country of north-eastern Pennsylvania, and is the hometown of the current speaker of the State House.

The resolution was adopted on the initiative of the Council president, a Republican, who has been closely following LaRouche since he was contacted around the HBPA in 2007. The Council passed an HBPA resolution at that time by a vote of 6-1. He reported that when he read the resolution at the meeting, council members and the audience, who had been visibly bored up to that point, suddenly came to life, and began vociferously agreeing as he read it, and the turned out to be 7-0 in favor.

The Council president told LPAC before the vote on the Glass-Steagall resolution: "I just recently figured out derivatives, and they have no place in our economy." He was responding to the scandal over derivatives that has erupted in Pennsylvania, after the state Auditor General released a report last November showing that 107 out of 500 school districts, plus 86 local governments and other agencies, such as the Turnpike Commission, have been bamboozled out of tens of mil-

lions of dollars by Wall Street firms which convinced them to engage in interest rate swaps. The scandal exploded after the Bethlehem-area school district admitted to \$10 million in losses, and was forced to raise property taxes. This is also a factor in the bankruptcy crisis facing the city government of the state capital, Harrisburg.

Nor is Pennsylvania unique in being victimized by these derivative looting instruments. The cities of Oakland, Calif. and Montgomery, Ala. have both undergone huge crises, as a result of being conned into taking out derivatives contracts that went bad, and cost them tens of millions—and vital services.

It's long past time that these "innovative financial instruments" were banned from U.S. banking—and solid commercial lending into the physical economy took its place. But, with the Congress largely bought off by the big-money class, it's going to take a citizens' revolution to get back to sanity. But, by all indications, the American population is ready for such a revolution—and if it listens to LPAC's leadership, it can prevail.

## Emergency LPAC Resolution: Shut Down Derivatives Now!

*Here is the text of the Resolution, titled, "To Save Our Nation Congress Must Pass Glass-Steagall and Shut Down Derivatives Now!"*

WHEREAS, the leadership of the U.S. Senate has sabotaged the inclusion of the Cantwell-McCain Glass-Steagall amendment into the so-called financial reform bill, thus leaving our banking system vulnerable to the ongoing blowout of the world financial system, as such is anticipated by the current freeze-up of bank lending, and the 1,000 point "flash" drop in the U.S. stock market; and

WHEREAS, that same leadership, under pressure from the Obama Administration and Wall Street, has similarly removed any significant enforcement mechanism from that "reform" bill in respect to the trading of derivatives, and has given every indication, as of May 24, that they intend to *remove* the

Lincoln amendment which imposes restrictions on banks' trading in derivatives, from the bill entirely, during Conference discussions with the House of Representatives; and

WHEREAS, the re-imposition of the Constitutional Glass-Steagall principle that separates commercial from speculative banking, and the shutdown of the hundreds of trillions dollar derivatives casino—both measures which have been strongly promoted and supported by leading economist Lyndon LaRouche—are the indispensable, and inseparable, first steps for saving the U.S. economy, and creating the basis for the launching of a real economic recovery program based on massive infrastructure projects;

THEREFORE, be it resolved that

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demands that Congress immediately act to pass the Cantwell-McCain Glass-Steagall amendment (or law), and to adopt measures which will lead to the shutdown of the derivatives market, starting with the Cantwell-Lincoln amendment to the Dodd bill.