Glass-Steagall Bill Sent to Italian Senate

by Andrew Spannaus

Feb. 12—The global push for a reorganization of the financial system starting with the protection of ordinary banking activities from the speculative casino on international markets, took an important step forward last week, when Sen. Oskar Peterlini introduced a bill into the Italian Senate calling for a strict separation between commercial banks and investment banks, with explicit reference to the Glass-Steagall Act of 1933. The stated goal of the bill, which was drafted together with this author, is intended both to help the Italian economy immediately, and to serve as an example for the rest of the world.

Peterlini is from the German-speaking area in northern Italy near the border with Austria, and represents the South Tyrol People's Party (Svp). He has a long history of introducing resolutions calling for serious reform of the global financial system in concert with Movisol, the LaRouche movement in Italy, starting in the early 2000s with campaigns for a New Bretton Woods, and a resolution on Glass-Steagall in 2010.

To date the bill, No. 3112 in the Italian Senate, has 11 co-signers, from Peterlini's group, which includes various small parties in Italy's autonomous regions, and also from other major parties such as the Democratic Party (Pd), the Northern League (Lega Nord), and Italy of Values (Italia dei Valori).

At a Moment of Crisis

The introduction of the bill is an important step forward that will jumpstart a public campaign in favor of the proposal, at a time when the situation in Italy is rapidly deteriorating. Last Summer, the ongoing European debt storm swept into Italy, leading to an acceleration of events involving drastic austerity measures demanded by the global financial markets (through their mouthpiece at the European Central Bank, ECB), and the replacement of the elected government of Silvio Berlusconi with a technocratic one led by the British financial empire's darling Mario Monti.

As yields on Italy's state debt soared, just as had happened in the cases of smaller European nations such as Greece, Ireland, and Spain, the Italian political class was blackmailed into accepting a cure that resembles precisely the disease which provoked the current economic disaster: budget cuts, tax hikes, privatization, and deregulation are being pushed through rapidly under the threat of financial warfare from the markets, and despite the obvious fact that such measures are already causing a reduction of GDP, that will only lead to calls for even more bloodletting.

In this situation, the Glass-Steagall Bill is of fundamental importance: It gives the lie to the false "structural reforms" imposed by the Monti government and the ECB, and can serve as a rallying point for those who find the courage to fight in the coming weeks and months.

An Increasingly Favorable Climate

The political climate for a Glass-Steagall break with the speculative system has been improving visibly over the past several weeks.

EIRNS/Patrick Holzer

Sen. Oskar Peterlini (far right) has a long history of introducing resolutions calling for reform of the global financial system, in concert with Movisol, the LaRouche movement in Italy. He is pictured here with (l. to r.): Sen. Alberto Maritati, Andrew Spannaus, and Lyndon LaRouche, in Italy, June 2009.

One significant inflection point was the nationwide publicity given to Movisol activist Claudio Giudici, head of the taxi drivers' union (Uritaxi) in Tuscany, who led a campaign against the Monti government's austerity measures. Giudici's bold initiatives won him an interview Jan. 12 on the national TV talk show Servizio Pubblico, where he raised the principles for an actual recovery, including Glass-Steagall, and the economic policies of Lyndon LaRouche. An estimated 1.7 million people watched this show.

A few days later, on Jan. 17, a nationally prominent journalist ran a documentary on the national Italian TV network Radiodue, which spotlighted an interview given by LaRouche to the same journalist in 2003, in which the American economist forecast the breakdown crisis.

Another key voice in Italy on the issue of Glass-Steagall and restoring economic sovereignty is that of former Economics Minister Giulio Tremonti, who, after being ousted to make way for the technocrats last November, has returned to the public scene with a new book (see review, *EIR* Feb. 10), and a campaign precisely for a Glass-Steagall reform of the financial system. Over the past two weeks, Tremonti has continued his public appearances and interventions in the media, thus focusing public attention on the real solution in a manner that few others could.

