

GLASS-STEAGALL BREAKTHROUGH

Harkin Bill Opens Door to Restoring Economic Sanity

by Debra Hanania-Freeman

May 20—The increasingly urgent drive to restore the Glass-Steagall Act as the indispensable first step in reversing the accelerating collapse of the U.S. economy hit a dramatic new level on May 16. On the 80th anniversary of the introduction of the original Glass-Steagall bill, Sen. Tom Harkin (D-Iowa) introduced S. 985 to restore the 1933 legislation and rebuild the wall that had, for some 66 years, separated commercial banking from cancerous investment speculation and brokerage.

Although the full text of S. 985 was not available as of this writing, it reportedly matches H.R. 129—The Return to Prudent Banking Act—introduced by Reps. Marcy Kaptur (D-Ohio) and Walter Jones (R-N.C.), on the first day of the new session in January, which now has 63 sponsors (including Kaptur and Jones). The fact that Harkin’s Senate bill mirrors the House bill means that, should the legislation pass in both houses, it would be spared the treacherous watering-down that important legislation often is subjected to in conference committee, and instead go directly to the President’s desk *intact*.

Harkin, who has represented Iowa in the U.S. Senate since 1985, after serving 10 years in the House, was one of eight Senators to vote against the financial deregulation that formally abolished Glass-Steagall in 1999. It was that repeal, which came after years of intense pressure from Wall Street and the City of London, and unleashed the orgy of trafficking in bundled subprime mortgages, derivatives, collateralized debt obligations,

credit default swaps, and ever-more exotic investment vehicles which comprised the global financial bubble that finally burst in 2008.

Although no Senators have yet signed on to restoring the protective shield of Glass-Steagall, many have talked about it. In 2010, in the midst of fractious debate surrounding the Dodd-Frank bill (which turned out to be far worse than useless), Maria Cantwell (D-Wash.) and John McCain (R-Ariz.) attempted to restore the FDR-era Glass-Steagall banking law. Although they enjoyed the support of many colleagues on both sides of the aisle, intense pressure from Wall Street and the White House resulted in their efforts being blocked. Since then, both Cantwell and McCain have repeatedly said that they would reintroduce legislation to reinstate Glass-Steagall.

Two freshmen Senators—Angus King (I-Me.) and Elizabeth Warren (D-Mass.) made reinstatement of Glass-Steagall major planks in their election campaigns. In his first major speech on the Senate floor on April 24, King stated, “I wasn’t a member of this body, but had I been, I suspect I would have opposed Dodd-Frank and supported the restoration of the Glass-Steagall Act. I think that’s a structural solution. . . .” Notably, both the houses of the Maine state legislature have sent memorial legislation to King demanding that he take such action.

During a Senate Banking Committee hearing in February, Joe Manchin (D-W.Va.) pressed Federal Re-

serve and financial regulatory officials. “Glass-Steagall was put in place in 1933 to prevent exactly what happened to us,” Manchin said, referring to the 2008 collapse. “Why wouldn’t we have those protections? If it worked so well for so many years, why do you all not believe it’s something we should return to?”

And, although at least a dozen other members of the Senate have also indicated their support for Glass-Steagall’s reinstatement, they have been slow to step forward. Instead, they have made endless speeches, decrying the fact that Dodd-Frank has done nothing to control banks that are “too big to fail,” “too big to prosecute,” “too big to regulate,” “too big to manage,” “too big to jail,” but, apparently, judging from their own inaction, *not* too big to tolerate!

Hot Air and Press Play

Prior to Harkin’s decisive May 16 action, all the Senate has produced, despite a lot of hot air and press play, has been what some have called sham legislation.

Sen. Bernie Sanders’ (I-Vt.) S. 685, and the “too-big-to-fail” (TBTF) bill, S. 798, of Sherrod Brown (D-Ohio) and David Vitter (R-La.), introduced April 24, are essentially useless: Neither bill breaks up any banks or bank holding companies, nor prevents commercial banks from putting deposit funds into securities and derivatives.

There is no doubt that Wall Street will put on a show of opposing the TBTF sham, but that is just part of the game they are playing, to divert attention from the necessary immediate action that will cut off government support for their gambling games. It’s the constitutional function of the banking system that must be restored, and FDR’s Glass-Steagall is the only way that can be done.

It would seem baffling to some. Twenty state legislatures are currently considering resolutions demanding Glass-Steagall’s reinstatement. In four states—South Dakota, Maine, Indiana, and Alabama—memorials have passed. Scores of state legislatures have contacted their Congressional delegations. The AFL-CIO, Move On, the Tea Party, and countless other constituency organizations have stated their support. Financial and economic luminaries as diverse as former Reagan OMB Director David Stockman, former Citigroup CEO Sandy Weill, FDIC Vice Chairman Thomas Hoenig, former U.S. Sen. Ted Kaufman, former Clinton Labor Secretary Robert Reich, and most notably, Lyndon LaRouche, have repeatedly insisted that a return to Glass-Steagall is urgently needed.

International Support

In a Week of Action May 6-11, LaRouchePAC activists from 25 states converged on Washington, D.C., while their counterparts in Nebraska, Nevada, Illinois, New York, Massachusetts, California, Texas, Delaware, New Jersey, and elsewhere, staged similar efforts, insisting that Glass Steagall’s reinstatement is not a legislative choice, but a matter of life and death.

LaRouchePAC activists also delivered appeals from ranking figures in Italy, Germany, France, Spain, Ireland, Iceland, Denmark, Sweden, Colombia, and Mexico, many of whom noted that when FDR implemented the original legislation, he did so, not merely as a measure to curb Wall Street excesses, but rather as a reflection of the most fundamental principles of the American System of Economy, and that while they were fighting for similar regulation in their own nations, the United States was the only nation that could force the desperately needed global restructuring.

So, why are so many in Congress still hanging back? Inside Washington, the answer is obvious. They fear vicious reprisals from an Obama White House determined not to allow challenges to the failed Dodd-Frank Act, as well as the money-power of the big banks. Public records show that during the 1997-98 election cycle, Wall Street spent no less than \$350 million to get Glass-Steagall repealed.

Senator Harkin expressed a very different point of view. “I’ll tell you, the American people like a fighter. You don’t win a war by defending yourself. You don’t win a football game by defending the goal. You don’t win a basketball game by defending yourself. You only win when you attack. And the way you do it, is you attack the philosophical basis of your opposition. And I think if you do that, the American people will listen. Too many in the financial industry put profits ahead of people. As a direct consequence, tens of millions of ordinary Americans have lost their jobs, their homes and their livelihoods.”

LaRouche, who has often made similar statements, applauded Harkin, saying, “This is a very important new development. It will have very significant impact for very obvious reasons. All of the efforts to suppress this action have been defeated. This is a new game. The agenda has changed. Despite all of the efforts to prevent this action, Senator Harkin has taken the initiative.”

LaRouche added that we could not yet claim a complete victory, but that victory was now well in sight.