

# In Italy, Reich Calls For Glass-Steagall

by Andrew Spannaus

June 20—Robert Reich, who served as U.S. Secretary of Labor under President Bill Clinton (1993-97), visited the central Italian city of Prato on June 19, and issued a strong call for a return to a Glass-Steagall banking system and public investment to ensure economic growth and progress. Located about 16 kilometers (10 miles) northwest of Florence, Prato's history in textile manufacturing goes back 800 years; and in the past century, it was the most important textile center in Europe. However, local industry has been crushed by globalization, leading to a massive overhaul of the sector, involving outsourcing, cheap labor from China, and black-market activity, resulting from the pressure to drive down prices.

Reich, who is now a professor of public policy at the University of California, Berkeley, spoke at a conference June 19, organized by local City Councilman Nicola Oliva and the Democratic Party, which drew over 350 people on a Sunday night, to hear the U.S. economist encourage them to go against the trend, and seek to add high-value-added industries and services that can guarantee the growth of living standards locally and elsewhere.

In his opening presentation, Reich pinpointed the key aspects which need to be addressed in order to rewrite the rules that have led to the current situation: credit and investment. The former Secretary of Labor said that banks used to base their decisions on the needs of the local economy as a whole, going beyond even the perceived creditworthiness of the individual company, based on the bank's eligibility formulas. Now, however, all financial decisions are drawn into a global casino which ignores the needs of the population.

In response to a specific question during the discussion period on how to change the structure of the system, Reich pointedly endorsed a return to a Glass-Steagall banking system, in which local and regional banks that take deposits and make loans to the productive economy would be insulated from the global casino.

He also called for public investment in innovation and research and development, in particular, in new materials and textiles for the Prato area. While he emphasized that he did not want to be presumptuous and tell people what they should do in an area he is not fully familiar with, he stressed the importance of developing an economic strategy based on high value-added industries and services, which requires public action because private capital will not adopt such a mission. In this vein, he also endorsed the idea of a regional development bank, as proposed by Oliva and his collaborators, for Tuscany. This would be a public institution, which could then involve both public and private capital.

## High-Technology Infrastructure

Oliva and two other representatives of the local Democratic Party, Enrico Giardi and Ilaria Bugetti, spoke before Reich was introduced. The president of the Tuscany region was scheduled to speak, but was unable to attend for family reasons. Citing the anti-Depression policies of U.S. President Franklin Roosevelt, Oliva



Massimiliano Cappellini

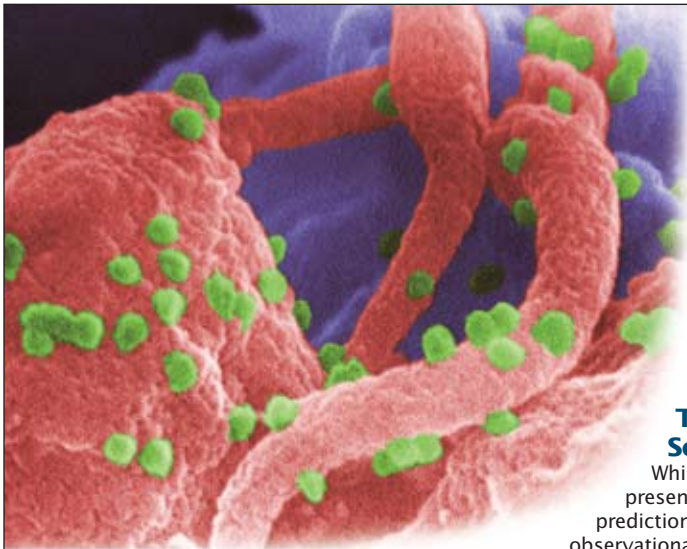
*Former Labor Secretary Robert Reich addressed a conference in Prato, Italy June 19, where he called for a return to a Glass-Steagall banking system. Seated behind him (L-to-R) are local Democratic Party representatives Ilaria Bugetti and Enrico Giardi, City Councilman Nicola Oliva, and moderator Andrew Spannaus.*

outlined the various proposals he has fought for over the past two years: controls on speculation in foodstuffs, a commission on credit for local industries, and above all, a magnetic levitation (maglev) train line between Florence and the Pisa airport, to bring a cutting-edge project to Tuscany, with new engineering capabilities and highly skilled jobs. The conference with Reich was conceived as the first in a series of events by which Prato will regain its role as a center of technological and productive innovation, requiring that national and international institutions take up the systemic changes necessary to stop the current economic and social decline.

The response from the audience was enthusiastic, with numerous local entrepreneurs and opinion leaders posing questions to Reich on the prospects for future industrial growth and the reform of the international financial system. On this point, this author, who moderated the event, mentioned the bill introduced in the U.S. House of Representatives by Rep. Marcy Kaptur (D-Ohio) to restore Glass-Steagall, and also the fact that motions calling for a Glass-Steagall system in Italy and Europe have been presented in the Italian Chamber of Deputies and Senate.

The two young City Councilmen, Oliva and Giardi, seek to challenge both their party and the political class as a whole in Italy, to take up issues such as Glass-Steagall, public investment, and high-technology infrastructure. In April, Oliva organized a conference on the maglev proposal which showed the potential for breaking out of the cage in which economic policy is discussed.

After his initial announcement of the proposal, he encountered numerous obstacles and criticism, including from members of parliament in Tuscany, such as one MP who is a former professor at the London School of Economics. However, after organizing a public event with German engineer Ralf Effenberger, who presented a detailed report on the feasibility of such a high-speed line for western Tuscany, the critics went into hiding, and significant public support has emerged; a discussion process has also begun with local officials, including the mayors of the cities involved. Naturally, to move forward with such an important infrastructure project, the types of systemic changes that Robert Reich endorsed in his visit to Italy, will be essential.



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