Will Italy Be First To Reinstate FDR's Glass-Steagall Principle?

by Claudio Celani

The nation of Italy, which has, like other Southern European countries, come under the diktat of the financial imperialist Troika (IMF, European Central Bank, European Commission), has become the first among those nations to move toward adoping the singular solution: a Glass-Steagall-style banking separation between those banks which will serve the national interest for productive credit, and those banks engaging in speculation, which have been responsible for the financial-economic collapse beginning in 2007-08.

Thanks to the activity by LaRouche's movement in Italy, Movisol (International Movement for Civil Rights-Solidarity), legislative initiatives based on Glass-Steagall have been introduced at several levels: in both houses of Parliament, in local and regional administrations, and at the grassroots level.

Soon after the new Parliament was seated, on March 22, members of the Chamber of Deputies, led by Lega Nord member Davide Caparini, introduced a Glass-Steagall bill. The text follows the template of a bill prepared by Movisol, and introduced by Sen. Oskar Peterlini in 2012, but not brought to the floor in the last session.

Then, on March 28, former Finance Minister Giulio Tremonti introduced his own bill in the Senate. Tremonti had introduced the same bill in the previous session of Parliament.

On April 16, a second Glass-Steagall draft bill, C. 762, was introduced in the Chamber of Deputies, by four members of the Democratic Party caucus, led by Marco Di Lello.

Former Finance Minister Giulio Tremonti introduced a Glass-Steagall bill into the Italian Senate on March 28, which memorializes FDR's 1933 Act.

Di Lello's bill calls for "Separation between retail and trading banking activities," noting that this idea is not new: "In the New Deal, such a reform (The Glass-Steagall Act of 1933 that prescribed a strict separation between commercial banks and investment banks) had been adopted as an answer to the big crisis of 1929 and was effective for about 70 years. . . ."

The earlier Caparini bill calls on the government "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." It says that "The Government shall adopt, within twelve months of the entry into effect of this law . . . 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 the obligation of return, from carrying out any activities linked to the trading of securities in general."

Caparini's initiative developed out of a public event in the northern Italian town of Brescia in November 2012, where he shared the podium with Movisol chairwoman Liliana Gorini. During that conference, Caparini felt strong pressure from the rank and file to act on Glass-Steagall, instead of just limiting himself to such populist single issues as "keep taxes in the North," or same-sex marriage. Since then, hundreds of listeners to the radio show "Che Aria Tira," which has frequently invited both Gorini and Movisol secretary-

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Davide Caparini (left) and Marco Di Lello have each introduced Glass-Steagall-style bills into the Italian Chamber of Deputies, based on the template prepared by the LaRouche movement in Italy, Movisol.

general Andrew Spannaus to discuss Glass-Steagall and other LaRouche proposals, sent letters to their member of parliament, mayor, or trade union, demanding they introduce a Glass-Steagall bill into parliament. Similar letters were sent also by readers of the Movisol website and Gorini's Facebook page.

Tremonti Memorializes FDR

Tremonti's bill, introduced in the Senate only six days after the Caparini draft in the House, is identical to the text that Tremonti had previously introduced in the House of Deputies. The measure recognizes its debt to President Franklin Roosevelt's 1933 law, as the following excerpts from the introduction show:

"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. . . .

"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. . . .

"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. 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

Movisol is circulating a petition for a Legge di Iniziativa Popolare (Popular Legislative Initiative); once 50,000 certified signatures are submitted to the Parliament, it is required to discuss the measure.

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.... 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.

"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."

The Grassroots Initiative

Unless there is a mass-movement in support of Glass-Steagall, it is unlikely that the Italian Parliament will examine any of the draft bills. Thus, Movisol is circulating a petition for a Legge di Iniziativa Popolare (LIP/Popular Legislative Initiative), which the Parliament will be forced to discuss if signed by at least 50,000 voters. The petition was initiated by a new organization, the Comitato di Liberazione Nazionale (National Liberation Committee, CLN), founded by four groups, including Movisol. On May 10, the LIP text was registered at the Italian Corte di Cassazione.

