Italian Parliament Committee To Discuss Glass-Steagall Bills

by Claudio Celani

July 7—For the first time ever, a Committee of the Italian Parliament will discuss draft legislation inspired by the LaRouche movement. Two distinct draft bills for a separation of banking activities according to the Glass-Steagall standard, one introduced by former Economy Minister Giulio Tremonti, and another by the entire Lega Nord (Northern League) faction in the Chamber of Deputies, have been forwarded to the Chamber Finance Committee in order to be discussed. Tremonti's bill was introduced on May 18 and was forwarded to the Finance Commitee on June 12. The Lega bill was introduced on March 15 and, according to our sources, it has also been forwarded to the Committee.

Resolutions and draft bills organized or inspired by Movisol, the LaRouche political movement in Italy, have often been introduced in both the Chamber and in the Senate. Although *resolutions*, such as the one for a New Bretton Woods introduced by Sen. Oskar Peterlini in the Senate, did make it into debate and were voted up (in 2008), this is the first time that a *draft bill* has been introduced into a committee. Senator Peterlini introduced a Glass-Steagal draft bill in the Senate earlier this year, which has not been assigned to a committee. His action, however, has helped build momentum for the current initiative in the Chamber.

Peterlini has often been interviewed by Radio Padania, the Lega Nord radio station, together with Movisol leaders, and host Roberto Ortelli has called him a "hero" for leading the battle for Glass-Steagall. Peterlini, in his latest interview with Ortelli on June 20, stressed that "people maybe do not know the name Glass-Steagall, but have understood that we are in the hands of bankers who do not give any money to the economy. I am especially impressed of the job done by Movisol in convincing people, because in the end, in democracy, it is the people who count."

Insiders won't be surprised at discovering that the introductory text of Tremonti's bill is identical with the text for which the Lega Nord has been collecting signatures. Indeed, the Lega had adopted Tremonti's original text for the signature campaign, which started in March, and was supposed be coordinated with the introduction of Tremonti's bill in the Chamber. However, the scandals that broke around Lega founder Umberto Bossi's family, which led to his resignation and political turmoil in the Lega, postponed the introduction of Tremonti's draft bill. Eventually, he decided to present it alone.

The Lega Bill

The Lega introduced its own draft bill, which has 58 signatures, including newly elected secretary general Roberto Maroni, as well as members of the Bossi fac-

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Former Italian Economy Minister Giulio Tremonti has introduced a draft bill into the Italian Parliament calling for a Glass-Steagall law, and an end to the bailouts: "A gambler cannot simply leave the table and have someone else take his place to pay for his losses!"

tion. Among other things, it states:

"A crisis caused by banks is destroying the real economy, knocking out common people through economic measures that increase direct and indirect taxes, cause an indiscriminate increase of prices including for primary goods, with a significant loss of purchasing power of families. True, interest rates are currently low, but the spreads on mortgages and loans are at unprecedented levels: Banks are dumping the costs of the crisis and of their speculative operations on citizens and business.

"Therefore, in order to avoid repeating the dramatic mistakes of the last twenty years and to protect the real economy from finance, we need to separate investment banking activities, and establish clear distinctions of stock ownership as well as of management, and even a different tax system that favors traditional banks vis-à-vis investment banks."

'Driving the Money-Changers from the Temple'

The introduction to Tremonti's draft bill is a sample of high-level economic and statesman-like thinking, which recognizes its debt to President Franklin Roosevelt's 1933 law. Here is a translation:

"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 twenty-year cycle of unnatural supremacy of particular interests over general interests, it means 'driving the money-changers from the Temple,' breaking 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, which 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.

"We repeat: The time has come to re-establish the proper balance between the power of finance and States, between finance, constituting its own interests, and political institutions, that are charged with representing the general interest of the public. Even in the worst-case scenario that we could imagine for politics, it is still true that, no matter how controversial a policy may seem, a controversial policy is still better than invincible finance. Indeed it has been said that democracy may be the worst of systems, but we don't know any better (Winston Churchill). Well, financial autocracy is also not better than democracy!

"The various situations that we see today in the financial and banking field are truly very differentiated, both at the national and European levels, and beyond. Thus, we cannot plan only a single measure, a single instrument to be applied. Yet there is a common political logic to act as the basis for each necessary intervention. 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; from the banks that gamble, that privatize their winnings, and socialize their losses* [emphasis added]. In this manner, they also produce a result that is contrary to any form of capitalist efficiency, as debatable as it may be. So banks must return to their role, to be considered and treated as an infrastructure at the service of the economy and society; not the other way around.

"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, more in general. Specifically, the healthy assets and liabilities must be separated from the toxic ones, that are to be sequestered. There are various techniques available for such a sequester, that 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!

"We must block the infection that originated in finance, and now, out of control, is spreading elsewhere.

"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.

"At the time of the New Deal, starting in 1933, first new rules were introduced and the banking and financial system was reorganized, isolating the system from parasitical activity, and then public monies were used for public investment, in infrastructure, to save families and industries. (There is more on this type of investment below.) Incidentally, it is important to remember that only the saving of the U.S. industrial apparatus, as carried out, made possible the defeat of the Nazis.

"Starting in 2008 however, the opposite took place: Public money was used predominantly to save banks and bankers; new rules were not made (quite the opposite); there are no serious, large-scale public investment projects for the industrial, physical, and manufacturing economy, or for infrastructure.

"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* [emphasis added].

"In short, now as then, it is necessary to set up a firewall, to distinguish between ordinary banks and gambling banks, so that ordinary banks can no longer lend the money from their account holders to the gambling banks, or buy their structured products. This distinction can and must be made instantaneously, abrogating the new laws, introduced more or less everywhere in the nineties, and returning to the old laws from the thirties. This is exactly what needs to be done.

"It is true that enormous profits can be made by speculating with the money deposited in banks by ordinary account holders. This is exactly what needs to be prevented. The funds of ordinary account holders, first, and the taxpayers, second, must no longer be subject to this type of risk; a risk that is now expanding to public accounts, and moving up the stairway of the crisis, affecting the well-being and life of peoples."