BETTER MARKETS

SPECIAL REPORT

JANUARY 31, 2025

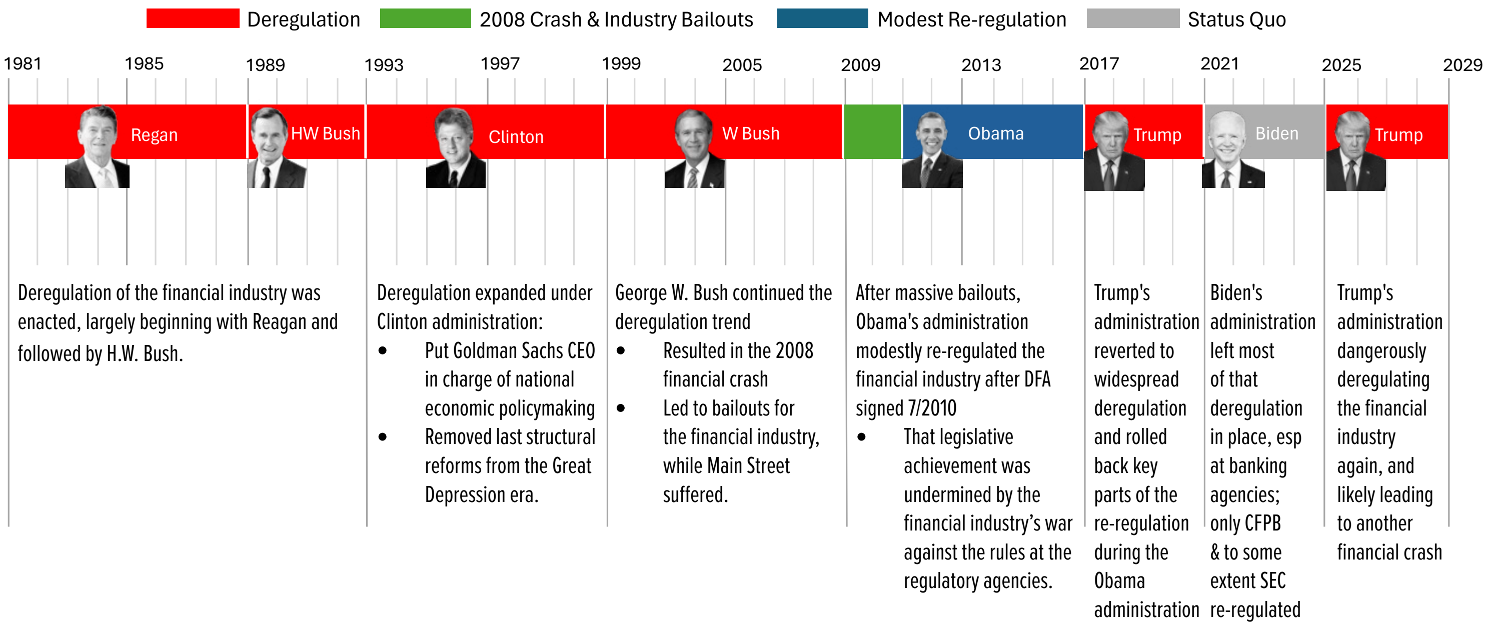
Trump's Deregulation of Wall Street Is Going to Economically Crush Main Street Americans

By DENNIS M. KELLEHER

Introduction

The facts detailed below demonstrate that the financial industry has been deeply deregulated on a bipartisan basis for most of the past 44 years. As a result, the financial industry is already dangerously under-regulated (as proved by the recent costly 2023 banking crisis). Trump's promise to add another four years of deregulation on top of that will create a very high risk of another catastrophic financial crash.

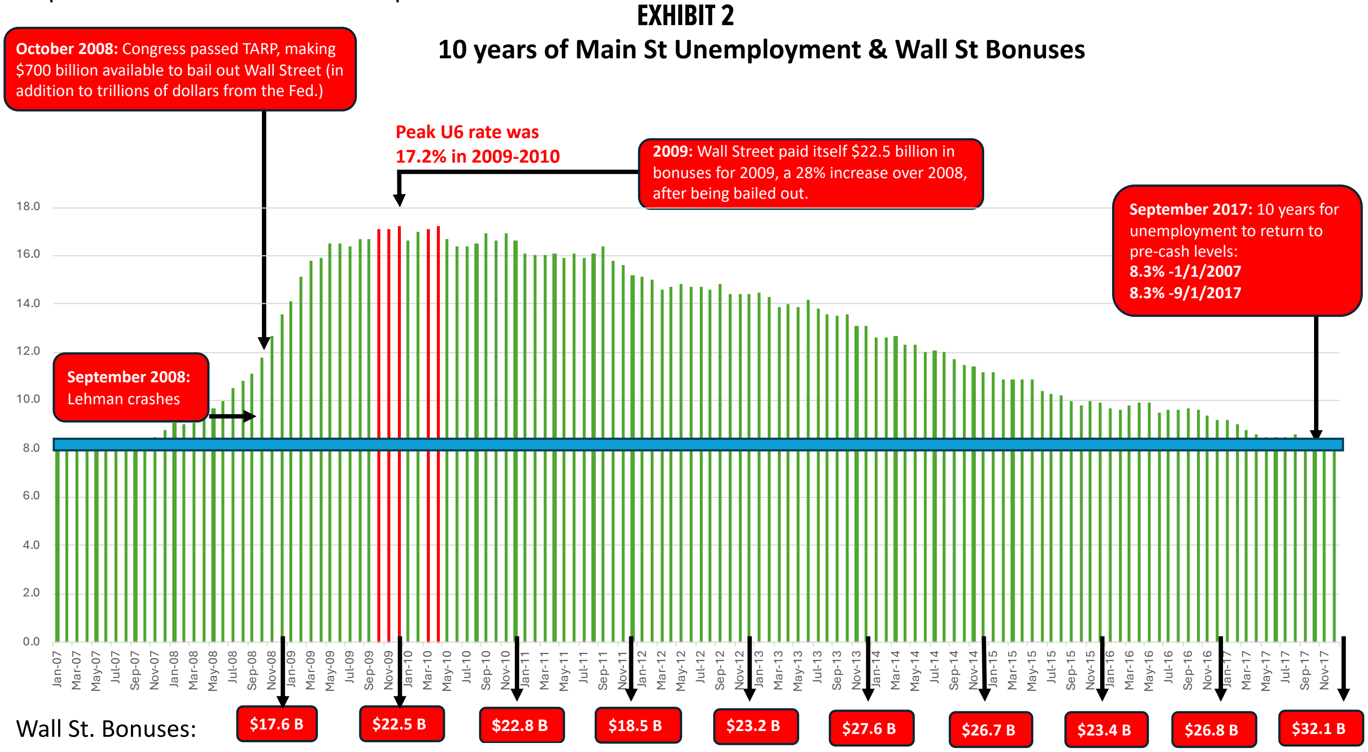
EXHIBIT 1 — 48 Years: Mostly Deregulation



