## Australian Citizens Party

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MEDIA RELEASE

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# Why Europe’s financial casino fears Glass-Steagall in Italy

At the centre of the recent political turmoil in Italy is Glass-Steagall. The two parties that won the 4 March election, the right-wing Lega Nord and left-wing Five Star Movement (M5S), are very different but united by their opposition to the power of the European Union, and support for key financial policies, including a Glass-Steagall separation of commercial and investment banking, and a national investment bank. These policies are included in the coalition contract the two parties signed in early May. Which is why their formation of government caused all hell to break loose in the European establishment.

Speaking on behalf of the City of London, which is the power-centre of the global banking system, the 14 May *Financial Times* panicked that the election result meant that “the barbarians are not merely massing at the gates of Rome. They are inside the city walls”. This is an apt metaphor for the mindset of the financial establishment, to whom the masses of people are a threat to be kept out of the corridors of power at all costs. Manlio Di Stefano of the M5S shot back: “The barbarians have been ruling for 30 years” in Italy.

### Democracy vs banking technocracy

In Europe, more blatantly than most places, when it comes to banking there is no real democracy. Greece and Italy have already experienced this, both having had unelected governments imposed on them by the EU, European Central Bank (ECB), and IMF. Former Greek finance minister Yanis Varoufakis recounts a confrontation with German finance minister Wolfgang Schauble who said, on behalf of the EU, that “elections cannot be allowed to change economic policy”. In Italy, the establishment is again trying to suppress democracy.

On 23 May Italian president Sergio Mattarella, a member of the country’s aristocratic elite, sacked the democratically elected government after just four days, and replaced the coalition’s prime minister with a technocrat from the hated IMF. Mattarella had accepted the coalition’s compromise nominee for prime minister, Giuseppe Conte, and the rest of his cabinet bar one—former Italian government minister and Bank of Italy official Paolo Savona, the nominee for finance minister. Mattarella rejected Savona solely because he had been a critic of the Eurozone and euro currency, which meant Savona was unacceptable to financial circles and to foreign investors in Italy’s state bonds. Mattarella, who had been in close contact with ECB head Mario Draghi, warned of a sovereign debt crisis, an increase of the spread on Italian bonds, a stock market collapse and a threat to Italian savers if there were any signals that Italy could abandon the euro.

Despite this threat, the coalition parties wouldn’t back away from their democratically-endorsed policies. “Why don’t we just say that in this country it’s pointless voting, since it is the ratings agencies and the financial lobbies who decide the governments?” said M5S leader Luigi di Maio. “We have a problem with democracy because the Italian people are sovereign and they cannot be ruled by spreads”, said Lega leader Matteo Salvini. “It is a very serious matter that Mattarella chose the markets and EU rules over and above the interests of the Italian people.” Lega economic spokesman Claudio Borghi said, “We now know that it is a choice between democracy or comfortable bond spreads. … The vast majority of Italians don’t give a damn about spreads any longer.”

In the ensuing standoff it became obvious that appointing the IMF official to placate the “markets” would just force another election, which Lega and M5S would win again, by an even bigger margin. The president backed down and re-appointed Conte, but Conte nominated a different finance minister to avert a confrontation—for now.

### Glass-Steagall vs derivatives

In a speech to the Chamber of Deputies on 6 June laying out his government’s program, the newly confirmed prime minister emphasised their Glass-Steagall policy: “We have a growing awareness and the evaluation, included in the [coalition] contract, that we must distinguish, that it is timely to distinguish, between banks issuing credit and which above all are community-linked, and the more speculation-prone investment banks.” This makes Italy’s government the first in the Transatlantic region to announce the intention to reinstate the kind of bank separation which protected the banking system from disastrous collapse for 70 years.

At stake is a very sick European banking system, which has been on central-bank life support since the 2008 crash. While the ECB has dictated brutal austerity on the people of southern Europe for a decade, including deep cuts to pensions and essential services, to make them repay the debts incurred to bail out the banks, ECB chief Mario Draghi has issued unlimited free money called quantitative easing (QE) to the private banks which caused the crisis. This money has not helped the European economy, however, as the banks have hoarded it for speculation in financial derivatives, the gambling side-bets that were at the heart of the 2008 crash.

Many of the sickest European banks are in Italy, but they are mere satellites to the sickest of them all, Germany's giant Deutsche Bank, the world's worst derivatives basket-case. First in 2016, and then in October 2017, the IMF warned that Deutsche Bank is a threat to the global financial system; its interconnectedness with the world's biggest too-big-to-fail (TBTF) banks, which are its derivatives counterparties, means it is a serious risk of "contagion"—an unstoppable financial chain-reaction meltdown that would bring down the entire global system. Deutsche Bank is now on a US Federal reserve watch list.

Deutsche's own chief economist, David Folkerts-Landau, recently gave an interview to the German daily *Süddeutsche Zeitung*, in which he blamed the bank's former management for abandoning its traditional industrial banking model, which had made Germany an industrial superpower, in favour of adopting the "Anglo-American" banking model of speculation—a shift that began in 1990 when Deutsche Bank merged with City of London investment bank Morgan Grenfell, and deepened when it took over Bankers Trust, pioneers in reckless derivatives gambling.

The growth of derivatives cancer that threatens Europe's banking system has been fed by customer deposits, which are effectively collateral for derivatives bets. The banks take more risks, confident that their deposits will absorb any losses, except their risk calculations are fraudulent, and actual derivatives losses can be massive and threaten the entire banking system like in 2008. Glass-Steagall is a serious threat to these banks, because it will cut them off from deposits and trigger a derivatives meltdown, but one from which the public are protected by the Glass-Steagall separation. This is why the banking establishment is trying to crush the new Italian government.

**Join the fight for Glass-Steagall in Australia**

Bob Katter plans to introduce an Australian Glass-Steagall bill into Parliament, but he needs an MP to second it. Here's what you can do:

1. Sign the CEC's new change.org petition: *To the Commonwealth Parliament: Pass Australian Glass-Steagall Bill to break up the banks!* Every signature generates an email to leading MPs informing them of the public's support for Glass-Steagall.

2. Get a copy of this bill to your Federal Member of Parliament plus any Senator/s you can. Urge them to not only read it themselves, but press them to second Bob Katter's call for Glass-Steagall. The very best way is to make an appointment and go and see the MP in person—MPs really want to know what their constituents think and this will make a big impression on them. If that's not possible, email or mail the document with a personal cover note asking them to support the bill in Parliament, and to let you know whether they will.

3. Share copies with others: State MPs, any media you can contact, councils, unions, church leaders, community groups, etc. and get any concerned people you know to visit their MP as well; and on Facebook etc., or with your email address book, urging everyone you know to get involved.