

IAM Calls on Congress To Pass H.R. 1489

May 11—At its legislative conference in Washington, D.C. May 9-11, the International Association of Machinists (IAM) prominently supported the passage of H.R. 1489, which calls for the reinstatement of the Glass-Steagall Act. On May 9, IAM President Tom Buffenbarger spoke in support of the legislation. Also, the 22-page legislative package used by members of the IAM attending the conference to lobby on Capitol Hill includes the following item:



AFL-CIO

Thomas Buffenbarger

Return to Prudent Banking Act

In the 1920's, banks and Wall Street were largely unregulated and engaged in ever risky behavior in search of bigger and bigger profits. While some on Wall Street made millions, ordinary citizens were for the most part left out of the party, until it all ended in the

stock market crash of 1929 and the subsequent Great Depression. Americans then felt the full effect of an unregulated financial system as unemployment rocketed to 25 per cent and millions were left homeless and hungry.

In response to this economic collapse and the closing of thousands of banks, Congress enacted the Banking Act of 1933, commonly known as Glass-Steagall. This statute safeguarded the American economy for decades by legally separating commercial and investment banking. Such a common sense system provided greater security to banking deposits in commercial banks. Conversely, investment banks were only able to leverage their own funds, limiting the systemic risks of the American citizenry.

Glass-Steagall's key insight was in the need to treat regulation from an industry structure point of view. Glass-Steagall's authors did not set out to establish a regulatory system to oversee companies that combined commercial banking and investment banking. They simply banned the combination of these enterprises.

Depository institutions backed by federal insurance protection cannot be involved in the risky, speculative betting of the investment banking world. Commercial banks should not be in the business of speculation. Their central function is to provide credit to the real economy, and not to engage in betting on derivatives and other exotic financial instruments.

For decades, Glass-Steagall was a cornerstone of the U.S. financial system, until the Gramm Leach Bliley Act unwisely removed this important financial regulation in 1999. With the repeal of the Glass-Steagall Act, the U.S. economy was exposed to an intolerable level of risk, and all Americans have since suffered the consequences of a financial crisis exacerbated by the removal of these safeguards.

We must limit the potential for future economic collapses by returning to a more prudent banking system in which banks must once again choose between investment activities or commercial lending. HR 1489, the Return to Prudent Banking Act, restores this basic premise of Glass-Steagall, and makes our financial system inherently safer.

We urge Members of Congress to cosponsor this important legislation to restore sanity to our financial system. To become a co-sponsor of H.R. 1489, please contact John Brodtke (john.brodtke@mail.house.gov) in Congresswoman Marcy Kapturs office at 202-225-4146.