That next crash may well be worse than the 2008 crash which caused the worst economy since the Great Depression of the 1930s. It tragically crushed tens of millions of Main Street Americans with historically high unemployment and foreclosures, resulting in 90% of Americans being poorer at the end of 2016 than they were in 2007. Economically speaking, the 2008 crash resulted in a lost generation of Americans, with dire political and social consequences.

EXHIBIT 2

10 years of Main St Unemployment & Wall St Bonuses



These facts demonstrate that the financial industry's nonstop complaints that it is overregulated are baseless and false. The industry's claims that costly, burdensome, and unnecessary regulations reduce economic growth, lending, and job and business creation are also baseless and false – those consequences are actually a direct result of under-regulation and the resulting crashes. The industry is and has been dangerously deregulated and underregulated for decades.

The Financial Industry Rigs The Rules

The economy hasn't worked for most of the American people for decades. While there are many reasons for that, including tax, campaign finance, and labor laws, a key structural driver is that the financial system often no longer supports the real productive economy.

That's largely due to the financial industry using its economic power to buy political power to expand and increase its economic power. That purchased political power is used almost always to deregulate the industry and to neutralize the regulators, preventing them from policing the industry. While that power is occasionally used to deregulate the industry legislatively by changing the laws, it is more often used in the regulatory process, getting the financial regulators to enact rules favorable to the industry. Put differently, the industry uses its power to take the cops off the financial beat or to make sure that they can't actually do their jobs to protect Main Street Americans from the financial industry.

That has resulted in the financial industry engaging in more high-risk, anti-social financial activities that generate the biggest short-term gains for it and the top 10%. Those activities come at the expense of everyone else because of the risks those activities create for the financial system and the economy. The result is the diversion and misallocation of capital away from productive uses that benefit Main Street and to activities that benefit Wall Street and also generate the biggest bonuses for bankers. This also directly leads to boom-bust cycles, crashes, bailouts and recessions, if not depressions. Unsurprisingly, all of that has significant political, social, and economic consequences.

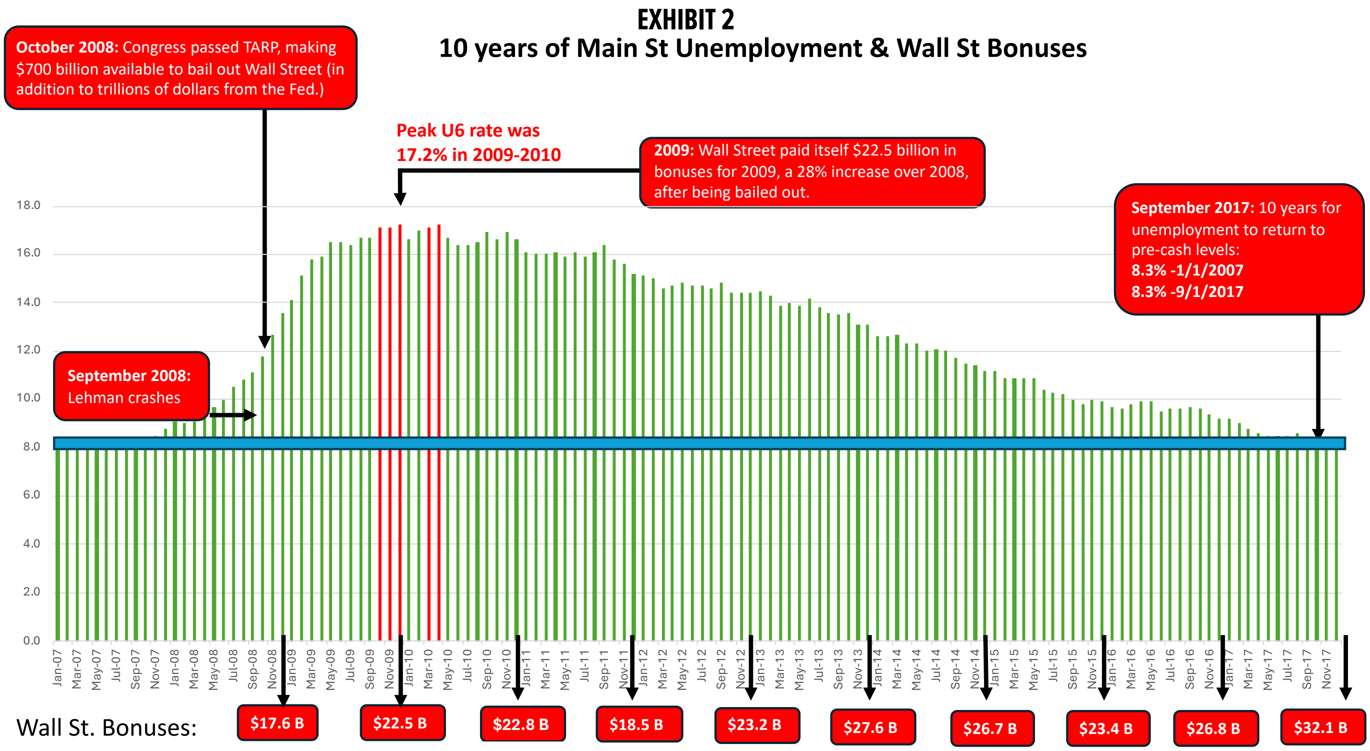
Deregulation Kills Rules Necessary To Protect Main Street Americans

The industry and its allies unendingly attack regulations as expensive and burdensome "red tape." These claims are little more than propaganda that seeks to obscure the fact that regulations provide fundamental protections for everyday Americans. Regulations are rules that the financial industry must follow so that customers, investors, consumers, markets, financial stability, and the entire economy, as well as the lives, livelihoods, paychecks, homes, savings, and standard of living of all Americans are protected.

