2013: The Year Of Glass-Steagall

Jan. 10—As 2013 begins, humanity faces the worst economic breakdown crisis that the planet has seen since the 14th-Century New Dark Age. The mega-bailouts of the predatory banks and of the international speculative financial bubble, which began in earnest in 2008, and continue *in crescendo* up to the present, have only unleashed a hyperinflationary explosion in the entire trans-Atlantic sector, along with cutbacks and austerity imposed in Europe by the hated Troika, which are extinguishing the very existence of nations—as is seen clearly and painfully in the cases of Greece, Portugal, Spain, and others. If not stopped, these policies will only worsen the crisis, bringing Greek-like conditions to the United States and elsewhere.

All sensible and moral people admit that the current policies are a disaster, and that we cannot continue along the current path. But almost no one has any idea of the solution, of a rigorous program to solve the problem at its root.

In this anguishing situation, a growing international movement has fortunately emerged in favor of the adoption in all countries of the Glass-Steagall law, which President Franklin D. Roosevelt established in the United States in 1933, and which imposes an absolute separation between commercial banking, which issues productive loans, and investment banking, which speculates with private and public funds alike. Initiated by American economist and statesman Lyndon LaRouche, the international calls for Glass-Steagall have spread from the United States, to Russia, to the United Kingdom, to the majority of countries of continental Europe, and to numerous nations in the developing sector, as we document in the attached memorandum and documentation.

Of particular importance is the fact that, on Jan. 3, 2013, the very day that the 113th Congress of the United States was sworn in, Rep. Marcy Kaptur (D-Ohio), and Rep. Walter Jones (R-N.C.), formally introduced to

EIRNS/James Rea

The LaRouche movement organizes for Glass-Steagall in Berlin, Aug. 13, 2011.

Sara Quilez

LaRouche supporters in Spain on the European-wide Day of Action against EU austerity and financial dictatorship, Nov. 14, 2012.

the House of Representatives H.R. 129, a bill which calls for the re-establishment of the Glass-Steagall law. Kaptur had introduced an identical bill, H.R. 1489, in the 112th Congress, which was sponsored by a total of 85 Congressmen, both Democrats and Republicans, although it was never brought to the floor for a vote. With the introduction of H.R. 129, the issue of Glass-Stegall has been placed front and center in the national and international debate.

LaRouche has established that the adoption of Glass-Steagall, both in the United States and internationally, is the essential first step to save the international economy from a systemic breakdown. But although it is necessary to immediately implement Glass-Steagall in order to stop the bloodletting, additional measures are required to reactivate the productive economy and create productive employment. In the case of the United States, it is essential to return to a Hamiltonian credit system, with a National Bank that issues new productive credit (see *EIR*, Dec. 14, 2012); and great scientific and infrastructure projects must be set in motion, such as the North American Water and Power Alliance (NAWAPA XXI). These three programmatic points must go together to provide a solution to the current systemic crisis.

In Europe, in addition to Glass-Steagall, it is necessary to:

1. Revoke the Maastricht, Lisbon, and related EU treaties, which have only served to impose the British Empire's supranational dictatorship;

2. Leave the euro system and re-establish sovereign national currencies;

3. Protect those currencies with exchange and capital controls;

4. Establish in each nation a Credit System with its attendant National Bank, in the tradition of Alexander Hamilton, to issue long-term, low-interest credit for productive investment, especially in infrastructure;

5. Re-establish a system of fixed exchange rates among nations, as existed under the original Bretton Woods system, in order to stop speculation and foster legitimate international trade and foreign investment;

6. As stated by the document, "Appeal to Governments and Parliaments for Glass-Steagall Now!" initiated in June 2012 by Helga Zepp-LaRouche, president of Germany's Civil Rights Solidarity Movement (BüSo), and Jacques Cheminade, former French Presidential candidate and head of the Solidarité et Progrès party:

"The reconstruction of the real economy should be facilitated through long-term treaties of cooperation between sovereign nation-states, which would launch well-defined infrastructure and development projects in the context of the Mediterranean plan for an Economic Miracle, seen as a necessary extension of the Eurasian Land-Bridge. These contracts represent a de facto new credit system, a New Bretton Woods system, in the tradition of Franklin D. Roosevelt."