This included a Feb. 9 appearance on the same Servizio Pubblico which had featured Giudici, in which Tremonti hammered on the Franklin Roosevelt example, explaining clearly that the two actions to be taken to get out of the crisis must be 1) banking separation after the Glass-Steagall model, and 2) a New Deal-like program of state-financed infrastructure investments.

The high-level opposition has certainly noticed, as the past week saw a new attack on Tremonti from the free-market liberal faction of his own party, which is terrified that Tremonti's activism on behalf of national sovereignty over the economy, as opposed to ideologically driven petty politics, could represent a rallying point for the population. Peterlini's Glass-Steagall Bill represents a crucial step towards creating a national interest coalition that can break through the fear and cowardice in the institutions, and ensure that Italy will contribute to a global solution to the financial crisis, as is increasingly under discussion in Europe and the United States.

Below we provide the text of the Bill as introduced in the Senate, and a press release prepared by Peterlini for his constituency in South Tyrol.

Documentation

Peterlini Annouces Glass-Steagall Bill

Sen. Oscar Peterlini issued this press release in Italian and German (for his South Tyrol constituency), announcing the introduction of Bill No. 3112 on Jan. 25. Here is the translation from Italian.

Sen. Peterlini: 'Ensure Credit for Enterprises'

Bill by the Senator from Bolzano on separating commercial banks from investment banks to support local economies.

"Firms are suffering from liquidity problems because of a credit crunch. Above all, small and medium enterprises can no longer make investments. We therefore call on the Italian government to reform the banking system, by separating commercial banks from investment banks, restoring the system that existed until the 1990s, thanks to the Glass-Steagall Act of 1933."

This is the main request put forward by Bolzano Senator Oskar Peterlini in his bill. "Since the 2007 global economic crisis we have been discussing how to avoid new economic-banking crises. Unfortunately, we must note that in the numerous international summits that have been held, the opportunity to adopt strong measures that could represent a clear and effective break with past policies has not been seized: Such measures would certainly include a return to a separation of banking activities," the Bolzano Senator stresses.

According to Peterlini, we can no longer wait: The system must be changed as soon as possible. "Italy can pave the way for other countries: Let us go back to a separated banking system in order to make sure that common people no longer have to pay for global speculative bubbles. Let us establish clear rules for separation between chartered (commercial) banks and banks trading on speculative markets (investment banks), that become a model at the international level."

Peterlini's bill is a concrete step forward in the campaign carried out by the MOVISOL movement, which is fighting globally for bank separation. So far the bill has been signed by 11 members of the Senate.

Specifically, Peterlini's bill commits the government to adopt, within 12 months, one or more legislative decrees to establish rules for separating commercial banks from investment banks, including a ban on chartered banks performing any activities related to trading of securities in general. "Italy has the chance to both help its citizens directly, and to encourage progress in other nations, by establishing a principle of the highest importance at the international level," Peterlini states. "We need to save the real economy from speculative finance, through a separation between commercial banks and investment banks. It will be an essential first step to regaining control over the economy and building the basis for a future of stability and progress."

Bill No. 3112

Senate of Italy

XVI Legislature

Bill No. 3112

Presented by Senator Peterlini

Communicated to the President's Office on January 25, 2012

Delegation to the Government for the Separation of Ordinary and Speculative Banking Activities

Honorable Senators,

The global economic crisis that exploded in 2007-2008 continues to produce victims. In the current period, Italy and all of Europe are living through a new phase of the breakdown of the global financial system that is the result of many years of policies that have penalized productive activities, while favoring an unprecedented expansion of the casino on international financial markets. Now families and businesses are paying for wrong decisions made at the macroeconomic level, that risk undermining the very fabric of our society.

Unfortunately, we must admit that, starting with the dramatic months at the beginning of the crisis, and in the numerous international summits from 2009 on, the opportunity to adopt strong measures that would have represented a clean and effective break with past policies has not been taken. Such measures would certainly include a return to the separation of banking activities, typified by the famous Glass-Steagall Act, passed under the presidency of Franklin Delano Roosevelt in the United States, who, in 1933, put an end to the financial excesses at the root of the Great Depression.