Those protections are also the foundation of our financial and banking systems because they give people faith, trust, and confidence in those systems. That's why people put their money— the capital that fuels everything—into our financial and banking systems: it's because they believe those systems are well-regulated and well-policed.

It's true that those protections cost money but the costs of not having them are much, much greater, as proved (again) by the catastrophic 2008 crash. However, as also proved by the 2008 crash, the costs of not having those protections fall on Main Street Americans, not those who benefit from not having them. Put differently, while Main Street suffered in the years after the Wall Street-caused crash in 2008, the Wall Street bankers and financiers still got their tens of billions of dollars in bonuses year-after-year-after year. As the chart below shows, Wall Street paid itself almost $200 billion in bonuses at the same time Americans were suffering though a decade of unemployment and economic calamity. Adding insult to injury, those Wall Street bonuses were pocketed at the same time the financial industry was bailed out with trillions of dollars, including hundreds of billions from the pockets of the very Main

Street Americans who were thrown out of work. As a result, by the end of 2016, 90% of Americans were poorer than they were in 2007 by 17-35%, while Wall Street, financiers, bankers, and the entire top 10% were getting richer and richer.



None of that is to say that all regulatory protections are perfect, necessary, well-thought out, or properly implemented. That's definitely not true, but the mindless attacks on regulation and the blanket condemnation of them are wildly exaggerated and dangerous.

The Financial Industry is Woefully Underregulated

The facts prove that the financial industry is woefully under-regulated. As a result, it is again engaging in far too many high-risk, dangerous and anti-social activities. That is inevitably going to result in Main Street Americans being charged more for financial services and products, subjected to hidden and junk fees, and ripped off by financial predators. The extent and pervasiveness of these actions by the financial industry are illustrated and proved by the fact that the Consumer Financial Protection Bureau (CFPB) has recovered $20 billion from 200 million ripped off and harmed Americans in the last 14 years.

Making matters worse, under-regulated and deregulated finance also leads to bank failures, financial crashes, and industry bailouts. That's because—as history has proved—the financial industry cannot self-regulate and cannot prevent itself from engaging in excessively dangerous but profit and bonus-maximizing activities. Finance always tends to excess because the prospect of unimaginable riches—as reflected in the tens of billions of dollars in bonus payments—overwhelms all self-control and understanding of the need for restraint.

There is also enormous pressure from competitors who engage in such behavior and reap the benefits of higher revenues, profits and stock prices. Any firm not going along would be punished with a lower stock price, among other things. This is what happened in the early 2000s when Morgan Stanley sacked its CEO Paul Purcell and replaced him with John Mack.[1]

This is what Citigroup CEO Chuck Prince was really referring to in 2007 when he said,

"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing."

He said this just as problems in the subprime lending markets were starting to show stress, and, rather than sensibly reducing risk, most of Wall Street's biggest banks kept piling on the risk. In other words, they kept "dancing" until the crash.[2] They could not control themselves, which is why Wall Street and the broader financial industry must be controlled by rules and regulators.

This is not simply our opinion. No less an authority than the former Morgan Stanley CEO John Mack said exactly that. He led the investment bank in the years before the 2008 crash when it engaged in widespread, highly dangerous financial activities and products that led to its near-death experience in 2008 in the days after Lehman went bankrupt.[3] Reflecting on those pre-crash days and the then-ongoing discussions about enacting legislation to re-regulate and reform the financial industry, Mack said:

"We cannot control ourselves. You [lawmakers and regulators] have to step in and control the Street. Regulators? We just love them."

He said that in November of 2009, just 14 months after the collapse of Lehman Brothers, after banks like Morgan Stanley had already received trillions of dollars in bailouts, and as the consequences of that dangerous conduct was economically devastating Main Street Americans. By the time Mack spoke, 27 million Americans had been thrown out of work, foreclosure filings would soon reach 16 million, and 40% of homes were under water, i.e., worth less than the value of the mortgage.

Unfortunately, John Mack's moment of candor and insight in those months in the aftermath of the 2008 crash lasted only a moment. Rather than being a statesman and being remembered by history as a financial industry leader with integrity and courage, Mack quickly clammed up and disappeared for all

[1] Better Markets, *The State of Financial Reform: A View from the United States* (October 31, 2018), https://bettermarkets.org/sites/default/files/Dennis%20Kelleher%20Speech%20at%20Financial%20Risk%20and%20Stability%20Conference%2010.31.18.pdf.

[2] Ominously, JPMorgan Chase CEO Jamie Dimon said in November 2024 that bankers were "dancing in the streets" at Trump's victory and promises of deregulation. *See* Adrian Volenik, J*amie Dimon Says Trump's Plans To Loosen Regulations Have Bankers 'Dancing In The Street*', Yahoo! Finance (November 27, 2024) https://finance.yahoo.com/news/jamie-dimon-says-trumps-plans-165022114.html.

[3] Better Markets, *Goldman Sachs Failed 10 Years Ago Today* (September 20, 2018), https://bettermarkets.org/newsroom/goldman-sachs-failed-10-years-ago-today/. (On Friday, September 19, 2008 – just four days after Lehman Brothers filed for bankruptcy – Morgan Stanley called Treasury Secretary Geithner "and indicated they cannot open Monday. Morgan advised Goldman Sachs of that and Goldman is now panicked b/c feel that if Morgan does not open, then Goldman is toast.")

intents and purposes. If he is remembered at all, he is known as the CEO who mindlessly, incompetently, and ignorantly led Morgan Stanley to the brink of extinction and contributed to causing the biggest financial crash since 1929 and causing the worst economy since the Great Depression of the 1930s.

Meanwhile, his fellow Wall Street CEOs, financiers, trade groups and allies went on the attack and engaged in one of the biggest lobby campaigns in U.S. history to try to kill financial reform after the 2008 crash.[4] That failed, at least to some extent when the Dodd-Frank financial reform law was signed in July 2010. But the industry attacks during the legislative process had weakened the reforms substantially and those attacks actually increased afterwards in the rulemaking process.