The CLN takes its name from the historical organization of the Italian resistance against Fascism, and is comprised of those networks, organizations, and civic groups which agree on four basic points, including, leaving the euro, and implementing a Glass-Steagall bank separation. The collection of signatures will begin with a "Week of Action" June 24-30 in numerous Italian cities, towns and villages.

Local Administrations

The debate on Glass-Steagall is also taking place among local and regional institutions. On May 17, the Regional Assembly of Tuscany approved a resolution calling for a "Banking and Legal Reform According to the Glass-Steagall Act." The resolution was introduced on May 10, by councilman Gabriele Chiurli and was approved by all ayes, with only one abstention.

Reporting on the vote, the local daily *Gonews* wrote that "The resolution recalls that the [Italian] 1993 Banking Act repealed the 1936 Banking Act which introduced the U.S. Glass-Steagall standard in Italy. Additionally, the 1992 Amato Act and the 1998 Draghi Act have allowed banks to drop specializations and become

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YouTube

Italian MEPs Cristina Muscardini and Claudio Morganti have both raised the issue of Glass-Steagall on the floor of the European Parliament; on May 21, Morganti briefed the plenary session on the introduction of U.S. Sen. Tom Harkin's Glass-Steagall bill.

universal banks, i.e., doing everything including investment banking."

"Gabriele Chiurli, first signer of the resolution, made the point that the Glass-Steagall Act allowed the United States to come out of the 1929 crisis."

Motions in favor of a re-introduction of Glass-Steagall were filed in two more local administrations: the city councils of Alessandria (in Piedmont) and Olgiate Olona, a small town in Lombardy. The latter was introduced by councilwoman Giorgia Cantù, a member of the Lega Nord, and follower of Movisol, whereas the motion in Alessandria was introduced by councilman Marco Botta from "Fratelli d'Italia" (Brothers of Italy), a conservative splinter group from the Liberal Democratic Party, which elected several members to the national Parliament in the recent general elections.

European Parliament

At the European Parliament, Movisol's proposals have been picked up by Italian members Cristiana Muscardini, deputy chairwoman of the International Trade Committee, and by Independent Claudio Morganti. Muscardini has repeatedly challenged the EU Commission on Glass-Steagall in numerous questions, while Morganti has confronted ECB chairman Mario Draghi, and has often called for Glass-Steagall from the Parliament floor.

On May 21, Morganti briefed the plenary session on U.S. Sen. Tom Harkin's Glass-Steagall bill, introduced May 16, and called on European nations to follow the example. Morganti intervened in the debate on the so-called Banking Union reform, rejecting the scheme and calling instead for banking separation.

"In the last months in Italy," Morganti said, "we had the known case of the Monte dei Paschi bank: I doubt that a European supervisory mechanism would have been more effective—although it was surely impossible to make matters worse than that. At that time, Mario Draghi was at the Bank of Italy and he did nothing: I do not desire this to be repeated now in his new role at the ECB, because in that case, Europe as a whole would pay the consequences.

"I wonder what use and effectiveness the new European Banking Authority will have, because so far, it's been practically useless. It was just the umpteenth useless European agency. Maybe, bringing it again under the ECB has a logic.

"A large part of banking problems originates, in my view, from an error which I have often stressed in this room, and that is, from the wretched abrogation of banking separation modeled on the U.S. Glass-Steagall Act. Just last week, also in the United States Senate, a bill was filed [by Harkin—ed.], aimed at re-introducing Glass-Steagall, similar to the bill already filed in the House of Representatives.

"Europe should follow this path, because today we talk about a Banking Union, but maybe many more benefits would come from a Banking 'Separation.' "

Thanks to an amendment introduced by Morganti, the Economic Affairs Committee of the European Parliament voted up a draft resolution on June 18 which refers to Glass-Steagall in the introduction. The draft resolution asks the EU Commission to prepare a banking reform to separate commercial activities from investment bank activities.