In the case of developing-sector countries, in addition to Glass-Steagall, additional steps are required which are similar to those mentioned above for Europe, with the exception of 1 and 2.

If you want to have a future for yourself, your children, and your nation, make sure that 2013 is the Year of Glass-Steagall.

Présidence de la République/Christelle Alix

Jacques Cheminade (right) briefed French President François Hollande on the need for a real Glass-Steagall bill, in a meeting on Dec. 7, 2012.

Documentation

Worldwide Glass-Steagall Legislative Initiatives

Jan. 9—The urgency of enforcing full, Glass-Steagall separation of the banks, as specified in Franklin D. Roosevelt's 1933 law—not the fraudulent self-policing schemes ("ring-fencing," "the Volcker rule," Liikanen, etc.) put forward by speculative finance—is being recognized and debated by leading figures across all continents as the first, necessary step towards ending the disintegration of the international financial system.

As of this writing, legislation to implement Glass-Steagall has been introduced in the legislatures of six countries, and is being hard-fought as a central issue of government in the United Kingdom and France. In the latter, a call for a global Glass-Steagall has been signed by over 250 elected officials, including a member of the National Assembly. The French fight is being led by the Solidarité et Progrès party, headed by former Presidential candidate and Lyndon LaRouche co-thinker Jacques Cheminade; the party is mobilizing the political forces required to replace the fraudulent banking reform bill presented by the Hollande government on Dec. 19, 2012, with a real Glass-Steagall law, when the Hollande bill is debated in the French Parliament in the coming weeks.

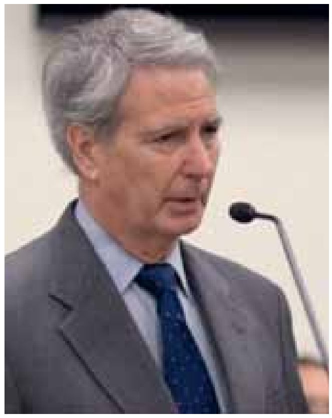
Legislation can and must be quickly prepared and introduced in other countries. For example, Finnish Minister of Culture Paavo Arhinmäki, the leader of Finland's major left-wing party, Vasemmistoliiton, supported the implementation of a Glass-Steagall law, in an article Oct. 28, 2011, in the Finnish newspaper

Finnish Culture Minister Arhinmäki supports Glass-Steagall.

Kansan Uutiset. Three committees of the Danish Parliament have heard testimony from Schiller Institute representatives on implementing Glass-Steagall to end global hyperinflation and chaos.

Glass-Steagall is being discussed at the highest levels of the Russian government as well. For example, Victor Ivanov, head of Russia's Federal Drug Control Service, has repeatedly urged the implementation of "the logic of the Glass-Steagall Act" as critical to liquidate global drug trafficking" (see *EIR*, July 13, 2012).

The status of the legislative fight in seven countries follows.



U.S. Reps. Walter Jones (R-N.C.) and Marcy Kaptur (D-Ohio) have submitted H.R. 129 for Glass-Steagall to the new Congress.

United States

Within hours of the opening of the 113th Congress on Jan. 3, Rep. Marcy Kaptur (D-Ohio) and Rep. Walter B. Jones (R-N.C.) had reintroduced legislation to revive Franklin D. Roosevelt's Glass-Steagall Act. The official title of that bill, H.R. 129, reads: "To repeal certain provisions of the Gramm-Leach-Bliley Act and revive the separation between commercial banking and the securities business, in the manner provided in the Banking Act of 1933, the so-called 'Glass-Steagall Act,' and for other purposes."