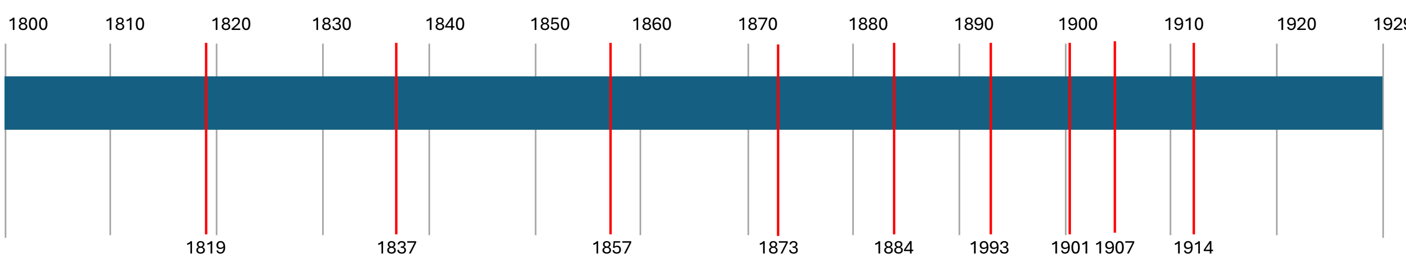
Decades of Dangerous Financial Deregulation

A leading attack dog of the financial industry and Wall Street's biggest booster (aptly referred as "the Martin Luther King Jr. of the overdog"[5]), the irrepressible, ever-voluble CEO of JPMorgan Chase, Jamie Dimon,[6] (in)famously said in January 2010:

"Not to be funny about it, but my daughter asked me when she came home from school 'what's the financial crisis,' and I said, 'Well it's something that happens every 5 to 7 years'"

Ironically, he was right, but off by about 100 years. That is incorrect for the 20th and 21st Centuries, at least so far. He was actually describing the century before the Great Crash of 1929. During that period, there were frequent crashes, called "panics," and they caused frequent economic calamities, sometimes regional, sometimes across the entire country, as indicated here:

EXHIBIT 3 — 1800-1929: Frequent Financial Panics



Red lines indicate years in which financial "panics" happened – some regional, some national

---

[4] Interestingly, the financial industry did the same thing after the Great Crash of 1929: it engaged in a lobbying and PR war to stop FDR from regulating them at all, as detailed in Diane Henriques' recent book *Taming the Street: The Old Guard, the New Deal, and FDR's Fight to Regulate American Capitalism*.

[5] Graydon Carter, *Dimon in the Rough*, Vanity Fair (March 4, 2011), https://www.vanityfair.com/magazine/2011/04/graydon-201104.

[6] Although endlessly lauded by both parties and touted as a statesman of some sort, Dimon has presided over JPMorgan Chase while it has compiled an egregious and very lengthy recidivist record of breaking the law, with almost 100 legal actions and more than $40 billion in fines and settlements, including ***pleading guilty to five separate criminal felony indictments***. Those years-long crimes and lawbreaking are shocking and include being the banker to Ponzi-scheme kingpin Bernie Madoff and manipulating numerous financial markets (including manipulating the treasury markets for seven years).

That all changed after the Great Crash of 1929 and the fundamental reforms of FDR during the 1930s.[7] Those reforms were multifaceted and embedded regulatory, supervisory, and structural protections for customers, investors, consumers, markets, and financial stability across the entire banking and financial systems. The purpose was to put layers of protection between the dangerous activities of Wall Street and the jobs, homes, pocketbooks, wallets, and financial security of Main Street Americans. Regulators—like the Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC)—were created to enforce those laws through rules designed to regulate and police Wall Street so it could not again inflict widespread misery on Main Street Americans.

In addition, those protections also channeled capital formation and allocation to socially useful purposes, resulting in funding for the real productive economy. That's because those protections rebalanced the relationship between finance and, investors, and customers, who were empowered through disclosure requirements, elimination of conflicts of interest, and strong remedies for inappropriately high-risk, dangerous and predatory financial activities. That also collapsed the differential between the low-margin activities which finance was supposed to engage in to support the real productive economy and the largely anti-social, but high-margin, high-risk activities that generate the greatest short-term gains and biggest bonuses.

Economically speaking, FDR's reforms finally forced finance to internalize the costs of profit-maximizing activities, rather than externalizing them and passing them on to Main Street Americans and the government who both had to suffer the consequences and pay for cleaning up the mess that finance caused. It was a classic case of stopping finance from privatizing profits while socializing losses and it worked brilliantly for decades. Obviously not the only cause, but that was a structural driver for what the historian Arthur Schlesinger Jr. called the post-war "economy of abundance" in the U.S.

EXHIBIT 4 – 1900s: Key FDR Reforms Succeed (Until Deregulation and Disaster)

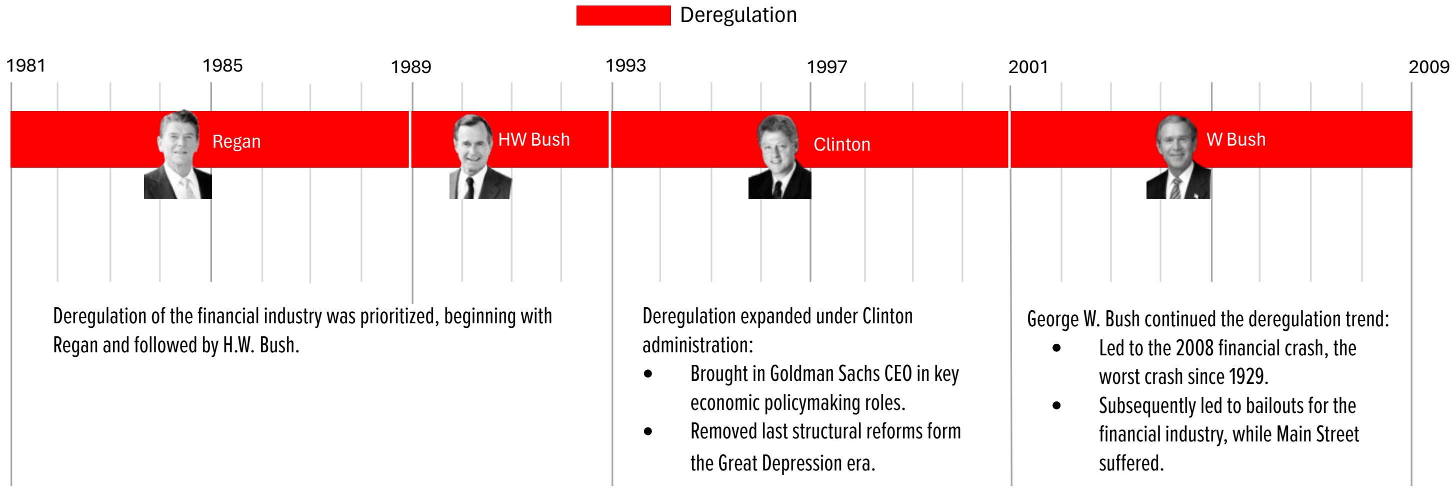
During this time (after FDR's reforms into the 1970s), the banking and financial systems were regulated more heavily than at any time in history. Yet, ***at the same time***, the U.S. enjoyed the strongest economy, built the largest middle class, and the broadest wealth creation in history. FDR's reforms ended the pattern of frequent crashes that plagued the country for the 100 or so years before the great Crash of 1929.[8]

