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CONGRESS PASSES WIDE-RANGING BILL EASING BANK LAWS

By STEPHEN LABATON
Published: Friday, November 5, 1999

Congress approved landmark legislation today that opens the door for a new era on Wall Street in which commercial banks, securities houses and insurers will find it easier and cheaper to enter one another's businesses.

The measure, considered by many the most important banking legislation in 66 years, was approved in the Senate by a vote of 90 to 8 and in the House tonight by 362 to 57. The bill will now be sent to the president, who is expected to sign it, aides said. It would become one of the most significant achievements this year by the White House and the Republicans leading the 106th Congress.

"Today Congress voted to update the rules that have governed financial services since the Great Depression and replace them with a system for the 21st century," Treasury Secretary Lawrence H. Summers said. "This historic legislation will better enable American companies to compete in the new economy."

The decision to repeal the Glass-Steagall Act of 1933 provoked dire warnings from a handful of dissenters that the deregulation of Wall Street would someday wreak havoc on the nation's financial system. The original idea behind Glass-Steagall was that separation between bankers and brokers would reduce the potential conflicts of interest that were thought to have contributed to the speculative stock frenzy before the Depression.

Today's action followed a rich Congressional debate about the history of finance in America in this century, the causes of the banking crisis of the 1930's, the globalization of banking and the future of the nation's economy.

Administration officials and many Republicans and Democrats said the measure would save consumers billions of dollars and was necessary to keep up with trends in both domestic and international banking. Some institutions, like Citigroup, already have banking, insurance and securities arms but could have been forced to divest their insurance underwriting under existing law. Many foreign banks already enjoy the ability to enter the securities and insurance industries.

"The world changes, and we have to change with it," said Senator Phil Gramm of Texas, who wrote the law that will bear his name along with the two other main Republican sponsors, Representative Jim Leach of Iowa and Representative Thomas J. Bliley Jr. of Virginia. "We have a new century coming, and we have an opportunity to dominate that century the same way we dominated this century. Glass-Steagall, in the midst of the Great Depression, came at a time when the thinking was that the government was the answer. In this era of economic prosperity, we have decided that freedom is the answer."

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In the House debate, Mr. Leach said, "This is a historic day. The landscape for delivery of financial services will now surely shift."

But consumer groups and civil rights advocates criticized the legislation for being a sop to the nation's biggest financial institutions. They say that it fails to protect the privacy interests of consumers and community lending standards for the disadvantaged and that it will create more problems than it solves.

The opponents of the measure gloomily predicted that by unshackling banks and enabling them to move more freely into new kinds of financial activities, the new law could lead to an economic crisis down the road when the marketplace is no longer growing briskly.

"I think we will look back in 10 years' time and say we should not have done this but we did because we forgot the lessons of the past, and that that which is true in the 1930's is true in 2010," said Senator Byron L. Dorgan, Democrat of North Dakota. "I wasn't around during the 1930's or the debate over Glass-Steagall. But I was here in the early 1980's when it was decided to allow the expansion of savings and loans. We have now decided in the name of modernization to forget the lessons of the past, of safety and of soundness."

Senator Paul Wellstone, Democrat of Minnesota, said that Congress had "seemed determined to unlearn the lessons from our past mistakes."

1 | 2 | [NEXT PAGE >](#)

A version of this article appeared in print on Friday, November 5, 1999, on section A page 1 of the New York edition.

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