By the close of the previous 112th Congress, 85 Congressmen, representing both major parties, had signed onto H.R. 1489, the Glass-Steagall bill sponsored by Kaptur in the 2011-12 Congressional session with the same title and intent.

H.R. 129 has been referred to the House Financial Services Committee, and its full text will be available soon.

A companion Glass-Steagall bill is expected soon in the U.S. Senate. The legislative battle to restore Glass-Steagall was kicked off in 2010 in the Senate, when Maria Cantwell (D-Wash.) and John McCain (R-Ariz.) introduced an amendment to the fraudulent Dodd-Frank bank reform bill, reinstating Glass-Steagall. That effort was shot down by President Barack Obama, Treasury Secretary Timothy Geithner, and Wall Street, the sponsors of Dodd-Frank.

Since that time, a growing force of state legislators and city councilmen, trade unions (including the AFL-CIO and the powerful Machinists Union), community bankers, farm institutions, and others, have joined the LaRouche movement in vociferously demanding restoration of Glass-Steagall. Notable figures include former Kansas City Federal Reserve Bank president Thomas Hoenig, now director of the Federal Deposit Insurance Corporation; and former Citibank chairman Sandy Weill, who in July 2012 publicly declared that Glass-Steagall was necessary, even though he had led the fight to overturn it in 1999. (See U.S. resolutions and statements of support at http://larouchepac.com/node/19643)

LPAC/Chris Jadatz

LaRouchePAC in Washington, D.C., Jan. 3.

United Kingdom

In early July 2012, a group of financiers at the center of the British financial empire, the City of London, made an unmistakable policy shift toward promotion of full Glass-Steagall bank separation, by name, in recognition that not even they could survive the onrushing collapse of their system, and therefore the system itself had to be radically reorganized. An editorial in the *Financial Times* on July 4, 2012 summed up the shift:

"The government accepted the principle of separation last year when it endorsed the conclusions of the banking commission presided over by Sir John Vickers. This argued for an internal split rather than a total separation on the basis that the diversity of assets within a universal bank could be a source of strength at times of financial stress.

"While the FT supported those conclusions, we are now ready to go further. For all the diversification benefits, the cultural tensions between investment and retail banking can only be resolved by totally separating the two, on formal Glass-Steagall-style lines. . . ."

WEF/swiss-image.ch/Sebastian Derungs

Italy's Giulio Tremonti, a Glass-Steagall supporter and former Economy Minister, is campaigning for the February elections.

No Glass-Steagall legislation has yet been introduced in the British Parliament, but the battle between its supporters and opponents continues to rage. The final report issued by the select Parliamentary Committee on Banking Standards on Dec. 21, 2012 called for "electrifying" the government's proposed ring-fencing with the threat that, should that not suffice, full-scale separation would be required. Committee chair Conservative MP Andrew Tyrie said, in releasing the report:

"Parliament took the unprecedented step of creating its own inquiry into banking standards, in the wake of the first revelations about the Libor scandal. The latest revelations of collusion, corruption and market-rigging beggar belief. It is the clearest illustration yet that a great deal more needs to be done to restore standards in banking. The Commission welcomes the creation of a ring-fence. It is essential that banks are restructured in a way that allows them to fail, whether inside or outside the ring-fence. But the proposals, as they stand, fall well short of what is required. . . . [W]e recommend electrification. The legislation needs to set out a reserve power for separation; the regulator needs to know he can use it."

A week later, on Dec. 27, the *Financial Times* reported the remarkable results of a poll taken by the Ipsos Mori public opinion firm at the end of 2012: More than 60% of the Members of the British Parliament, across all parties, "would support a full-scale separation in British banking, modelled on the Glass-Steagall reforms implemented in the 1930s in the United States." 66% of Tories polled supported it, as did 60% of Labour. Ipsos Mori CEO Ben Page said, "MPs are completely divided over a whole range of issues, including regulation of business generally, but are united in their view that retail and investment banking should be separated."