Until 1980, when President Reagan was elected and began a 4-decade bipartisan deregulatory effort that President George H.W. Bush continued. President Clinton embraced Wall Street and took deregulation to another level when he put the CEO of Goldman Sachs, Bob Rubin, in charge of national economic policy.

[7] Diana B. Henriques, *Taming the Street: The Old Guard, the New Deal, and FDR's Fight to Regulate American Capitalism*, Random House Publishing Group (September 12, 2023), https://www.randomhousebooks.com/books/611070/.

[8] This isn't to say that there were no problems in the financial system from time to time in the 20th Century. There were, but nothing like the 1929 Crash .....until 2008.

EXHIBIT 5 – 1980-2008: 38 Years of Bipartisan Deregulation



For eight years, the Clinton administration, along with Congressional Democrats and Republicans and the Chairman of the Federal Reserve (Fed), Alan Greenspan, deregulated the financial industry, tearing down the last key structural reforms of FDR. The deregulatory effort reached a crescendo when the Gramm-Leach-Bliley Act was passed in 1999, which effectively repealed the Glass-Steagall Act of 1933 . That was followed, in 2000, with the passage of the Commodities Futures Modernization Act (CFMA), which basically prohibited the regulation of derivatives.

By the time President George W. Bush was elected in 2000, most of the important layers of protection between Wall Street's high-risk activities and Main Street Americans' jobs, homes, savings and so much more were gone. Reflecting the prevailing view that the "market knew best" and the financial industry could regulate itself, Bush installed deregulators who basically let the financial industry do what it wanted.

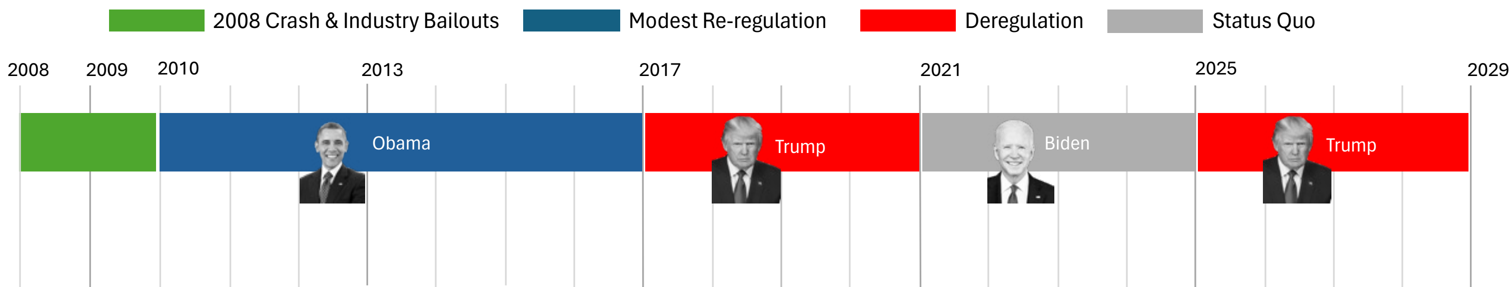
The 2008 Crash and Attempted Re-regulation

Surrounded by Sen. Chris Dodd (D-CT) and Rep. Barney Frank (D-MA), and other members of the Senate and Congress, President Barack Obama signs the Dodd-Frank Act at the Ronald Reagan Building on July 21, 2010 in Washington, DC. The bill was the strongest financial reform legislation since the Great Depression and also created the CFPB.

(Photo by Win McNamee/Getty Images)

The result of Bush's deregulation was the 2008 crash, followed by the enactment of the The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) in 2010 and six years of modest re-regulation of the financial industry. That all came to a screeching halt when Trump was elected in 2016, which was followed by a largely status quo four years during the Biden administration. The country now faces four more years of deregulation of the financial industry:

EXHIBIT 6 – Crash, Re-regulation, Deregulation, Status Quo & More Deregulation



After trillions in bailouts starting with George W. Bush (with TARP as the tip of the bailout iceberg), the Obama administration attempted to re-regulate the financial industry. After a massive industry lobby campaign to stop any legislation from passing, the modest Dodd-Frank Act (DFA) was signed on July 21, 2010.

- That law required about 400 rules for it to be implemented and the financial industry used its unlimited resources in a scored earth opposition campaign to weaken, gut or kill as much of the law in the regulatory process as possible.

The Trump administration reverted to widespread deregulation legislatively and at the regulatory agencies.

- Rolled back some key parts of the re-regulation that happened during Obama.

Biden's administration left most of that deregulation in place, esp at banking agencies; only CFPB, and to some extent, the SEC re-regulated.

- The deregulation during Trump directly caused the 2023 banking crisis when 3 of the 4 largest bank failures in the country's history happened.

Trump was elected promising the financial and crypto industry that he would again broadly and deeply deregulate finance.

- He began fulfilling those promises almost immediately, most notably by nominating an anti-regulation Chair of the SEC and promoting crypto throughout his administration.
- There is no serious doubt that there will be 4 full years of dangerous deregulation.

The 2008 crash was the worst financial crash since the Great Crash of 1929 and it caused the worst economy since the Great Depression of the 1930s. At least that was true for Main Street Americans. Wall Street and the financial industry were bailed out, pocketing more than $22 billion in bonuses for 2009 alone. That was an increase of 28% over their 2008 bonuses and came after they were bailed out with trillions of dollars, including taxpayer money (See Exhibit 2 above).

