A Battle Report on the U.S. Drive for Glass-Steagall

by Nancy Spannaus

May 28—A surge of optimism swept the sentient sections of the U.S. population during the week of May 20, when the word spread that Sen. Tom Harkin (D-Iowa) had introduced a companion bill to H.R. 129, the Return to Prudent Banking Act, in the U.S. Senate. Harkin's S. 985, like the House bill that now has 63 sponsors, would implement all of the key features of Franklin Delano Roosevelt's Glass-Steagall banking measure of 1933.

LaRouchePAC organizers took to Capitol Hill to get out the word, which, true to form, was not covered in any of the major media, although the news did spread widely in some widely read Internet publications, such as the *Daily Kos*. By mid-week they had created quite a buzz—as attested to by a gratuitous attack on Glass-Steagall during a Congressional hearing by none other than Federal Reserve Chairman Ben Bernanke.

Although Congress recessed for 10 days on May 23, the mobilization for passage of this legislation in the immediate weeks ahead is continuing in state capitals and small towns around the country. In addition to the drive for the passage of memorials to Congress demanding passage of H.R. 129 and S. 985, LaRouche organizers are soliciting personal letters to Congressmen and Senators from their state legislators. Some citizens are also circulating petitions in their communities, to be submitted to their state legislators and Congressmen. Others are attending town meetings in order to raise the issue.

This is a war American patriots are determined not to lose.

Bernanke Says 'No'

In the Q&A portion of his testimony before the Joint Economic Committee of Congress on May 22, Bernanke was not questioned on Glass-Steagall by any of the Senators. However, when Sen. Bernie Sanders (I-Vt.) began to press Bernanke on the various forms of banking regulation to deal with banks considered "too big to fail," Bernanke raised the issue that was on his mind: Glass-Steagall.

"I think that many of the suggestions to break them up have either involved relatively small changes or a form of Glass-Steagall. I think Glass-Steagall is not the solution because as we saw in the crisis, investment banks [and] commercial banks separately got into serious trouble. So I think that we are doing a lot of things which I don't have time to go through—through Dodd-Frank, through Basel III, through orderly liquidation authority and other authorities—to move in the right direction toward addressing too-big-to-fail."

Bernanke's lie about the alleged irrelevance of the elimination of Glass-Steagall to the crisis should be transparent by now. It has been refuted frequently, including by FDIC Vice Chairman Thomas Hoenig, who said, in his speech at the Bard College Levy Institute on April 17, 2013: "It is sometimes argued that the recent crisis was related more to shadow banks outside the

LaRouchePAC organizing at the California Capitol, May 10, 2013.

safety net than to commercial banks under the net. Lehman Brothers is cited as just such as case. However, Lehman was a commercial bank in the most important sense." Hoenig laid out how Lehman, Bear Stearns, et al. used "repos" and related derivatives as if they were demand deposits in a commercial bank, and leveraged these "deposits" up to 40:1, borrowing from commercial banks.

Treasury Secretary Jack Lew, during Senate Banking Committee testimony the same day as Bernanke, also showed great sensitivity to the question of reregulating the banks. He opposed Congress passing any legislation to break up large banks, limit their size, or otherwise do anything other than "implement Dodd-Frank." Lew urged Senators to delay bringing forward a measure to limit too-big-to-fail banks until after the Dodd-Frank legislation has been fully implemented. "I think this is not the time to be enacting big changes to Dodd-Frank or to the regulatory system. After the law is implemented, regulators can take stock of whether more actions are required," Lew said.

In other words, don't touch the banks!

Citizens Want Action

Roger Johnson, the President of the National Farmers Union (NFU), issued a press release May 20 commending Senator Harkin and Rep. Marcy Kaptur (D-Ohio) "for introducing legislation to reinstate the Glass-Steagall Act, which would help protect the U.S. economy from widespread collapse," and urged "all members of Congress to support prudent financial protections."

"Congress must learn from the past in order to prevent future financial crises," said Johnson. "The Federal Government, in its deregulatory zeal of the 1990s, repealed important laws like Glass-Steagall that separated commercial banking from investment banking. Doing so helped to set up the Great Recession."

So far, the NFU is the only national constituency organization to take note of Harkin's move, and start to mobilize its members.

But there is a citizens' movement in action. In Pennsylvania, for example, 20 townships have passed resolutions calling on their Senators and Congressmen to sign on to both the Federal Senate and House bills. Only two Pennsylvania Congressmen have so far co-sponsored H.R. 129 (Doyle and Brady), and neither Senator from the state has indicated support. Delegations of constituents have been setting up meetings with the Senators' offices, in order to press the point.

Pennsylvania is also one of the 20 states where memorials demanding that Congress reinstate Glass-Steagall have been introduced. In this case, the memorial, H.R. 73, has 30 cosponsors, but has not yet been introduced into the state Senate, or come to a vote in the House.

In states where the legislative session has come to a close, before resolutions for Glass-Steagall could either be introduced or voted upon, activists are not giving up, but are seeking out their representatives to sign letters of support for Glass-Steagall to be sent to Washington.

The potential for passage of memorials for Glass-Steagall remains great in a number of the larger states, which have longer legislative sessions than the smaller ones. In all cases, the activists have to keep their eyes out for counter-operations from local banking representatives, who have taken the point for the Wall Street banks, and tried to deep-six resolutions by pressuring their sponsors.