

# Legislators Testify For Glass-Steagall

*Delaware State Sen. Cathy Cloutier, Kentucky State Rep. Perry Clark, and former Michigan State Rep. and current Detroit School Board President LaMar Lemmons, addressed the National Conference of State Legislatures Committee on Communications, Financial Services and Interstate Commerce Hearing Aug. 12, in favor of a resolution to restore Glass-Steagall. Here is a transcript of their remarks.*

## Delaware Senator Catherine Cloutier

Good afternoon.

I'm State Senator Cathy Cloutier. I'm from Delaware, and I have always stood for working across party lines, for the good of all the people.

I'm here to motivate the passage of the resolution that calls for the reenactment by the U.S. Congress of the Glass-Steagall Act of 1933.

I have elected to share my time with State Sen. Perry Clark, who's a Democrat from Kentucky, and LaMar Lemmons, who's a long-term former state rep, and now President of the Detroit School Board. I also have a fact sheet that will answer a lot of questions. I did cut my notes for my talk drastically, to allow more time for others.

There is no more urgent legislation facing the United States today than the restoration of Glass-Steagall, which was unfortunately repealed in 1999, when Wall Street gave \$350 million to the Congress to repeal it.

*Slide #1:* FDR signing Glass-Steagall, flanked by Sen. Carter Glass, Rep. Henry B. Steagall, and others.

The two most important features of the original Act of 1933, which you see here being signed by Franklin Roosevelt, were:

Number 1: separating sound commercial banking activity from investment banking, which is entirely speculative; and

Number 2: establishing Federal Deposit Insurance by the FDIC, to insure the commercial bank deposits of all the American people.

In other words, no gambling with bank depositors' money, and no deposit insurance for the gamblers in investment banking.

In doing both, it contributed greatly to restoring confidence and stability in the banking system, and thereby, the economic recovery from the Depression.

Because the 1999 repeal dissolved that separation, the door was opened for

- 1) creation of the biggest financial bubble in history;
- 2) the collapse of that bubble in 2007 to 2009, and the biggest taxpayer bailout in history; and
- 3) with the new collapse about to hit, the plan for bail-ins of banks, as mandated by the Dodd-Frank bill.

Now I'd like to tell you the history of how the original Glass-Steagall Act was enacted, to help us summon up the wisdom, the courage, and the resolve to do it again.

The passage of Glass-Steagall was almost entirely the result of a combination of the courageous work of two fighters: Pecora and FDR.

*Slide #2:* Ferdinand Pecora on left vs. J.P. Morgan and two others leaving Pecora hearings on the right, with headline WHEN WASHINGTON TOOK ON



National Archives

*Slide 1: President Franklin Roosevelt signs the Glass-Steagall Act on June 16, 1933. Standing to his right is Sen. Carter Glass, and to his left is Rep. Henry B. Steagall, the authors of the the law.*



National Archives

Slide 2: Ferdinand Pecora, “the Hellhound of Wall Street,” seated left; across the table is J.P. Morgan. The Pecora hearings paved the way for Glass-Steagall to be passed overwhelmingly in Congress.

WALL STREET. [Note: This slide remained on for all three speakers.]

Ferdinand Pecora got crucial backing from FDR.

He was hired as chief counsel for the Senate Banking Committee on Jan. 22, 1933.

At that time, we were in a total depression. By March 3, 1933, 38 states had been forced to declare bank holidays to try to stem panic.

Pecora kicked off the hearings with a subpoena to Charles Mitchell, head of National City Bank, then America’s largest bank. (It’s now known as Citibank.) Sunshine Charlie was the Jamie Dimon of his day. After Pecora grilled Mitchell and his men for 10 days, Charlie Mitchell walked out of the hearings alone, discredited, a broken man, and resigned as chairman of City Bank. His admission on the witness stand led to his subsequent arrest for tax evasion.

J.P. Morgan was next. Pecora put Morgan on the witness stand in May, and made him admit, after relentless grilling, that he and a lot of his Morgan partners had paid *no taxes* for the last two years. The people of the nation had had enough.

Glass-Steagall swept through the Senate by voice vote; the House followed, by 191 to 6; and FDR signed the new law on June 16, 1933. This opened the way for President Roosevelt to pour credit, through the newly

reformed, sound banks, to put millions of people to work, reopen the factories, build the TVA, the Hoover Dam, and thousands of other projects.

**This is what we need to do!!!**

[Holding up a recent *Time* magazine, “Is Your City Next?”]

Just look at Detroit—and your city, and your state, could be next!

The city of Detroit is being forced to pay the big banks hundreds of millions of dollars in interest rate swap bets—gambling debts.