Like the aftermath that followed the 1929 crash, the 2008 crash resulted in demands for reform, particularly as the pain and suffering on Main Street contrasted so sharply with the bankers stuffing their pockets with bonuses. This caused a titanic fight between the financial industry, which opposed virtually all meaningful reforms, and President Obama and congressional Democrats. Unfortunately, while many rhetorically posed as reformers, almost all Republicans opposed meaningfully reforming the financial industry and, no surprise, the financial industry rewarded them by shifting most of their campaign contributions to them during this time.[9]

The Republicans were helped by the Wall Street Democrats, including those in important positions in the Obama White House and administration, who frequently were also opposing meaningful reforms. The result was a watered-down law that sought to re-regulate the financial industry in various ways. Unfortunately, rather than putting structural reforms directly into the law as FDR had done in the 1930s, which would have reduced if not eliminated the industry's ability to game and evade them, almost all of the law was delegated to be interpreted and implemented by the nine or so financial regulatory agencies. In fact, the law required some 400 rules to be drafted, proposed, considered, and finalized, often followed

[9] The Dodd-Frank Act was ultimately passed with the support of Republican Senators Olympia Snowe (ME), Susan Collins (ME), and Scott Brown (MA), but at least one reportedly demanded that key provisions of the law be significantly weakened in exchange for a favorable vote.

by litigation as well as collateral attacks by industry's political and other allies. The fact that there were many at the regulatory agencies—including some of the leaders of those agencies—who were not fully supportive of the law made this enormous undertaking even more difficult.

The financial industry saw in this as an opportunity to win back what it has lost in the regulatory process. As a result, from the passage of Dodd-Frank in 2010 until Obama left office in 2016, the financial industry went to war in the regulatory process against the Obama administration and regulators. It bought and deployed an army of lawyers and lobbyists (backed up by numerous industry-aligned political allies) to engage in trench warfare, which resulted in many rules being weakened and gutted if not effectively killed. Much of that was ongoing when Trump won in 2016.

Trump Deregulation, Biden Status Quo & Trump Deregulating Again

Trump's first administration reignited widespread deregulation of the financial industry, both at the regulatory agencies and, with the help of so-called moderate Democrats in Congress. At the White House, mimicking Clinton, Trump put the President of Goldman Sachs in charge of national economic policy, who unsurprisingly pushed or presided over the deregulatory agenda of Wall Street. At the agencies, Trump installed deregulators, from consumer protection at the CFPB, the banking regulators (Fed, FDIC, and Office of the Comptroller of the Currency (OCC)), the market regulators (SEC and Commodity Futures Trading Commission (CFTC)), and the Treasury and Financial Stability Oversight Council (FSOC).

These decisions caused an array of damage. The FSOC was effectively killed, ending regulation of systemically significant nonbanks. Leaders were installed at the CFPB who didn't believe in the mission of the bureau as called for in the statue. The Fed enacted 20 or so rules that broadly deregulated the biggest banks in the country, especially those with less than $250 billion in assets. The market regulators at the SEC and CFTC largely adopted policies favored by the industries they were supposed to regulate and police.

Many thought that the Biden administration would take a decidedly different approach and finish reregulating the financial industry, at least to the extent possible under the Dodd-Frank Act. For example, Better Markets released a comprehensive report in September 2020 entitled "The Road to Recovery: Protecting Main Street from President Trump's Dangerous Deregulation of Wall Street." However, that did not happen. The exception was at the CFPB under the leadership of Rohit Chopra, who took the mission and mandate of the Dodd-Frank Act seriously and became a courageous and effective cop on the consumer protection beat. There are few regulators in history who have be under such intense and unrelenting attacks from the regulated industry, but Chopra refused to be intimidated and didn't back down. He took the mission and mandate of the law seriously and did his job heroically without fear or favor.

To some extent the SEC was also an exception under Gary Gensler, but his legacy will be mixed at best. With an overly aggressive regulatory agenda of more than 60 rules, a lawless crypto industry ready to spend whatever was necessary to fight the SEC, a court system increasingly biased against the government and regulations, and a grievous misjudgment on crypto exchange-traded products (ETPs), the SEC's record under Biden is likely going to be a net loss.

Admittedly, the SEC's lack of success was somewhat caused by the CFTC and its Chair Russ Behnam who was a shameless cheerleader for the crypto industry, apparently thinking nothing mattered more than expanding his agency's jurisdiction if not its budget and profile. The degree to which he gave aid and comfort to the crypto industry, even at the risk of damaging the core authority and jurisdiction of the SEC and its mission to protect investors and the securities markets, is a textbook example of an agency that utterly lost its way. The CFTC's failure to side with the SEC against the crypto industry (rather than siding with the crypto industry against the SEC) will go down as one of the major failings of the Biden administration. The CFTC's record otherwise is paltry at best.

A major, inexplicable failure of Biden's regulators, however, happened at the Treasury Department and at FSOC in particular, which is chaired and run by the Treasury Secretary. Systemically significant nonbanks were a key driver of the 2008 crash and properly regulating them like systemically significant banks was a core objective of the Dodd-Frank Act. That was critical for financial stability as well as for ending decades of regulatory arbitrage where financial firms' riskiest activities migrated from the regulated banking system to the unregulated nonbank system.

Trump, in his first administration, quickly killed FSOC's authority to regulate nonbanks, de-designated the few designated nonbanks, and then gutted the Council. Biden's Treasury Secretary and FSOC took more than three years to change the guidance Trump's Treasury Department enacted and did nothing to rein in nonbanks. The result is that today, according to Biden's FSOC, there is not one systemically significant nonbank in the U.S. even though the size of the nonbank sector in the United States has doubled from about $40 trillion in 2008 to nearly $80 trillion in 2020 and far exceeds the asset size of the banking sector.[10] Even more alarming is the rapid growth of bank credit commitments to nonbanks, which has grown nearly five-fold from about $200 billion in 2008 to nearly $1 trillion in 2022.[11] This is a dereliction of duty that history will judge harshly.

