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## Financial Reform Newsletter: March 2, 2017

The Oscars May Be Over, But We Have a Few Awards of Our Own We'd Like to Give Out, Jay Clayton Needs to Know That as SEC Chair His Only Client is the American People, Not the Wall Street Banks He Used to Represent.

### The Oscars May Be Over, But We Have a Few Awards of Our Own We'd Like to Give Out

Nick Jacobs

While the glow of the Oscar awards still lingers (and the Best Picture controversy continues), we thought we'd hand out a few awards of our own to call attention to some of the more outrageous moments in the debate over financial regulation and consumer and investor protection.

The first award, for audacious hypocrisy, goes to the Trump White House and Cabinet. It is truly the height of hypocrisy to spend an entire campaign cycle attacking Wall Street and specifically attacking Goldman Sachs only to then turn around and appointing Goldman Sachs alums to [chair the National Economic Council](#) and [serve as Secretary of the Treasury](#) among [other high-level positions in the Administration](#). [If you don't remember how extensive and direct these attacks in the campaign were, watch this 2-minute commercial Trump ran](#) in the closing days of the election identifying Goldman Sachs' CEO Lloyd Blankfein as one of just three people ruining the lives of all Americans. [And attacks on Goldman Sachs were also a constant part of his primary campaign and one of his core attacks on Hillary Clinton.](#)

A "supporting" audacious hypocrisy award also goes out for the executive order seeking to delay, weaken, or kill the Department of Labor's fiduciary "best interest" rule, which would require financial advisers to put their clients' best interest first when providing advice about their retirement accounts, ensuring a safe and secure retirement for tens of millions of Americans. It is pure hypocrisy for a candidate who ran on a populist message of helping the little guy and who railed against Wall Street to now oppose such a rule that the financial industry has been actively seeking to kill. The best interest rule is supported by every major investor, consumer and senior advocacy group in the country and is opposed by Wall Street and almost all of finance, its trade groups, lawyers and lobbyists. Yet, again, the Trump administration sides with Wall Street and big finance against the little guy just trying to save a few dollars for retirement and not get ripped off.

The next award, for outright fabrication, also goes to the Trump Administration for claiming that their efforts to rollback the Dodd-Frank Act are because the law and regulations reining in Wall Street's biggest banks has decreased lending and hurt the economy. There is absolutely no truth to this claim. In fact, the truth is the exact opposite, as has been widely reported. For example, a recent article from CNBC, ["Despite critics' claims, Dodd-Frank hasn't slowed lending."](#) provides a definitive



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rebuttal to the myth, stating that "...statistics on bank lending don't back up that claim." And, the Wall Street Journal reported that "[U.S. banking industry annual profit hit record in 2016](#)." So, again, when choosing sides, the Trump administration picks Wall Street over Main Street.

The fourth award is for stubbornness and misguided ideology and is awarded to those calling for the elimination of the Consumer Financial Protection Bureau ("CFPB"). The CFPB has been the most successful consumer protection agency in the history of the country. In just a few short years, it has returned almost \$12 billion to more than 29 million Americans ripped off by financial firms. That's why it was created: protect American consumers of financial products, go after the financial crooks and make them pay for their rip offs. By any measure, the CFPB is a wild success. Those who wish to eliminate it are siding with Wall Street and finance who don't want to be held accountable when they are ripping off Americans. Slashing government just for the sake of slashing is a misguided approach exceeded only by targeting programs and agencies that are hugely successful and effective in their efforts.

Our fifth award is the reckless endangerment award, which goes to the Trump White House for its recent attacks on the Financial Stability Oversight Council (FSOC). It is going to hold its first meeting of the Trump Administration on Thursday and [at the top of the agenda is an "update" on re-evaluating the designation of nonbanks as systemically important financial institutions \(SIFI\)](#). This meshes with [other reporting that the Trump Administration is poised to limit FSOC's SIFI designation power \(paywall\)](#).

It is clear the Administration has put FSOC in the cross-hairs, and as a result, the safety and stability of the financial system has been endangered. FSOC is only entity in the government with the legal authority and duty to assess risk across the entire financial system and to evaluate systemically significant nonbanks for increased regulation. Every other regulator has specific and limited authority and no one else has responsibility for systemically significant nonbanks, i.e., the shadow banking system. Eliminating or gutting FSOC would get rid of the only early warning system that the US has for emerging risks that don't fall neatly into the silo of an existing regulatory agency. This is a great idea for all those who loved bailing out AIG with \$185 billion, the \$3.7 trillion bailout of the money market fund industry and so many of the other bailouts in 2008. Killing or gutting FSOC guarantees that this will happen again in the future.

Finally, a total amnesia award goes out to all those who have advocated killing, gutting, weakening or [rolling back Dodd Frank](#). This law was passed to prevent another financial crash like 2008, which was the worst crash since 1929 and caused the worst economy since the Great Depression of the 1930s. Have they forgotten the economic catastrophe inflicted on the American people by the 2008 financial crisis? Here's a quick reminder of just how bad it was:

**\$20+ trillion.**

Cost of the 2008 financial crisis in lost GDP to the US.

**\$170,000.**

The cost of the crisis to every man, woman, and child in the United States.

**17.5%.**

The U-6 unemployment rate for five months between Oct 2009 and April 2010.

**27 million.**

Americans un- or under-employed at the peak of the crisis. (Greater than the entire population of Texas.)

**\$2.8 trillion.**

Total lost value in IRAs and 401(k) plans.

**15+ million.** Foreclosure filings between 2007 and 2014.

**40+%**. US home mortgages effectively underwater during the crisis.

**\$1.2 trillion.**

Total amount of U.S. student loan debt due to no jobs, low wages.

**\$116 billion.**

Decrease in small business lending from 2008 to 2011.

**\$24 billion.**

Decrease on government R&D spending on defense and civilian science since 2011.

**12%.**

Decrease in small business openings (844,000 to 742,000) between 2007 and 2010.

That is what will happen again if there is another financial crash. That is what will happen if the Dodd Frank financial reform protections are taken down as the Trump administration and Wall Street's other allies are talking about doing.



### **Jay Clayton Needs to Know That as SEC Chair His Only Client is the American People, Not the Wall Street Banks He Used to Represent.**

While a date for his confirmation hearing has not been set, it is nonetheless important to already be looking at the nomination of Jay Clayton to Chair the Securities and Exchange Commission (SEC). As the primary agency regulating U.S. securities trading markets, the SEC's actions have far-reaching implications for Main Street Americans who deserve strong investor protection and a growing real economy supported by fair, stable and

reliable markets. Senators face crucial issues in their consideration of the nominee for Chair of the Securities and Exchange Commission (SEC), Walter "Jay" Clayton.

Mr. Clayton's background is as a Wall Street corporate lawyer and his decades of service to Wall Street raises serious questions about his ability to lead an agency dedicated to investor protection and the public interest. This experience can embed a belief that what is best for Wall Street is best for America. The 2008 financial crash proved this belief to be objectively false. Congress needs and the American people deserve a Chair of the SEC who advocates for the needs of Main Street over the interests of Wall Street.

Or put a slightly different way, if and when he takes over a SEC Chair, we need to be sure that the American people and American investors are Jay Clayton only client and not the Wall Street banks he has represented for decades.

Mr. Clayton needs to demonstrate beyond any doubt that he will be able to be objective, fair, and willing to hold Wall Street accountable (including his former clients like Goldman, Sachs), and not favor policies that allow anyone to profit at the expense of the American people.

The shortest path to economic growth and job creation is to put Main Street investors' interests first and ensure that rule of law on Wall Street is enforced and strengthened.



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