

Glass-Steagall Takes to the Streets

by Andrew Spannaus

April 9—The campaign for a Glass-Steagall-style reform of the banking system is taking off at the popular level in Italy. Two months after the introduction into the Senate of a Glass-Steagall bill by Sen. Oskar Peterlini, the Lega Nord (Northern League), the largest opposition party, has announced a mobilization to collect signatures for the presentation of a bill into the Italian Chamber of Deputies using the “popular initiative” system, which obligates the Parliament to consider proposals that have been signed by at least 50,000 citizens.

The campaign by the Lega comes in anticipation of a bill that is expected to be introduced into the Chamber following normal procedures shortly. *EIR* has learned that the initiative will involve leading figures from other political parties, and will be based in part on the Peterlini bill before the Senate, which was prepared in collaboration with Movisol, the LaRouche movement in Italy. Over the past three years, Movisol has succeeded in mobilizing various individual political figures around the Glass-Steagall proposal, as well as numerous local organizations and associations, but this is the first time that a political party has taken up the cause as part of its program.

The introduction to the popular initiative (see *Documentation*) states that “it is time to set a limit to the excessive power of finance.... This means that it is only the state that issues money in the name of the people. It means that credit is for development and not for speculation. It means separating the wheat from the chaff, what is productive from what is speculative, as happened for centu-

ries.” Finance is identified as an “infection” that is out of control, and must be placed into an orderly reorganization procedure, to allow for “large-scale public investment for the industrial economy and manufacturing, and for infrastructure.”

Insisting that taxpayers should not bail out speculators, the text states, “A gambler cannot simply leave the table and have someone else take his place to pay for his losses. The one who loses a bet must be forced to pay!”

As most observers in Italy would recognize, the language of the introduction is that of Giulio Tremonti, the former Economics Minister, who has been very vocal in supporting a Glass-Steagall reform in Italy since the beginning of this year. In fact, the introduction to the popular initiative consists of portions from Tremonti’s recent book *Uscita di Sicurezza (Emergency Exit)*.¹ Since the outbreak of the acute phase of the global financial crisis in 2007-08, Tremonti has repeatedly called for reorganizing the international financial system in order to save the real economy, as opposed to the parasites; despite an increase in his popularity in Italy (or because of it), he was rewarded with a scandal campaign aimed at pushing him out of office, which

1. Andrew Spannaus, “Tremonti Returns, Launches Glass-Steagall Offensive in Italy,” *EIR*, Feb. 10, 2010.



Movisol

The “Legge di Initiative Popolare,” a campaign to gather 50,000 signatures in support of a Glass-Steagall law for Italy, is being led by the opposition party Lega Nord and the LaRouche movement in Italy, Movisol.



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Lega Nord Secretary Umberto Bossi announced the Glass-Steagall campaign on April 1, declaring “We need to split up the banks....” Two days later, the Financial Police raided the Lega’s offices, and Bossi resigned on April 5.

ultimately succeeded, only when the elected government of Silvio Berlusconi—himself increasingly under the influence of Tremonti’s enemies—was replaced by technocrats and bankers led by market darling, now Prime Minister, Mario Monti.

The broadening of the push for Glass-Steagall to multiple political parties represents an important marker in this period of crisis, where far too many in the population and institutions have to date been cowed into accepting policies dictated by the international financial establishment. Despite their different political ideologies, various sectors of the population are beginning to coalesce around the proposal, which can represent an essential first step towards the abandonment of the suicidal free-market policies in place at the international level.

Judicial Attack

On April 1, Lega Nord leader Umberto Bossi announced the Glass-Steagall campaign during a public event by saying: “We need to split up the banks; those that speculate from those that give money to enterprises.” The plan is to have literature tables to collect

signatures around Northern Italy, with petitions that include the proposed articles of law.

Right on cue, the Financial Police showed up at the Lega’s headquarters in Milan two days later, on April 3, announcing an investigation of three party officials accused of fraud and embezzlement of public funds provided as reimbursement for election campaigns. Details were then released that involved misuse of funds for the personal expenses of Bossi’s family. Bossi and the Lega deny knowledge of any wrongdoing, but their political image is taking a huge hit, since the party was built on an anti-corruption message, charging that the hard-working North shouldn’t be paying for inefficient and corrupt public and private structures in the South.

