

BY: M. of A. Steck

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 1933 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, infrastructure platforms, and scientific ventures and activities of the nation; and

WHEREAS, Such a system must function in the public interest, without bias; and

WHEREAS, The Federal Banking Act of 1933, commonly referred to as the Glass-Steagall Act, was written, as stated in its introduction: to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes; and

WHEREAS, For 66 years -- from 1933, until it was taken down by the Gramm-Leach-Bliley Act in 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, Under the Glass-Steagall law, financial institutions were considered "banks", and their depositors were protected, only if said banks met certain criteria, and could not be involved in securities and speculative instruments; thus protecting insured-deposit banks from the risk-taking of Wall Street trading firms; and

WHEREAS, The Glass-Steagall law created an absolute separation of banks from investment houses, and banned any financial or personnel linkage between these two banking sectors, and especially forbade any loans from commercial banks to investment banks or for speculative activities, thus establishing a true firewall, so strong that the commercial banks and the real economy were not affected if the investment banks collapsed, and no bank was considered "too big to fail"; and

WHEREAS, The Glass-Steagall Act was repealed in 1999, allowing banks to use personal investment to speculate in the market, contributing to the greatest speculative bubble and worldwide recession since the Great Depression of 1933; and

WHEREAS, The worldwide recession of 2007-08 left millions of homes in foreclosure; millions of jobs were lost nationwide; and has put severe financial strains on states, counties and cities, exacerbating unemployment and stressing the social services systems; and

WHEREAS, Many of the financial industry entities were "bailed out" by the United States Treasury at a cost of hundreds of billions of dollars to US taxpayers, and were also granted "equity infusions", "asset guarantees", and "below-market rate loans from the Federal Reserve"; and

WHEREAS, Despite the cost of these bailouts, and the transfer of savings from American citizens, and despite implementation of other policies, financial instability has grown, such that the five major Wall Street banks are now, in 2016, larger than in 2008; and

WHEREAS, The American taxpayers continue to be at risk for the next round of bank failures; and

WHEREAS, The preferential financial support given to these "too big to fail banks" has stayed in the financial sector, and has not increased needed credit into the real economy; and

WHEREAS, The call to reinstate Glass-Steagall has received widespread national support from prominent economic, banking, farm, labor, academic, legislative and business leaders from all parties, and many of the major and respected national newspapers; and was included in the party platforms of both major parties in 2016; and

WHEREAS, The United States Senate and House of Representatives have been making efforts to restore the protections of the Glass-Steagall Act, and currently in the 115th Congress, Representatives Marcy Kaptur (D-OH) and Walter Jones (R-NC) have co-sponsored H.R. 790, together with a total of 26 original co-sponsors, including three from New York State; and in the 114th Congress, four US Senators introduced S. 1709, the "21st Century Glass-Steagall Act of 2015"; 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.