However, the award for indefensible failure during the Biden administration goes to the banking regulators, with Chair Powell at the Fed being the worst by far. Biden's reappointment of Powell was a disastrous mistake[12] that has already inflicted and is going to continue to inflict incalculable damage to the country.[13]

Chair Powell was a leader of and cheerleader for deregulation at the Fed during the first Trump administration and appears to have prevented any of that deregulation from being addressed during the Biden administration. He also appears to have blocked additional regulation no matter how sensible or even those required by law, including the Basel III capital standards and limitations on executive compensation due to excessive risks, and much more. In addition, his conduct would appear to be directly contrary to the many assurances he provided during his renomination process, when he lead people to believe that he would not interfere with the mission and mandate of the Vice Chair for Supervision.

[10] Viral V. Acharya, Nicola Cetorelli, & Bruce Tuckman, *Where Do Banks End and NBFIs Begin?*, at 33, National Bureau of Economic Research Working Paper 32316 (Apr. 2024), https://www.nber.org/system/files/working_papers/w32316/w32316.pdf.

[11] John Krainer, Farindokht Vaghef, & Teng Wang, *Bank Lending to Nonbanks: A Robust Channel Fueled by Constrained Capital?*, at 25 (Sept. 5, 2024), https://www.fdic.gov/system/files/2024-09/vaghefi-paper-090624.pdf.

[12] This was predictable and predicted. *See*, *e.g.*, Better Markets, *Should Federal Reserve Chairman Jay Powell Be Reappointed* (August 23, 2021) https://bettermarkets.org/wp-content/uploads/2023/03/BetterMarkets_Should_Jay_Powell_Be_Reappointed_August-2021.pdf.

[13] Because it is not directly on topic here, we will only mention here how Powell is blindly repeating the disastrous mistakes of former Fed Chair Greenspan, who was also appointed by a Republican president and reappointed by a Democratic president. Greenspan focused on monetary policy and believed that the financial industry could and would regulate itself. He thought there was nothing worse than government regulation so failed utterly to even minimally regulate the financial industry. Greenspan was lauded for "the Great Moderation" on the monetary policy side and for a wildly profitable financial industry on the regulatory side (that industry consumed more than 40% of all U.S. corporate profits by the mid-2000s). Of course, those Fed policies (along with actions by the other regulators and policymakers) enabled the reckless, irresponsible, predatory and illegal conduct that were pervasive throughout the financial industry, and were key causes of the 2008 crash. Today, Powell is being intermittently lauded for engineering a "soft landing" while being a Greenspan-lite deregulator, he has effectively been Wall Street's lobbyist inside the Fed. As a result, Powell's fate will likely not be dissimilar to Greenspan's, whose reputation will surely sink even lower as time goes on and his acolytes get replaced by historians.

The astonishing result is that, at the end of the Biden administration, not one of the 20 or so deregulatory rules enacted during Trump's first administration was repealed, revoked, weakened, or replaced during the four years of the Biden administration. Not one. Thus, at the end of the Biden administration, the systemic risk regulation of the biggest banks[14] in the U.S.—or more accurately, the deregulation of those banks—was the same as it was at the end of the first Trump administration.[15]

Equally astonishing, that was true even though there was a serious banking crisis in 2023, when 3 of the 4 largest bank failures in history happened. The direct costs for the bailouts for those failures exceeds $40 billion dollars, with the total, all-in costs likely exceeding $300 billion (due to credit contraction, etc.). That was true even though that crisis and those crashes were a direct result of the deregulation during the first Trump administration, largely driven by the Fed (as enabled by Congressional Republicans and some Democrats who foolishly passed a deregulation law in 2018). Worse, the response of the banking regulators to the 2023 banking crisis was little more than Band-Aids rather than any meaningful response or rules to address the prior deregulation and other causes of that crisis.

At the same time, the banking regulators failed to strengthen the Fed's stress testing program for the largest banks—which had been severely weakened during the Trump administration— and failed to implement enforceable rules to hold the boards of directors at the largest banks accountable.

Trump's Second Administration Promises Deep Deregulation, Likely Causing Another Major Crash

Remarkably, notwithstanding decades of deregulation, Trump's next four years are likely to set a new record for widespread deregulation, including in particular for the financial industry. He has already nominated Paul Atkins to be the Chair of the SEC even though Atkins was a commissioner at the SEC in the years before the 2008 crash. Atkins was a cheerleader for some of the deregulation that led to the crash that threw tens of millions of Americans out of their jobs and homes. He then ran a consulting firm that opposed many of the post-crash reforms meant to prevent such devastating crashes from happening again.

Other Trump officials have suggested "deleting" the CFPB which as returned more than $20 billion to more than 20 million Americans who were ripped off or harmed by the financial industry. Some have even suggested eliminating the FDIC, which has protected the bank savings and checking accounts of Main Street Americans for almost 100 years.

Whether Trump deletes or eliminates agencies, he will no doubt appoint people like Atkins to lead them who will side with the industry against the interests of Main Street Americans. That's already been going on at the Fed under Chair Powell, who will almost certainly deregulate the banks even more, making failures and crashes more likely. That means more bailouts for Wall Street and more pain for Main Street.

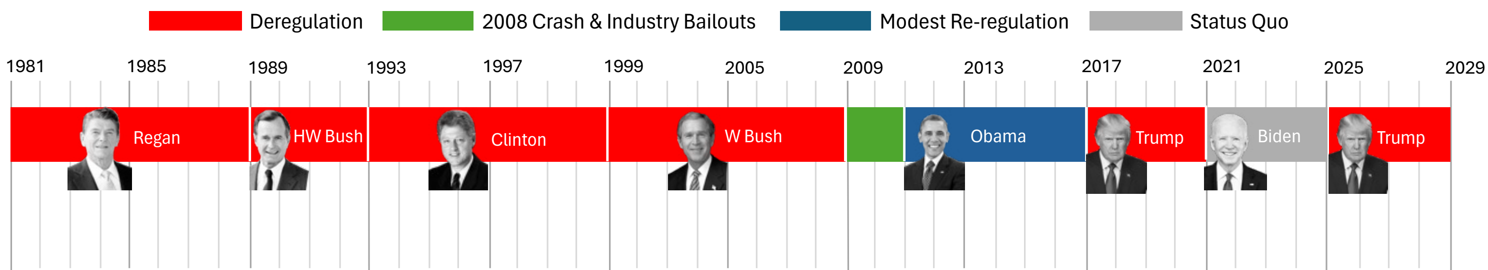
[14] I say the "systemic risk regulation" was the same because the Fed did enact one major rule unrelated to financial stability during the Biden administration: it updated the Community Reinvestment Act (CRA), which the industry is suing to get thrown out.