(This has at times expressed an undercurrent of racism in some sections of the party, along with threats to split Italy as a nation between North and South, although in recent times the Lega has essentially dropped these points, and become a magnet for opposition to globalization and free-market policies. Indeed, for over a year, the party’s radio station Radio Padania has regularly interviewed the leaders of Movisol, to promote the campaigns of the LaRouche movement.)

As a result of the judicial attack, Bossi resigned as secretary of the Lega on April 5.

While the operation against the party obviously predates the campaign for Glass-Steagall, as it involved investigations that took place over a significant period of time, it is clear that the Lega has become a target due to its role as the only major party that has opposed the harsh austerity measures being imposed on Italy by the European Central Bank and its cohorts, through the Monti government. In fact, the other major political parties, including those who claim that they are against free-market liberalism, have been fully supporting the technocrats, either explicitly or de facto. Thus, undercutting the Lega’s credibility is certainly seen as essential to avoiding another major increase in its vote totals in the upcoming municipal elections, which could spell trouble for the hegemony of the technocrats.

At the same time, the attack on the Lega must be seen in the broader context of a series of anti-corruption operations involving other political parties in Italy. Even minor offenses, or those that do not implicate party lead-

ers, have become the subject of widespread media attention, engendering a general environment conducive to undermining trust in the political class as a whole. The beneficiaries of this are those who aim to push through a wave of so-called structural reforms, meaning cuts in social services, liberalization/deregulation measures, and privatization of whatever is left of state-sector industries to be gobbled up by financial markets desperate for new sectors of the economy to pillage. The parties don't dare stand up to Monti, and thus the destruction goes on (see Movisol statement, below).

Among the citizens, however, the opposition is growing, and promises to increase significantly when the additional tax increases hit people's bank accounts this Summer and Fall (massive property tax hikes, and a two-point increase in Value Added Tax, similar to a national sales tax that is levied on every category of goods and services). At this point, the smartest thing that the Lega, or any party, could do, would be to go full-steam ahead with Glass-Steagall, to create the basis for the early ouster of the compradors running the government, and provide an example internationally for those who wish to change the dynamic of the global financial crisis.

Documentation

Lega Nord Sponsors Glass-Steagall Law

April 4—*The following are excerpts from the introductory text to the Lega Nord-sponsored petition for a Glass-Steagall legislation in Italy. Italian law allows for a bill to be introduced in the Parliament by a popular petition that has a minimum of 50,000 signatures. The translation was provided by Movisol, the LaRouche organization in Italy.*

Proposed Bill of Law By Popular Initiative

Pursuant to Article 71(2) of the Italian Constitution and in application of Law No. 352 of May 25, 1970 and subsequent amendments

(Guarantee of credit for families and enterprises: separa-

tion between productive credit and speculative financial activities)

Two centuries ago, Thomas Jefferson said: "I believe that banking institutions are more dangerous to our liberties than standing armies" (1816). Today, the situation is more or less the same, and so the time has come to put the State above finance, and finance below the State; to set a limit to the excessive power of finance. To finally do this, means to put an end to a 20-year cycle of unnatural supremacy of particular interests over general interests; it means "driving the money changers from the Temple"; conquering the spell of power still exercised by the high priests of money.

To do this means that it is only the State that issues money in the name of the people. It means that credit is for development and not for speculation. It means separating "the wheat from the chaff," what is productive from what is speculative, as happened for centuries. It means beginning to defend and stabilize public budgets, and in general, to begin a different economic and social system, that is not only more ethical, but also more effective than the monetarist system that is currently coming down and, unfortunately, is taking us with it—if we don't resist, if we don't react, if we don't change....