Italy

Four Glass-Steagall bills were introduced into the Italian Parliament in 2012, between the Chamber of Deputies and the Senate. None of the bills were taken up by the respective parliamentary committees, and as of the legislative term just ended, the bills will have to be reintroduced following the Feb. 24-25, 2013 general elections. That is quite likely to occur, given that former Economy Minister Giulio Tremonti, the sponsor of one of the bills and a candidat in the upcoming elections, has made the implementation of Glass-Steagall and creation of a national bank to ensure a sufficient supply of productive credit, a major focus of his electoral campaign.

Since March 2012, the Northern League (Lega Nord) party has been collecting signatures on a petition calling for passage of a Glass-Steagall law.

The Lega Nord petition, and Tremonti in introducing his bill, both insist that it is necessary to "abandon the model of the so-called 'universal bank,' which is the DNA of systemic banks. . . . In order to do this, it is necessary to introduce a new, updated version of the Glass-Steagall Act of 1933. In short, now as then, it is necessary to set up a firewall, to distinguish between

Italian Senator Peterlini's poster proclaims: "The Glass-Steagall law of Roosevelt and LaRouche arrives at the Senate."

ordinary banks and gambling banks, so that ordinary banks can no longer lend money from their account holders to the gambling banks, or buy their structured products. This distinction can and must be made instantaneously. . . ."

Jan. 25, 2012: Sen. Oskar Peterlini introduced Bill No. 3112 into the Italian Senate: "Delegation to the Government for the Separation of Ordinary and Speculative Banking Activities." It was co-sponsored by 11 Senators from 3 different parties.

March 15, 2012: The Lega Nord introduced Bill No. 5054 into the Chamber of Deputies: "Delegation to the Government for the Separation of the Commercial Banking Model from the Investment Banking Model." The same text was introduced on Oct. 10, 2012 to the Senate by the Lega Nord, as Bill No. 3514.

May 18, 2012: Giulio Tremonti introduced Bill No. 5218 into the Chamber of Deputies: "Delegation to the Government for the Reform of the Banking System Through the Separation of Productive Credit and Speculative Financial Activities."

Iceland

On Oct. 24, 2012, Motion 239 for the separation of commercial banks and investment banks was reintroduced into Parliament, sponsored by 17 of its 63 members, representing all parties but one—the conservative Independence Party, which did not co-sponsor the bill because it had its own motion for bank separation. The motion reads: "Parliament resolves to entrust the Minister of Economic Affairs with the task of appointing a committee which is to revise the framework of banking services in Iceland in order to minimize—through the separation of commercial and investment banks—the risk of disruptions within the banking sector for the national economy. The committee is to examine the policymaking of neighboring countries in this regard, and to submit its proposals before Feb. 1, 2013."

The motion, debated and supported by representatives of all the parties, is now before the Economic Affairs and Trade Committee. As the government plans to put forward a more general proposal for a banking reform early this year, the co-sponsors of the motion want the government to include bank separation in its proposals for financial reforms before Feb. 1. Then there will be time for a final vote in the Icelandic Parliament (Althingi) before the national elections in April 2013.

In a message submitted to the Nov. 24-25, 2012 Schiller Institute conference in Germany on "A New Paradigm for the Survival of Civilization," the Deputy Speaker of the Icelandic Parliament, Álfheidur Ingadóttir, called for "parliamentarians from around the world to familiarize themselves with [this] bank separation motion . . . and seriously consider taking similar actions."

Belgium

Belgian Prime Minister Elio di Rupo (Socialist Party) told the daily *La Libre Belgique* (Sept. 1, 2012), when asked what kind of banking reform he was considering: "The financial assets circulating in the financial world aren't any longer, in a sufficient way, dedicated to the real economy. That isn't normal. There exists a demand, in Belgium as in other countries—for example in the United States—to break up the banks: on the one side the deposit banks, on the other, the investment banks. Ideas are being worked out, in Belgium at the national bank and on the European level."

