



## **GOP Platform Echoes Hensarling Plan, With Shards of Glass-Steagall**

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For more than a month, House Financial Services Committee Chairman Jeb Hensarling made it his mission to promote the Financial CHOICE Act, his proposal for dismantling the 2010 Dodd-Frank Act and replacing it with more industry-friendly financial regulations.

Hensarling (R-Texas) met with presumptive GOP nominee Donald Trump last month to pitch the plan to the real estate mogul.

At first glance, Hensarling seemed to have gotten his way in the GOP's platform. The official document, which Republican delegates at this week's nominating convention in Cleveland approved by an uncontroversial voice vote on Monday, contains language endorsing some of Hensarling's highest priority issues, such as overhauling the Consumer Financial Protection Bureau and replacing Dodd-Frank's mechanism for winding down failing banks with bankruptcy protection.

The platform doesn't mention Hensarling or his proposal by name, but it goes well beyond the 2012 platform's criticism of Dodd-Frank. It also implicitly endorses the Hensarling's proposal to exempt banks from numerous financial regulations if they maintain capital holdings at a certain threshold.

"Republicans believe that no financial institution is too big to fail," the platform states. "We support legislation to ensure that the problems of any financial institution can be resolved through the Bankruptcy Code. We endorse prudent regulation of the banking system to ensure that FDIC-regulated banks are properly capitalized and taxpayers are protected against bailouts."

House conservatives' push came with a price, though. In a surprise to the financial industry and campaign observers alike, the platform calls for reinstating the Depression-era Glass-Steagall law that mandated a wall between investment banking and commercial banking. That law was repealed in 1999, under former President Bill Clinton's watch. Liberals like Sen. Bernie Sanders (I-Vt.) regularly cite its absence as a gaping hole in the U.S. financial regulatory framework.

The Glass-Steagall reference was tucked deep into the platform's section on reducing regulatory burdens and wasn't included in the GOP's front-and-center promotion of ideas that are also prominent in Hensarling's Financial CHOICE Act.

"We support reinstating the Glass-Steagall Act of 1933 which prohibits commercial banks from engaging in high-risk investment," the platform reads. One member of the platform committee said that a single delegate at the convention "put it in," but that person, who requested anonymity, didn't specify that delegate's candidate affiliation.

Trump has made no secret about his desire to convert Sanders voters to his side because of similar stances on trade and Wall Street issues. Still, the inclusion of Glass-Steagall reinstatement in the platform represents a major departure from Republican orthodoxy on financial issues.

Thaya Brook Knight, the Cato Institute's associate director of financial regulation, told Morning Consult that she sees the rhetoric surrounding Glass-Steagall as a way to signal that the party is focused on acknowledging voters' concerns about large financial institutions, even though she indicated she doesn't view it as a viable solution.

"I don't know that the average voter is actually familiar with what it does," Knight said. "But I think people have heard of it as: 'This is the piece of deregulation that let the banks gamble with our money.'"

Hensarling did not directly address the Glass-Steagall language in a statement provided to Morning Consult.

"I am more focused on ending the economy-stalling, consumer-harming and bailout-enabling Dodd-Frank Act and replacing it with the Financial CHOICE Act so there can be economic growth for all and bank bailouts for none," Hensarling said.

Rep. Scott Garrett (R-N.J.), chairman of the Financial Services subcommittee on capital markets and government-sponsored enterprises, said in a statement provided to Morning Consult that he was "encouraged to see much of my work in the House to free our economy from the stranglehold of Dodd-Frank reflected in the GOP platform."

Some view the inclusion of the Glass-Steagall provision as incongruous with the Financial CHOICE Act.

John Berlau, a financial policy expert at the libertarian Competitive Enterprise Institute, said in a statement that policymakers should "learn from the experience of Dodd-Frank's Volcker Rule, often called 'Glass-Steagall lite,' which was also sold as going after Wall Street but has become one of the biggest burdens on community banks."

The Financial CHOICE Act pushes for the elimination of the rule, which limits banks' abilities to use their own funds for use in speculative trading.

"There is no credible evidence that Glass-Steagall's partial repeal in 1999 had anything to do with the financial crisis, but there is plenty of evidence that reviving it will hurt Main Street banks like those operating in the GOP convention city of Cleveland," said Berlau, a senior fellow at the institute. "If delegates to the GOP and Democratic conventions really wanted to unburden Main Street banks while discouraging excessive risk-taking, they would back the Financial Choice Act, which repeals burdensome regulations in exchange for higher capital standards."

On tax issues, the platform is less specific and doesn't refer to the tax reform blueprint that House Ways and Means Committee Chairman Kevin Brady (R-Texas) laid out last month with House Speaker Paul Ryan (R-Wis.).

Kyle Pomerleau, director of federal projects at the center-right Tax Foundation, said the platform contains some elements that are similar to Trump's tax plan and others that appear to be pulled from the House GOP's "Better Way" blueprint. The plank isn't detailed enough, though, that the Tax Foundation can formally analyze it.

Pomerleau did point to one element of the document that could constrain lawmakers who are pushing for a consumption-based taxation system in their proposals.

"To guard against the hypertaxation of the American people in any restructuring of the federal tax system, any value added tax or national sales tax must be tied to the simultaneous repeal of the Sixteenth Amendment, which established the federal income tax," the platform states.

Pomerleau called the inclusion of this language "a pretty bold piece of the platform."

"Some Republicans would think that is limiting in terms of tax reform," he said.

A spokesperson for Brady didn't respond to a request for comment before publication.