

## Swiss Lawmakers Moot Glass-Steagall Law

Sept. 23—In the midst of the escalating bankruptcy of the trans-Atlantic banking system, the Sept. 15 Thursday morning session of the Swiss Nationalrat, the lower house of parliament, was hit with startling news: The Swiss megabank UBS announced an over-\$2 billion loss on bets by its flagship London trading office. Within hours, and into the next Nationalrat session on Monday, with parliament already debating a banking bill known as “Too Big To Fail,” the Swiss were on the way to having the first elected body, on either side of the Atlantic, vote, and make the law of the land, a Glass-Steagall-modelled two-tier banking system (separating investment from commercial banking), to protect the real economy and related credit/deposit system from the threatened bankruptcy of UBS and its equally large sister, Credit Suisse.

Although in June, the Ständerat, the upper house, and in August, the parliamentary Joint Economics and Expenses Commission, had debated, but voted down a two-tier banking system clause for inclusion in the “Too Big to Fail” draft bill, within hours, leading figures of the two major parties, the Social Democrats (SP) and the Swiss People’s Party (SVP), were presenting competing proposals for a Glass-Steagall-type law.

That morning, SVP Nationalrat member Caspar Baader submitted a motion that the draft bill be sent back as inadequate, and that the government should re-submit it with either a two-tier banking system clause, or a strict “holding structure” division of the banks. The online protocol of that day’s session is filled with numerous demands and ideas from delegates on how to protect Switzerland from the consequences of the two banks’ investment banking divisions. SP delegate Susanne Leutenegger-Oberholzer rejected the SVP motion, claiming its proposal wouldn’t withstand foreign claims on UBS Swiss assets, if their U.S. investment banking operation went bankrupt—“It’s not watertight,” she said. SVP deputy secretary Silvia Baer would later say the SP should simply support the SVP banking reform proposal.

Although that motion was defeated, 115-45, calls for Glass-Steagall, or a complete ban on commercial banks doing investment banking, echoed into the weekend. In the next day's press, Leutenegger-Oberholzer was quoted promising that, on Monday, they would make a motion to ban UBS and Credit Suisse from doing any investment banking. On Sunday, leading SVP figure Christoph Blocher was interviewed in the *Sonntags Zeitung*, reiterating their call for a two-tier or "holding structure" solution, but added that, if pressure from managers continued to prevent that, then it "must seriously be considered whether one shouldn't forbid the commercial banks from engaging in investment banking."

Speculation was rife that the two parties, normally fighting each other like cats and dogs, might cooperate and get into the law some form of the Glass-Steagall standard.

### A Major Setback

The Sept. 19 Nationalrat session brought a major setback. The Leutenegger-Oberholzer procedural motion to reopen the session (the deadline for motions closed the previous week) to make possible a new motion for a ban on investment banking, was narrowly defeated, 55-42. Over 90 delegates were not even present in the Nationalrat chamber to vote! Despite sentiment for Glass-Steagall in the population and in the parties, something went wrong.

Although petty party squabbling played a role, the strategic implications of an exemplary Swiss Glass-Steagall move would have immediate implications for the rest of Europe and the United States. On Sept. 21, in the parallel session of the Ständerat, Delegate Markus Stadler submitted a motion mandating the government to conduct an urgent review of how a two-tier system could protect Switzerland. He issued an impassioned warning that the "Too Big To Fail" bill would not work, that "the danger of dramatic events is not passed," and that Switzerland "had to prepare itself for the possibility of a collapse" of the financial system.

The head of UBS America, Robert Wolf, is a close personal friend and advisor of President Obama; the latter has done everything possible to prevent the reimplementation of Glass-Steagall since he took office, up to and including muscling members of Congress against supporting the current draft bill in the House of Representatives (H.R. 1489). Former New York Federal Reserve head, and now Treasury Secretary Tim Geithner was just in Europe proposing massive new hy-

perinflationary bailout schemes.

UBS CEO Oswald Grübel himself got his start in banking in London in the 1970s, when London and Wall Street dismantled President Franklin Delano Roosevelt's Bretton Woods System, and used the deregulated U.S. dollars accumulating abroad under London's direction for casino-style banking. Grübel was a London partner of White, Weld, Credit Suisse, which developed the bond market in London precisely for those dollars.

*EIR* discussions with political figures in Switzerland have made clear that they recognize the need for decisive action from the U.S., precisely because the power within Switzerland of UBS and Credit Suisse derives from their London and New York connection. As such, there is confusion among Swiss legislators about what Glass-Steagall really is. Susanne Leutenegger-Oberholzer told *EIR* that professors have claimed that a Glass-Steagall approach wouldn't protect Swiss taxpayers. The source of this confusion comes from London and Washington, whence legions of arm-twisting "economic hit men" lobbyists are desperate to prevent a Glass-Steagall defense of the nation-state, be it the U.S., or Switzerland.

## Lyndon LaRouche ON Glass-Steagall AND NAWAPA:

The North American Water and  
Power Alliance



"The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA\* project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there."

"Put Glass-Steagall through now, and I know how to deliver a victory to you."

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