He elaborated: "The situation is untenable. It is madness. When [Belgian banks] Dexia, Fortis . . . had difficulties, they knocked on the door of the State. To help them, the Belgian State had no other choice but to lend money and increase its volume of debt. But the same banks now are giving us lessons and claim the State is overly indebted! . . . My conviction is that we have to break up the banks, reduce their size and protect the assets of the citizens, so that we can avoid States having to intervene. Legislation has to be adopted which makes it so that the consequences of all risk behavior go to those engaging in it. . . .”

Draft legislation (DOC 53/ 0166/001) was introduced in the House on Sept. 10, 2010, and reformulated and re-introduced on Oct. 21, 2011 (DOC 1835/001) by Meyrem Almaci (Ecolo-Groen!), Georges Gilkinet (Ecolo-Groen!), Muriel Gerkens (Ecolo-Groen!) and Stefaan Van Hecke (Ecolo-Groen!). It remains filed with the Finance Committee.

Switzerland

in September 2011, Motion 11.3857, “Introduction of a Bank Separation System (Glass-Steagall),” was submitted to the Lower House of Parliament (Nationalrat) by the Green Party. It mandates the government to take steps to introduce a Glass-Steagall reform, including conducting an analysis of the best way to implement it.

A companion bill has not been submitted to the Upper House (Ständerat), but on Sept. 19, 2012, during Upper House discussion of the “Too Big To Fail” law, member Thomas Minder stated that the TBTF law, with its increased bank reserve requirements, would not suffice, and when the next crisis hits, they would have to implement Glass-Steagall: “Again, soon we will be obliged to debate the bank separation system, as Motion 11.3857 is still in the pipeline. I will support it.” During 2011, Glass-Steagall amendments to the TBTF law were defeated in both houses.

In December 2011, Motion 11.4185, “Fewer Risks with a Bank Separation System,” was submitted by the Social Democratic Faction to the Lower House. It calls on the government to prepare a study on a bank separation system and how it could protect the Swiss economy, with Glass-Steagall considered as one model.

Sweden

On Oct. 3, 2011, Motion Fi234, “Commercial Banks and Investment Banks,” was submitted by parliamentarians Valter Mutt and Annika Lillemets from Miljoepartiet (the Green Party). The motion referred to the 1933 Glass-Steagall Act, and proposed: “The Parliament declares to the government what is stated in the motion, to investigate a new law for the bank sector with the purpose of separating commercial banks from investment banks, and to limit the state bank guarantee to the former.” The motion was defeated on June 19, 2012 by a vote of 280 to 41. All representatives of both the Green Party and the Left Party voted in support of the motion.

The Solidarité et Progrès party in France campaigns for banking separation at the office of Finance Minister Pierre Moscovici.

On Sept. 18, 2012, Motion Fi201, “Financial Regulation,” was submitted by six parliamentarians from the Left Party (Ulla Andersson, Josefin Brink, Rossana Dinamarca, Christina Höj Larsen, Wiwi-Anne Johansson, and Jacob Johnson), which proposes: “The Parliament declares to the government what is stated in the motion, that it speedily mandate a parliamentary investigation for the purpose of preparing a bill that separates traditional banking activities from so-called investment activities.” The motion has been referred to the Financial Committee, where it will be prepared in meetings on March 5 and 26, 2013.

On Oct 5, 2012, Motion Fi298, to “Stabilize the Banking and Finance Sector,” was submitted by parliamentarians Valter Mutt, Annika Lillemets, and Jan Lindholm from Miljoepartiet (the Green Party). The motion refers to the Glass-Steagall Act, and proposes: “The parliament declares to the government what is stated in the motion, that it investigate a new law for the Swedish bank sector, for the purpose of separating commercial banks from investment banks, and limiting state bank guarantees to the former.” The motion has been referred to the Financial Committee, where it will be prepared in their meetings on March 5 and 26, 2013.