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An Election Financial Reform Newsletter - Nov 17, 2016
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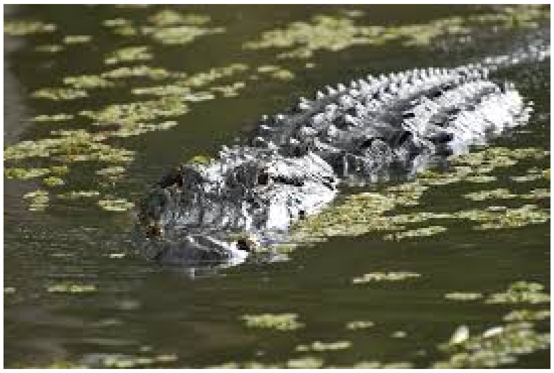
What Happened in the Presidential Election and What Does a President Trump Mean for Financial Regulation? Like the election in 2014 (which we wrote about here), this election was a scream by tens of millions of hardworking Americans for elected officials and policymakers to prioritize their economic circumstances, hopes and dreams. This election proved that the searing and enduring economic damage from the 2008 financial crash (detailed here) is still crushing too many American families and communities. For example, a recent Fed survey found that almost 50% of Americans do not have enough money to cover a $400 emergency expense. That's not a surprise as wages continue to stagnate, good jobs are still too scarce, homes remain underwater, and the kids can't go to college or, if they do, can't get jobs or pay back their student loans (which is a proxy for an historic jobs crisis facing the country).

No question that economically things could have been worse and that many things are better for many Americans, but it's also true that, no matter how hard they work and how hard they try, most of America's families are living on a terrifying economic knife-edge. They see the American Dream slipping away day by day. They see it at the kitchen table, in their kids' eyes and their parents' diminishing retirement expectations. They feel it in the sickening knot in their gut when the car makes a noise and they pray (yes, pray) it's not serious because they don't have the money to get it fixed if it breaks down. They know that what little they have can unravel fast and that spiraling even further downward is a real possibility.

Making all that worse, the American people see the rich, mighty and well-connected welcomed with open arms in a corrupt Washington, DC culture that casually accepts billions of dollars in special interest campaign contributions and revolving door lobbyists selling out and influence-peddling for the highest bidder. The corruption of the connected few, enriching themselves at the expense of the many, is visible to all. The highest profile example of this is the biggest banks on Wall Street that crashed the financial system, caused the Great Recession, got bailed out, still got bonuses, and are still breaking the law and are still riding high with zero accountability. The result? A profound loss of faith and trust in government and government officials (including the many honest, hardworking public servants who fight for the public interest every day under very difficult conditions).



Candidate Trump understood that and the American people's disgust with Washington's bipartisan business-as-usual corruption where the biggest corporations and, in particular, Wall Street's too-big-to-fail banks buy access and influence to promote their special interests at the expense of everyone else. That is the fetid swamp he was elected to drain. Given that, it seems unlikely that President Trump is going to deliver Wall Street's biggest banks their most desired special interests, which they have been lobbying unsuccessfully to get for years. This would contradict the core message he ran on and it would require him to turn his back on many of the people who elected him.

What does all this mean for financial reform? Notwithstanding the daily flood of confident predictions, the short answer is no one knows yet. Because the outcome of the election was totally unexpected, President-elect Trump was unprepared for the transition or for governing. The result is a policy vacuum that the Washington establishment is filling with their pre-existing agendas and wish lists. For example, Wall Street's lawyers, lobbyists and allies, including too many elected officials who act as if Wall Street elected them, are pushing their longstanding deregulation agendas and making all sorts of outlandish claims for what a Trump administration will or won't do.

So far, it's all a one-sided pro-Wall Street free-for-all that will, if implemented, gravely endanger Main Street and dramatically increase the likelihood of another devastating financial crash. As noted Wall Street chronicler Bill Cohan succinctly put it, "Wall Street's back, baby." Politico's Ben White, one of the most astute observers of finance and politics, used a few more words but captured the same apparent zeitgeist:

"Christmas has arrived early for Wall Street in the early days of the Donald Trump era. A populist candidate who railed against shady financial interests on the campaign trail is now putting together an administration that looks like an investment banker's dream."

As if to prove that, the stock market has skyrocketed, with the biggest Wall Street bank stocks in the lead, and no less an authority than Goldman Sachs' CEO Lloyd Blankfein stating that President-elect Trump's proposed economic policies are "very asset and market-friendly." (Although everyone should remember that was all also true from 2001 to 2008, until the crash proved that what's fabulous for Wall Street and bankers' bonuses could be catastrophic for Main Street and America's families.)

The salivating Wall Street bankers and their lawyers and lobbyists may turn out to be right, but a President Trump should be a leader in aggressively regulating Wall Street's too big to fail banks, nonbanks and activities so that they can't do again to the American people what they did in 2008. Importantly, President Trump can do this and at the same time create jobs and economic growth, which don't come from Wall Street no matter how many times Wall Street and its allies claim otherwise. Wall Street is not a job-creator; it is a job-killer of historic proportions. Jobs and growth come from the real economy that produces goods and services that the American people want and need. Parts of the financial services industry do serve the real economy, including community banks and others, but it's not Wall Street's biggest financial institutions, as John Kay and others have shown.

Protecting the American people, our financial system and our economy should not be partisan issues. The 2008 financial crash threw tens of millions of hardworking Democrats **and** Republicans out of their jobs and homes and robbed them of their savings and dreams. The ongoing economic catastrophe and pain caused by that crash are also indifferent to party affiliation, as illustrated by what are being referred to as "Obama-Trump voters." Preserving and protecting strong and effective financial reform is essential to prevent another crisis from happening again and to ensure that finance serves society and is not a threat to it.

While the early signs of Wall Street's influence in the transition are not promising, we hope that President Trump will be true to his constituency and drain the Washington DC swamp. That means, among other things, properly regulating the handful of gigantic financial institutions that pose a real threat to our homes, jobs, savings and so much more. If so, we look forward to working with the incoming administration on these shared goals. If not, we will oppose all attempts to put the American people back at the mercy of the greed and lawlessness of Wall Street's too big to fail financial giants - the very forces that supply the green slime for the swamp, nearly caused a second Great Depression, produced the economic calamity that hurt so many families and angered so many voters, and, ultimately, put President-elect Trump in office.

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