... In some cases, it is necessary to make the banks that are, or call themselves systemic, less systemic, or not systemic at all: reduce their size, split them up, weaken them, because the time has come for the separation of banks that collect deposits and capital and invest them at their own risk in large industries, small enterprises, for families, communities, and youth, and the banks that gamble, that privatize their winnings, and socialize their losses....

In other cases, banks must be nationalized, before their ruin makes it necessary to do so later, potentially at the public's expense....

First, we repeat, we must separate "the wheat from the chaff," the good from the bad; open and force the opening of the accounts, impose voluntary or compulsory audits of how much of the one and the other there is in each bank, and in each large financial entity in general. Specifically, the healthy assets and liabilities must be separated from the toxic ones, which are to be sequestered. There are various techniques available for such a sequester, which are both ancient and very modern at the same time: from a sabbatical to a moratorium, to a bad bank. It is clear however, that in any

event, the enormous toxic financial mass that still exists in the so-called system, must be spread over the longest periods possible and saddled on the speculators, or just written off. A gambler cannot simply leave the table and have someone else take his place to pay for his losses. The one who loses a bet must be forced to pay!...

Many entities, sectors, banking and financial groupings must go through orderly bankruptcy procedures. For example, procedures based on the model of Chapter

11 bankruptcy in the United States. We cannot pretend that everything will be saved, especially when experience tells us that when you try to save everything, you end up saving the worst parts....

The absolute priority now is survival (*primum vivere*). Abandon the model of the so-called “universal bank,” that is the DNA of systemic banks, the launching pad for the disastrous global megabank. To do this it is necessary to introduce a new, updated version of the Glass-Steagall Act of 1933....

Italian Parties Probed: Is Monti Now Dictator?

by Liliana Gorini, Chairwoman of
Movisol

This statement has been translated from Italian.

MILAN, April 6—Speaking to journalists in Seoul, South Korea, Italian Premier Mario Monti declared that he has “consensus, while the political parties do not.” As soon as he returned to Italy, the police, together with the inevitable Naples Prosecutor John Henry Woodcock, whose investigations have been discredited in the past, raided the national office of the Lega Nord in Milan, and yesterday, also a building of the regional government. As Lombardy region president Roberto Formigoni declared this morning, “Watch out: At this moment, all the parties represented in Parliament are under investigation.”

One cannot help but notice a particular fierceness towards the Lega Nord, the main opposition party to Monti’s government, which just announced a proposed bill for a Glass-Steagall reform, for which it plans to gather 50,000 signatures, an initiative which has shaken the investment banks which created the crisis.

Leaving aside the question of the merit of the Milan investigation, I share Formigoni’s view that such events are very dangerous, in a period in which the crisis, and the total absence of alternative proposals from those parties that support the Monti government, increase the divide between citizens and poli-

cymakers. Every day, we read about the suicides of entrepreneurs, pensioners, citizens who have lost their jobs, and Monti continues with his austerity package, aimed at bailing out those same investment banks which speculated on our state assets and created the present world crisis.

Greece, Spain, Portugal, Ireland, and now also Italy, have experienced the collapse of their real economies as a result of this. In Italy, 12,000 companies went bankrupt in 2011, because banks shut down the credit lines, despite the fact that they had received hundreds of billions in credit from the ECB, at near zero interest, which they used to bail out the speculative bubble, instead of financing enterprises and jobs, a speculative bubble which is now 12 times the world GDP. And while politicians and the press discuss the parties’ financing and elections, the European Stability Mechanism has been approved without anyone taking notice, depriving us once and for all of our national sovereignty, and violating our Constitution.

In this situation, Monti brags of having a “consensus,” makes deals behind the scenes in order to stay in government after 2013, abolishing national elections, after having formed a government without consulting voters. How long will it take before he repeats Mussolini’s famous statement on the Parliament: “I shall turn this indifferent and gray room into a bivouac for my platoons”?

It’s time for citizens to react against this dangerous dictatorial tendency, to oppose to the ECB and ESM dictatorship, and also the governments installed by Goldman Sachs (not only Italy’s, but also Greece’s). The best way to react is by supporting Glass-Steagall, which will deprive the financial oligarchy that put us in this situation, of its power.