

THE GLASS-STEAGALL ACT -- WHY DO THE AMERICAN PEOPLE WANT IT BACK?

The Glass-Steagall Act, also known as the Banking Act of 1933, was passed by Congress as a result of banking failures due to unsound banking practices. It prohibited commercial banks (banks that take customer deposits) from engaging in the investment business (speculation).

It was enacted as an emergency response to the failure of over 4,000 banks during the Great Depression. It imposed tighter regulations on banks, prohibited bank sales of securities, and created the Federal Deposit Insurance Corporation (FDIC).

Beginning in the 1900s, commercial banks (banks that take deposits from customers) got involved in bond issues and underwrote corporate stock. In underwriting, a bank guarantees to furnish a definite sum of money by a definite date to a business or government entity in return for an issue of bonds or stock. This expansion of commercial banks into securities underwriting was widespread until the 1929 Stock Market Crash and the subsequent Great Depression.

In 1930 -- seventeen years after the private Federal Reserve System took control of America's money supply and credit -- the Bank of the United States failed because of its involvement in these securities. It created artificial conditions in the market. *In 1933, all the banks throughout the country were closed for a 4-day period, and 4,000 banks closed permanently.*

As a result of the bank closings and the devastated economy, public confidence in the U.S. financial structure was very low. In order to restore the public's confidence that banks would follow reasonable banking practices, Congress created the Glass-Steagall Act. The Act forced a *separation* of commercial (deposit) and investment (speculation) banks by preventing commercial banks from underwriting securities. Likewise, investment banks could not engage in the business of receiving deposits. The Glass-Steagall Act restored public confidence in banking practices during the Great Depression.

In November, 1999, President Bill Clinton signed into law the Gramm-Leach-Bliley Act, which *repealed* the Glass-Steagall Act of 1933. One of the effects of the repeal is it allowed commercial and investment banks to consolidate. *The new law removed the very safeguards that Glass-Steagall had erected.*

Notice that the private Federal Reserve Banking System was coupled with the American government in 1913 with the Federal Reserve Act. Private bankers are not required to consider the welfare of the American people. As in any private industry, private bankers are in banking to make money for themselves. Within just 16 years, the Federal Reserve System had failed so badly that we had the Great Depression of 1929 and the Glass-Steagall Act had to be passed in order to prevent such a banking catastrophe again.

This is why so many people are calling for the reinstatement of the Glass-Steagall Act. Banking conditions prior to the Great Depression are repeating themselves. Bailouts are called for after banks engage in unsound banking practices. Consumer confidence in the banking system and the economy is naturally sinking, especially by those who know this particular aspect of banking history. Banks with sound banking practices do not demand the tax-payers to bail them out.

Calls for bailouts by tax-payers will continue as long as the Federal Reserve System is coupled with the US Government, and the Glass-Steagall Act is not in place.

For more info, read "The Creature from Jekyll Island by G.E. Griffin" or visit www.TheTinySpark.com