

THE CHOICE IS CLEAR

It's Glass-Steagall Now, Or Let the Bankers Rule

by Nancy Spannaus

Jan. 20—In his second Inaugural Address, given this day 77 years ago, President Franklin Roosevelt celebrated the accomplishments of his first term in office, and the tasks yet to be achieved, while highlighting his own commitment to continuing the principles set forth in the U.S. Constitution, whose 150th anniversary the nation celebrated that year. One of the accomplishments he described was as follows:

“In fact, we have begun to bring private autocratic powers into their proper subordination to the public’s government. The legend that they were invincible—above and beyond the processes of a democracy—has been shattered. They have been challenged and beaten.... We are beginning to abandon our tolerance of the abuse of power by those who betray for profit the elementary decencies of life....”

What FDR was referring to was clear to the American people at the time, specifically the measures taken in the Banking Act (March 1933), the Glass-Steagall Act (June 1933), and the Securities and Exchange Commission Act (1934)—all of which put the brakes on the rampant theft and abuse of average American citizens by a banking cartel gone wild. Beginning with his first Inaugural speech, FDR had blasted the “rulers of the exchange of mankind’s goods” and “unscrupulous money changers” for their “mad chase of evanescent profits” and depredations against the ordinary people of the country. He had taken them on, and, for the moment, won.

Today, under British puppet Barack Obama, as with

George W. Bush before him—and effectively since the death of President Kennedy—those “unscrupulous money changers” of Wall Street and the City of London have had virtually free rein to carry out the same abuses FDR condemned, for which the repeal of Glass-Steagall in 1999 was a turning point. Yet Congress has still failed to act to assert the general welfare over these private interests, instead allowing the banking institutions to accelerate their looting, even as they come ever closer to the next crash. The question becomes more urgent by the day: When will Congress oust puppet Obama, and reinstitute Glass-Steagall?

Commodities, for Example

While substantial numbers of Congressmen and Senators have signed on to the Glass-Steagall bills in Congress (see below), no hearings on the bills have been called. But there has been considerable pressure building about various outrageous abuses, including the involvement of banks in taking over larger and larger swaths of commodities and commodity trading, with the result of inflating prices on essentials such as energy, cotton, and food. A hearing was held on Jan. 15, dedicated to the question of banks’ involvement in the physical commodities and production infrastructure.

On the eve of Sen. Sherrod Brown’s (D-Ohio) Banking subcommittee hearing on this subject, the Federal Reserve made a “surprise” announcement that it was reviewing its decisions of a decade ago to let banks own

physical commodities and infrastructure. This announcement came along with 24 questions for public comment, which, according to Bloomberg, were phrased in such a way that it was clear that the Fed would do *nothing* to curb this abuse.

The Fed's witness at the hearing, Michael Gibson, did nothing to dispel this conclusion.

Senator Brown opened the hearing by saying, "For years, U.S. banking laws drew sharp lines between banking and commerce, and respected this separation. In 1999, Congress weakened those lines"—a clear reference to the Glass-Steagall Act, whose re-establishment he has not yet sponsored.

The Fed's Gibson then opened his testimony by claiming that "before Gramm-Leach Bliley" (getting rather close, himself, to naming the Glass-Steagall Act, which that bill almost entirely repealed), banks were allowed some commodity dealings. Those were, he said, owning certain metals so closely related to their business as to be incident to it (gold and silver—no surprise there), and "engaging as principals in derivatives contracts" based on commodities.

In fact, Gramm-Leach-Bliley included a grandfather clause that gave Goldman Sachs and Morgan Stanley even wider latitude to deal with commodities than other banks—and the rules were loosened further over subsequent years.

Gibson's line was based on a riff which the American Bankers Association and regulators, led by Alan Greenspan, have been selling Congress since 1989-90: that derivatives are not securities. Many in Congress believe this, even though bank bond-trading desks and derivatives salesmen have always known perfectly well that they were selling securities, and some have explained this in books.

Once again it was Sen. Elizabeth Warren (D-Mass.) who brought clarity to the issue. She asked Gibson a simple question: If Glass-Steagall were restored, as by the act she had sponsored with other Senators, would the Federal Reserve be analyzing each case of each commodity and each financial institution, and making determinations to allow or not allow ownership of each one? Gibson's eventual answer was no, since this would then be an area of impermissible bank activity.

Banning Theft

In fact, all four of the Glass-Steagall bills before Congress—H.R. 129 and H.R. 3711 in the House and S. 1282 and S. 985 in the Senate—would ban the kind

of speculation in commodities that the Fed has enabled. They would effectively prohibit other kinds of theft as well, including the murderous interest-rate swaps by which the banks are looting cities, states, and hospitals around the country. Wall Street's grip on the financial system would be broken, creating the opportunity, and necessity, for the new Constitutional credit system for real economic growth which the nation so desperately needs.

On Jan. 15, eight Congressmen added their names as sponsors to H.R. 3711, the "21st Century Glass-Steagall Act of 2103," bringing the total signers to ten. H.R. 3711 is the companion bill to the Senate 21st Century Glass-Steagall bill, S. 1282, which was introduced by Senators Warren, Angus King (I-Me.), John McCain (R-Ariz.), and Maria Cantwell (D-Wash.) in July of last year.

Senator Warren's bill, which has become a focal point of discussion and attack by Wall Street over the past six months, also has a total of ten sponsors.

Congressmen John Tierney (D-Mass.) and Walter Jones (R-N.C.), are both signers on H.R. 129, the "Return to Prudent Banking Act," introduced by Rep. Marcy Kaptur (D-Ohio) in early 2013. Kaptur's bill, which also has a companion bill in the Senate (S. 985, sponsored by Tom Harkin [D-Iowa.]), currently has a total of 78 co-sponsors, including both Tierney and Jones.

The new signers on H.R. 3711 are all Democrats: Michael Capuano (Mass.), Elijah Cummings (Md.), Suzan Delbene (Wash.), Barbara Lee (Calif.), James McGovern (Mass.), George Miller (Calif.), Eleanor Holmes-Norton (D.C.), and Jan Schakowsky (Ill.). All but Delbene are also sponsoring H.R. 129.

Crucial to getting Congress to move will be the mobilization of citizens. In 2013, four states—South Dakota, Maine, Indiana, and Alabama passed memorials in one or both houses. Six state memorials, introduced in 2013, are still live: California, Illinois, Michigan, Minnesota, New York, and Pennsylvania; and new memorials have been reintroduced into the Senates of Virginia (S. 22) and Washington State (S.J.M. 8012). The Washington State resolution has 17 sponsors, 13 more than the one submitted in 2013.

Calls for Glass-Steagall, including its reinstatement in the United States, are also continuing to come from Western Europe, from local governmental bodies as well as individuals (see *EIR*, Jan. 3, 2013).