

2015-K308

LEGISLATIVE RESOLUTION urging the New York State Congressional delegation to support efforts in the US House and US Senate to reinstate the Glass-Steagall Act, including the separation of commercial and investment banking functions in effect under the Glass-Steagall Act

WHEREAS, An effective money and banking system is essential to the functioning of the economy; and

WHEREAS, Under the American System policies of Alexander Hamilton, such a healthy banking system should provide credit to multiply the productive manufacturing, agricultural, and scientific ventures and activities of the nation; and

WHEREAS, The Federal Banking Act of 1933, commonly referred to as the Glass-Steagall Act, stated in its introduction that the Act was written:

"to provide for the safer and more effective use of the assets of banks, to prevent the undue diversion of funds into speculative operations, to regulate interbank control, and for other purposes"; and

WHEREAS, From 1933 to 1999, the Glass-Steagall Act protected the public interest in matters dealing with the regulation of commercial and investment banking, in addition to insurance companies and securities; and

WHEREAS, The Glass-Steagall Act was repealed in 1999, permitting the financial industry to exploit the financial system for their own gain in disregard of the public interest, and contributing to the 2007-2008 financial crash and bailout, and the greatest speculative bubble and worldwide recession since the Great Depression; and

WHEREAS, This resulted in millions of foreclosures nationwide as well as the loss of millions of jobs, and the creation of financial strains on states, counties and cities, and exacerbated unemployment and the loss of social services, and the availability of productive credit; and

WHEREAS, American taxpayers were billed trillions of dollars in bail-outs and transfer of savings during this crisis; and

WHEREAS, Despite this cost, financial instability has grown, such that the major Wall Street banks are now, in 2015, 30% larger in bad liabilities than in 2008, and are holding over \$300 trillion in derivatives contracts, as part of over \$800 trillion held worldwide -- the same securities that collapsed in 2008, and resulted in the bailout; and

WHEREAS, In December, 2014, and January, 2015, the Wall Street banks successfully pressured Congress to delay implementation of the "Volcker Rule" until 2019, and to totally remove Section 716, the "Lincoln Amendment" from the Dodd-Frank "Wall Street Reform and Consumer Protection Act", thus making commercial banks and US taxpayers liable for another \$50 trillion or more in commodity and other exotic derivatives, all of which would be outlawed under Glass-Steagall; and

WHEREAS, Thomas Hoenig, the Vice Chairman of the Federal Deposit Insurance Corporation spoke of the danger to the FDIC safety net and the banking system in March of 2015, referencing the take-down of Glass-Steagall, as resulting in the government's subsidization of dangerous financial speculation, and allowing conflicts of interest and the manipulation of the FDIC safety net; and

WHEREAS, The call to reinstate Glass-Steagall, has received widespread national support from prominent economic, banking, labor, academic, legislative and business leaders from all parties, and many of the major and respected national newspapers; and

WHEREAS, The United States Senate and House of Representatives have been making efforts to restore the protections of the Glass-Steagall Act, and Congressional representatives and Senators have submitted bills to that effect, including four bills in the 2014 (113th) Congressional

session -- HR 129, HR 3711, S. 1282, S. 985 -- with 83 co-sponsors on HR 129; and

WHEREAS, In the 2015 (114th) session, HR 381 ("The Return to Prudent

Banking Act of 2015") has been introduced with 33 co-sponsors listed in the first three months of the session, including 3 New York Congressional representatives; and

WHEREAS, Prominent political figures and governments throughout Europe are now debating similar Glass-Steagall bills in their governing bodies, including in Italy, Iceland, Switzerland, and others, to preempt future collapse of the European debt bubble; and

WHEREAS, The European debt and derivatives bubble are inextricably linked to the same financial markets in the United States, and the United States should take significant steps to protect its investments and the investments of its citizens; now, therefore, be it

RESOLVED, That this Legislative Body pause in its deliberations to urge the entire New York State Congressional delegation to support and enact in Congress the legislation that would reinstate the Glass-Steagall Act, including the separation of commercial and investment banking functions that were in effect under Glass-Steagall, thus securing a safe American banking system, which can protect deposits, and supply needed credit for a productive economy, protect state finances and the well-being of our citizens, and remove any national protection of investment in stocks, underwriting of securities or investing in or acting as guarantors to derivative transactions or other activities deemed "non-bank" activities under the Glass-Steagall law; and be it further

RESOLVED, That copies of this Resolution, suitably engrossed, be transmitted to each member of the New York State Congressional delegation.