

## Banking by John Hoefle

### More deregulation is coming

*The Bush administration wants to give Wall Street an even freer hand to buy up, and wreck, the local banks.*

**T**he Bush administration took its fascist banking reorganization show on the road the last week of November, led by the President himself.

On Nov. 29, the President spoke to a meeting of the Association of Bank Holding Companies, an organization dominated by the biggest banks in the country. He could hardly have chosen a more friendly audience for his message.

Bush retailed the same line given a week earlier by Treasury Secretary Nicholas Brady, that the "outmoded" and "inefficient" U.S. banking system must be restructured to make it more "competitive." Bush promised to take "a leadership role" in this banking reform, and said that the administration hopes to "relieve a little pressure from the overzealous nature of some of the regulations" imposed upon the banks. He blamed the credit crunch, not on the depression, but on "overregulation."

"The legislation we will propose will make a significant contribution to the long-term health of the banking industry," Bush claimed, calling existing laws "increasingly outmoded, as likely to prevent banks from staying competitive as it is to allow them to serve customers and sustain confidence in the system." He said that "denying banks the opportunity to enter new markets actually encourages risky ventures that fall within the old rules and regulations. Our banking system can never be truly safe if it's not also economically sound."

The next day, Treasury Secretary Brady and Securities and Exchange

Commission chairman Richard Breeden journeyed to Boca Raton, Florida, to address the Securities Industries Association.

Brady told the assembled securities dealers that the administration plans to remove the barriers between commercial banks and securities dealers, by overturning the Glass-Steagall Act of 1933. He also targeted the McFadden Act of 1927, which limits the ability of banks to branch across state lines.

Brady repeated the administration's new pet phrase, that the banking system is "outmoded, burdensome, and inefficient," and claimed that its flaws "are an unseen contributor to our financial institutions' current difficulties."

Brady launched an attack on deposit insurance as well, a subject dear to the hearts of securities dealers, who consider deposit insurance an unfair advantage to their commercial banking rivals.

"The administration feels strongly that issues of deposit insurance reform—that is, the extent and charter of the safety net—are so closely intertwined with the question of reform of the industry's structure that it makes no sense to treat them separately," Brady said. He said that the restructuring must be done in such a way as to limit the taxpayers' exposure.

"The securities industry has always conducted its business—in good times and bad—without the benefit of a government safety net or subsidy," Brady exclaimed. "This is right and should not change. It goes without

saying that when the Glass-Steagall barrier is lifted, banks and securities firms should find themselves on a level playing field, favoring neither side." The financial services market "has become one industry," he said. "Securities firms and banks should be free to affiliate if they choose to do so."

SEC chairman Breeden also called for the "reduction of barriers" to the activities of banks and securities firms, and suggested that just as corporations are allowed to own securities firms, they should also be allowed to own commercial banks.

The administration is cynically trying to sell these moves as being in the public interest, protecting the public from the bankers. "We've got to carry out this restructuring in a way that limits rather than expands the taxpayers' exposure," in the words of Secretary Brady. "In the era of the S&L cleanup, that is the first hurdle any reform proposal will have to clear."

Nothing could be further from the truth. The entire package is designed to concentrate financial power in the hands of just a few big companies, destroying the last vestiges of locally controlled banking in the country. Local credit needs will be completely subjugated to the dictates of Wall Street. Since there's not enough money to go around, that means that nothing will be available for local development; it will all go to Wall Street.

The administration claims that it will build "firewalls" between the banking, securities, and other businesses of the megacorporations that would spring from this fascist plan, but such claims are fraudulent. The biggest banks and financial companies are today already above the law, as their ability to deploy U.S. government agencies against the public interest demonstrates.