[15] It is true that some claim that the Fed's supervision (as opposed to the regulation) of those banks has changed, has gotten tougher, but there is little if any actual evidence of that. More importantly, given the four years of deregulation under Trump, even if it were true it would be grossly inadequate.

This will be the history of regulation at the end of Trump's second term:

EXHIBIT 7 – 48 Years: Mostly Deregulation

36 Years of widespread deregulation | **6 Years** of modest re-regulation | **4 Years** of status quo | **2 Years** of historic industry bailouts



Deregulation of the financial industry was enacted, largely beginning with Reagan and followed by H.W. Bush.

Deregulation expanded under Clinton administration:

- Put Goldman Sachs CEO in charge of national economic policymaking
- Removed last structural reforms from the Great Depression era.

George W. Bush continued the deregulation trend

- Resulted in the 2008 financial crash
- Led to bailouts for the financial industry, while Main Street suffered.

After massive bailouts, Obama's administration modestly re-regulated the financial industry after DFA signed 7/2010

- That legislative achievement was undermined by the financial industry's war against the rules at the regulatory agencies.

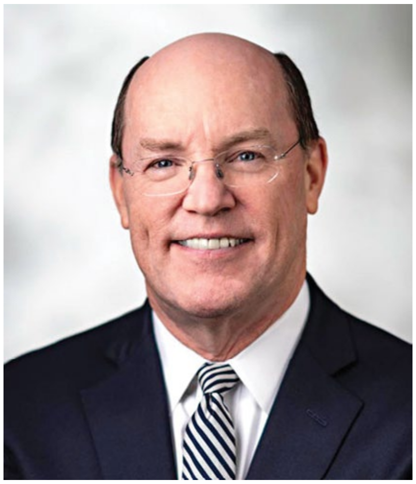
Trump's administration reverted to widespread deregulation and rolled back key parts of the re-regulation during the Obama administration

Biden's administration left most of that deregulation in place, esp at banking agencies; only CFPB & to some extent SEC re-regulated

Trump's administration dangerously deregulating the financial industry again, and likely leading to another financial crash

Clearly, the financial industry is not over-regulated. In fact, it is dangerously under-regulated and that means excessive risk taking is increasing. As Morgan Stanley's John Mack said, the industry won't be able to control itself and this time the damage to Main Street will likely be much worse. That's because not only has Wall Street been deregulated and unpoliced, but it has not been held accountable for all the damage it did in causing the 2008 crash. In fact, Wall Street executives were rewarded with bonuses. The result is that moral hazard on Wall Street has never been higher and that means that the risk taking will be greater.

That's why another catastrophic financial crash is virtually inevitable. While the severity of that crash cannot be known with certainty, it is likely to be worse than the 2008 crash given the circumstances. That crash resulted in a lost generation of Americans economically-speaking. It was so severe that 90% of Americans were poorer at the end of 2016 than they were in 2007 by between 17% and 35%. The economic, social and political consequences of that crash continue to reverberate today. One can only imagine the dire consequences of something like that happening again, as is all but inevitable given the deregulation Trump is going to implement.



DENNIS M. KELLEHER is Co-founder, President and Chief Executive Officer of Better Markets, a Washington DC-based nonprofit established to make the economy, finance and government serve society, fight injustice and inequality, and promote economic, social, and racial justice. Since Better Markets was founded in 2010, he has participated in more than 400 rulemakings and 25 legal cases, testified before Congress more than 10 times, been quoted more than 3,000 times, and done more than 150 live TV appearances. He also served as a member of the Biden-Harris Transition team and, from October 2020 through January 2021, on the Federal Reserve, Banking and Securities (FBS) Agency Review Team and worked with the Treasury Department and Department of Justice teams.

Prior to Better Markets, Mr. Kelleher served for almost eight years in three senior staff positions in the United States Senate, starting as Sen. Ted Kennedy's General Counsel and Deputy Staff Director on what is now the HELP Committee and concluding his service in 2010 as Chief Counsel and Senior Leadership Advisor to the Chairman of the Senate Democratic Policy Committee, a member of Senate leadership. Earlier in his career, Mr. Kelleher was a partner with the international law firm Skadden, Arps, Slate, Meagher & Flom, where he had an extensive and broad-ranging U.S. and European practice specializing in crisis management and complex corporate matters that focused on financial markets.

In April 2024, Washingtonian Magazine named him one of "Washington's most influential people" in banking and finance for the fourth year in a row, saying he was one of the experts "who shape the laws that govern the country and ultimately affect the course of history." The New York Times profiled Mr. Kelleher in "Facing Down the Bankers," referring to him as "one of the most powerful lobbyists on financial reform," and he was featured in the award-winning Frontline documentary "Money, Power and Wall Street," in the HBO Max series "Gaming Wall Street" and the Netflix series "Eat the Rich: The GameStop Saga," as well as in Steven Brill's best-selling book "Tailspin: The People and Forces Behind America's Fifty-Year Fall—and Those Fighting to Reverse It" and Jerry Epstein's book "Busting the Bankers' Club: Finance For The Rest of Us."

Having grown up in Worcester, Massachusetts, Dennis enlisted in the Air Force while in high school and served four years on active duty as a crash/rescue firefighter/medic, which preceded his graduation with highest honors, magna cum laude, Phi Beta Kappa from Brandeis University and cum laude from Harvard Law School. Over the years, Dennis' charitable work has focused on women and children in need as well as the mentally challenged, both institutional and residential community based.

BETTER MARKETS

Better Banks | Better Businesses
Better Jobs | Better Economic Growth
Better Lives | Better Communities

Better Markets is a public interest 501(c)(3) non-profit based in Washington, D.C. that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buyside, and protect investors and consumers.

For press inquiries, please contact us at press@bettermarkets.org or (202) 618-6430.

SUBSCRIBE to our Monthly Newsletter

FOLLOW US ON SOCIAL

2000 Pennsylvania Avenue, NW | Suite 4008 | Washington, DC 20006 | (202) 618-6464 | www.BetterMarkets.org