Glass-Steagall On the Agenda

June 11—There are presently two bills to reinstate FDR's Glass-Steagall regulations before Congress, one in the House (H.R. 129), and one in the Senate (S. 985). The House bill, introduced Jan. 3, 2013, has 64 sponsors in all, including the initiating sponsors Marcy Kaptur (D-Ohio) and Walter Jones (R-N.C.). The Senate bill, introduced May 16, still only has its initiating sponsor, Sen. Tom Harkin (D-Iowa).

Memorials in support of Congressional action have been passed in four state legislatures (South Dakota-both houses; Maine-both houses; Indiana-House; and Alabama-House), and are pending in five others (Rhode Island, Pennsylvania, North Carolina, Delaware, New Jersey, and New York). Intensive efforts are still underway in several other states where Memorials have not been yet introduced.

The House and Senate bills have nearly identical language, and match the key provisions of FDR's Glass-Steagall. These are: 1) Commercial bank holding companies must divest themselves of all non-commercial banking units; 2) The remaining commercial banks could not use more than 2% of their capital for the creation, sale, or distribution of securities; 3) Commercial banks cannot make loans into vehicles, such as hedge funds, that would create securities; and 4) No securities of low, or potentially low value—like derivatives—can be placed by a bank in its insured commercial bank units.

In sum, banking units devoted to speculation are *cut off* from government support—and the way open for reestablishing a sound banking system based on credit for *production of real wealth.*