Break Up the Banks and End Too Big To Fail

Today, Wall Street is dominated by “Too Big To Fail” banks. These banks are even bigger today than they were before they wrecked our economy in 2008. The size of these financial mega-companies gives them power they shouldn’t have and that other businesses don’t have. As we saw in the 2008 financial crisis, the biggest banks can demand government support when they are in danger of failing. They have also used their size and power to block accountability if they break the law - the “Too Big To Jail” problem.

The excessive size of these institutions also distorts the economy and the financial system, since they dominate the market and drive out or swallow up smaller competitors. And they have an unfair influence on politics and government.

The 21st Century Glass-Steagall Act is a modern version of the Banking Act of 1933 introduced in response to the financial crash of 1929. It would force Wall Street trading and speculative activities to be conducted separately from ordinary commercial banking activities like deposit-taking and lending. Since the 1980s, the wall between investment and depository banking has been slowly weakened and broken down by regulators through reinterpretations of long-standing legal terms and finally repealed in 1999 when Congress passed the Gramm-Leach-Bliley Act.

Why should we restore Glass-Steagall?

1. Since most of the largest banks combine both activities, restoring Glass-Steagall would force them to split and become smaller, helping community banks and credit unions to compete.
2. Glass-Steagall would also force large banks to simplify their operations and make them less risky, decreasing the likelihood of future financial crises.
3. Since big banks receive taxpayer support like deposit insurance and discount window access from the Federal Reserve, their risks can easily become risks to taxpayers and the larger economy. Restoring Glass-Steagall helps prevent taxpayers from funding future bank bailouts.
4. Restoring Glass-Steagall would also benefit the economy by giving banks a renewed focus on lending – which services businesses and communities – rather than speculative trading, adding a layer of separation between the financial sector and the real economy, which can prevent future financial downturns from turning into economic recessions.
5. Not only is the 21st Century Glass-Steagall Act a bipartisan bill, support for the concept was also included in both the Democratic and Republican 2016 party platforms.

Bills

The 21st Century Glass Steagall Act of 2017 (H.R. 2585/S. 881) & Return to Prudent Banking Act of 2017 (H.R. 2176) end "Too Big to Fail" by breaking up the Wall Street mega banks, and separating “boring” depository banking from risky investment banking – making them smaller, simpler, and safer.

Let's build a financial system for
working families, White, Black & Brown,
not big Wall Street banks.

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