



## Bad Banks Go to Hell

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*I had sent the following, quoted message in reply to a question on the matter of cancelling the “bail out” through the urgently needed re-application of the Glass-Steagall law.*

My reply to that correspondent was:

“Trillions of U.S. dollar-equivalent will be transferred out of the common classification of public debt, thus reducing the obligations of Federal and commercial banking accounts, under present practice, into speculative accounts which are no longer obligations of either the commercial banks or Federal and State governments.

“That means, admittedly, that most of the merchant banking will be plunged out of existence. That will penalize the relatively fewer, but will save the lives of the great majority, and of the existence of our republic itself. So what? The innocent are not obliged to pay gambling debts.

“Those who lose on the account of gambling debts, have no legitimate grounds for complaining. They have already swindled our nation out of much-too-much for too long, and now the swindle has been brought to a much-needed end.

“It saved the United States in 1933. It will save the U.S.A. from an otherwise total destruction, today.”

To that, I now add the following amplification:

That correspondent had included a question of the following type: “Yes, but, what do we do about those trillions of debt?” Therefore, I add the following remarks which were already implicit in my original reply.

The only competent response to that latter question is: “The banks which are not redeemable as returned in the form of commercial banks under the original Glass-Steagall law, will be

advised to pay the debt themselves, since those debts are not legitimate debts for commercial banking institutions in either their form or their character.”

In short, the banks which are now classifiable as commercial banking, are not obliged to pay those actually worthless, essentially speculative debts which do not meet that equivalent of the standard for properly defined commercial debts under our Constitutional system. They are essentially gambling debts incurred at the risk of private bankers outside the legitimate orbit of a commercial banking system, and therefore represent nominal, gambler’s debts, which should not be considered as debts of the government or the system of commercial banking of our United States.

This, admittedly, will lead to the closing out of the speculative form of gambling debts of the many merchant banking and comparable private institutions which can not redeem these debts by means other than the same standard specified by the Glass-Steagall law. What of it?

That urgently needed reform creates an inconvenience for some people, but not an actual injustice; gamblers’ losses may be painful, but that does not make them mandatory obligations of our constitutional system of government. The United States does not pay other people’s gambling debts, or pay off debts which are of a quality equivalent to “investments in ‘Boardwalk’ ” in the board game of “Monopoly.”

Under the system of self-government established as the amplification of our Federal Constitution’s statement of fundamental principle in its Preamble, true wealth and its incurred obligations are expressed by a well-regulated system of credit, not monetary interests, a system of credit focussed on the missions of public credit and the promotion of physically useful investments in that maintenance and increase of the productive powers of labor which are the primary issues of proper concern of the public interest, and, therefore, also, those enterprises which are properly dedicated to intentions which are reasonably considered as contributions to the improvement and maintenance of the physical well-being of the nation, just as under the system of credit established under the original charter of the Massachusetts Bay Colony, a charter which has been the original model for a design of government on which the existence of our U.S. republic was based, and which is the distinction of the system of the United States from the monetarist systems of old Europe.

### ***Ours Is a Credit System, Not...***

The cancellation of the effort to compel the Federal Government to pay other people’s gambling debts, is presently the absolute precondition for saving the existence of our United States, and, implicitly, other affected nations of the trans-Atlantic community. If we do not enforce that rule which I have prescribed here, civilization as we have known it will come to

an end in the deepest and longest breakdown-crisis in known history. That is the only choice available to nations and their populations at this point in the present world crisis.

Then, and only then, would the United States be able, to return to the Constitutional principles through which our republic has shown, repeatedly, the pathway required to obtain a true, physical-economic recovery, per person and per square kilometer of the territory of our United States. Worthless debts in the trillions of dollars-equivalent of Wall Street and kindred forms of gambling debts now, will be simply cancelled or left to prosper, to live or rot according to their own devices. The continued existence of our United States demands that, and the intention of our Federal Constitution also demands it. Do that now, or the world goes to economic Hell on Earth for a generation or more to come.

The economic recovery so arranged, shall be the premise for launching Federal credit for the immediate action required for the “bailing out” of the essential public functions of the respective states of our United States, and for organizing the Federal credit needed for the addition of more than seven millions physically productive places of productive employment. President Franklin Roosevelt was right; his critics were fools, or, in the case of Wall Street tyrants, worse, then, and even more so now.

If that correction were not made, the present world economy were doomed to an almost immediate collapse into a global new dark age extended from the immediate time ahead, to several generations to come, world-wide. That is the fact of the matter; that is the only choice before us in reality. Pass and enforce Glass-Steagall now, or plan to enjoy a short life on the road to an early arrival in planet-wide Hell.

Obviously, in point of fact, the bail-out launched in 2008 was nothing better than a ticket to that Hell to which all “bad banks” should be mercifully delivered, now.

—Lyndon