Meanwhile, the retired policemen, firemen, and city pensioners of Detroit are told to live on 10 cents on the dollar: They are supposed to live on a \$3,000 a year pension, with no Social Security!

Twenty-five states this year have introduced resolutions calling for the Congress to restore Glass-Steagall. In Delaware, 10 of the 21 State Senators, including myself, introduced a pro-

Glass-Steagall resolution.

Why? Because they know the Congress is listening. In the U.S. House of Representatives, there are now 75 co-sponsors of the bill to restore Glass-Steagall. And in the last month, 10 U.S. Senators have joined in.

I’m calling on you to restore the Glass-Steagall Act!

### Kentucky Senator Perry Clark

Let me just make this as brief as I can make this. Walls are very interesting things—it is very hard to build a wall. It’s a lot easier to knock down a wall than to build a wall. Sometimes when you knock down a wall, you try to figure out: Why did we knock down that wall?

We know now what the outcome was of knocking down the wall of Glass-Steagall. From 1933 until 1999, we had a relatively secure commercial market. We did not hear things like this—and I’ll just read these news reports—just like you see here. Here’s yesterday: “JPMorgan Chase files quarterly report with the SEC”—if there ever was an argument of making a convincing case against breaking up the big banks and restoring Glass-Steagall, it is dead—“JP Morgan reported it is under investigation by the Justice Department in six separate areas being pursued by multiple state attorneys general.”



*This Time magazine cover was held up by Sen. Cathy Cloutier to underscore the point that every city is now on the chopping block—without Glass-Steagall.*

We all know this! This is going on in our state!

And, they're also in trouble with the Libor. Does anyone remember the Libor manipulation of the stock markets? "J.P. Morgan says the Justice Department is one of the multitude of bodies that are investigating their potential role in the rigging of the interest rate benchmark used to set the interest rates on trillions of dollars of loans in derivatives around the world," and it cuts back to *our* states; *we're* going to owe that money!

More articles, this is all recent news right here. This is the *New York Times*, right here: "The case also comes at a time when J.P. Morgan, which recently reported record quarterly profits, is already grappling with an array of regulatory woes." The bank has got six inquiries, minimally, into it—we know that. The cat is out of the bag! When Glass-Steagall was knocked down, we allowed the commercial and the investment banks to get together. It's a rigged game, people! We *must* put that wall back up, and separate them now. We can figure

out what kind of regulatory scheme we need after that. What we had with Dodd-Frank is not working.

Give me just a minute. I do hope you have time to hear from Mr. LaMar Lemmons, here, who is the President of the School Board of Detroit, and he knows what these casino swap rates are costing Detroit. It's just not bad management, it's a bad financial manager. The cat's out of the bag! Twenty-five states have introduced these legislations to restore Glass-Steagall. Congress has bills in both the Senate and in the House. You have 10 Senators co-sponsoring. And my Congressman from Louisville obviously is one of the sponsors in the House—you have 75 co-sponsors. It is growing daily. People are seeing what is going on with the markets, and we can no longer bail out the banks and not bail out the people. We save the people—a lot of the banks can fend for themselves! We put the Glass-Steagall back in place.

I ask for everybody's courage, I ask for everybody's commitment. It's going to be difficult, there's going to be *millions of dollars spent against this up in Washington to stop this from happening*, but this is the only thing I see that's going to save the people of my district, and maybe even to build the infrastructure of the United States so we can leave a future for our children. And that's what we're here for. That's who you vote for.

### **Former Michigan Representative LaMar Lemmons**

I'm LaMar Lemmons. I'm a former state legislator from 1999-2007, from the State of Michigan and the City of Detroit. When I was here at the conference in 2000, I met another state legislator from the State of Illinois, from the Chicago base. He went on to become the President of the United States, and I went back home and became president of our largest school district, the Detroit Public Schools, because my interest was in the children. And so that's where I am today.

Now, our city has recently filed for bankruptcy—but not in the traditional manner! Not with the mayor and the city council. It was an *imposed* bankruptcy, imposed by the state. The fact that Glass-Steagall was repealed caused our pensions to be undermined and under-financed. And as a direct result, we cut our firefighters down; and some of them, both firefighters and policemen, start at \$14 an hour! With a family of four, they're eligible for food stamps.

Unless you re-erect Glass-Steagall and stop the

bleeding, our pensioners have now been made vulnerable. Although our state constitution *guarantees* the pensions, when we go to Federal bankruptcy court, all bets are off. So I'm just here to ask you to send to the larger body, for deliberation, this resolution for Glass-Steagall. Thank you.