The Glass-Steagall principle remained in effect in Western countries, including ours, until the 1990s. It established the clear separation between commercial banks, which accept deposits from citizens, and issue loans to individuals and businesses, and investment banks, the institutions that operate in the financial markets, through issuing and trading stocks, bonds, and speculative instruments in general.

Starting in the '90s, all of these banking functions were joined under the same roof: Giants now exist that de facto make even local economies dependent on highly speculative and risky global financial flows. The consequence of the abrogation of the Glass-Steagall principle is that the path has been marked straight towards catastrophe, and if decisive action is not taken, the economic and social situation risks getting much worse.

Since the explosion of the derivatives bubble—the hyper-speculative instruments that by now are completely decoupled from productive investments, diverting resources from the real economy to a veritable global casino—the risk of failure of the large banks has led governments and central banks to provide a series of emergency bailouts. We are continuously told that those interventions are necessary to avoid a total meltdown, but the situation only gets worse, because while stratospheric amounts are injected into the world of finance (amounts counted in trillions of dollars and euros), the resources do not reach ordinary people, families, small and medium-sized enterprises.

All of this takes place because the bailouts were granted without conditions; the big banks were not asked to change their behavior; incisive reforms of the financial system were not implemented.

Until just a few months ago, Italy might have thought that it could avoid the harshest effects of the international crisis, or be affected only marginally, due to a system dominated less by finance (at both the practical and legislative levels), but now we can wait no longer: The system must be changed as soon as possible.

Italy can pave the way for other countries: We should return to a division of the banks to guarantee that ordinary people no longer have to pay for global speculative bubbles. We must establish clear rules for a separation of ordinary (commercial) banks from those that operate on the speculative markets (investment banks), to serve as a model internationally. These measures are already under discussion in Germany, France, Switzerland, the United Kingdom, and the United States.

Italy has the opportunity to help its own citizens immediately, and to contribute to the progress of other nations, by asserting a very important principle in the current international framework. We must save the real economy from speculative finance with the separation of commercial banks and investment banks. This will be an initial, essential step towards re-taking control of the economy and laying the basis for a future of stability and progress.

BILL

Art. 1.

(Delegation to the Government)

1. The purpose of this law is to establish the separation between commercial banks and investment banks, protecting financial activities involving deposits and credit related to the real economy, from those linked to investment and speculation on the national and international financial markets.

2. The Government shall adopt, within 12 months of the entry into effect of this law and in accordance with the principles and criteria under Article 2, one or more legislative decrees containing rules for the separation of commercial banks and investment banks, prohibiting banks that accept deposits or other funds with obligation of return from carrying out any activities linked to the trading of securities in general.

Art. 2.

(Principles and Guiding Criteria)

1. The legislative decrees as per Article 1 shall comply with the following principles and guiding criteria:

a) the prohibition for commercial banks, i.e., banks that accept deposits from the general public, to carry out any activities linked to the trading and brokerage of securities, thus establishing the separation between commercial banking functions and investment banking functions;

b) the prohibition for commercial banks to hold equity stakes or establish partnerships of any kind with the following entities: merchant banks, investment banks, brokerage firms, and in general, all financial companies that do not accept deposits from the general public;

c) the prohibition for the representatives, directors, reference shareholders and employees of merchant banks, investment banks, brokerage firms, and in general, all financial companies that do not accept deposits from the general public, to hold executive positions or controlling interests in commercial banks.

Art. 3.

(Opinions of the Parliamentary Commissions)

1. The drafts of the legislative decrees pursuant to Article 1(2) shall be transmitted to the chambers of Parliament by the 60th day prior to the expiration of the term set for the exercise of the delegation under that same Article 1(2), for the opinion of the relevant Parliamentary Commissions, to be given within forty days of the date of transmission.

Art. 4.

(Entry into Effect)

1. This law shall enter into effect on the day after its publication in the Official Journal.

Co-signers:

Sen. Lannutti, Sen. Rizzi, Sen. Di Giovan Paolo, Sen. Sbarbati, Sen. Pinzger, Sen. Fosson, Sen. Giai, Sen. Serra, Sen. Randazzo, Sen. Gustavino, Sen. Oliva