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Trump Calls for Restoration of Glass-Steagall, Echoing Warren

CLEVELAND — Donald Trump has made no secret of his disdain for Sen. Elizabeth Warren, D-Mass., but that is not stopping him from embracing one of her key policy positions as part of the Republican platform — a return to the 1930s-era Glass-Steagall Act.

Paul Manafort, the campaign manager for the presumptive Republican presidential nominee, said Monday during a press briefing that reinstating the law, which separated commercial and investment banking, was one of the few changes Trump is proposing in the GOP platform.

"There has been some added components to [the platform] that reflect the issues that Mr. Trump has raised during the course of the campaign," Manafort said during a press briefing at the Republican National Convention here. "We also call for reintroduction of the platform of Glass-Steagall so that would create barriers between what the big banks can do and avoid some of the crisis that led to 2008. ... The Obama-Clinton years have passed legislation that has been favorable to the big banks, which is why you see all the Wall Street money going to her."

Despite Manafort's suggestion that Trump has previously raised the issue during the campaign, it marks a significant shift from the Republican primary, during which Trump said little about banking beyond calling for the repeal of the Dodd-Frank Act.

But the move appears to reflect a desire to attract voters who supported Sen. Bernie Sanders, D-Vt., during his failed presidential bid. Sanders made the call to restore Glass-Steagall one of his chief talking points, repeatedly criticizing rival Hillary Clinton for not embracing such a plan.

"I was a little surprised, but certainly understand it as a consistent approach to attacking Clinton for her ties to Wall Street. To some extent, it's a pitch to Bernie's supporters," said Mark Calabria, director of financial regulation studies at the Cato Institute.

Ironically, if Trump's Glass-Steagall restoration provision is adopted by the RNC, it would put both political parties in the same position. As part of a compromise with Sanders, the Clinton campaign accepted language into the Democratic platform that also calls for a "modernized version" of Glass-Steagall.

"Political party platforms are not binding and are usually forgotten once a party's convention ends," Brian Gardner, an analyst with Keefe, Bruyette & Woods, wrote in a note to clients on Monday. "However, the fact that the Democratic and Republican platforms both support a reinstatement of some form of Glass-Steagall suggests that there could be a unique political

coalition forming to make changes to Dodd-Frank while at the same time reinstating the old separation between commercial and investment banking."

One crucial difference, however, is that Clinton herself has said that restoring the Depression-era law would not have prevented the financial crisis, and she appears focused on a separate plan to target large nonbanks.

"Reinstating Glass-Steagall is a part of what very well could help, but it is nowhere near enough. My proposal is tougher, more effective, and more comprehensive because I go after all of Wall Street, not just the big banks," she said during a debate last year.

Karen Shaw Petrou, managing partner of Federal Financial Analytics, said Trump's move was consistent with his campaign — namely, the adoption of a populist position that resonates with voters on both sides of the political spectrum.

"Highlighting this would suggest that they see it as a potent political theme," she said. "It's a really surprising theme that speaks to the strong alliance between the left and the right" on this issue.

Reinstating Glass-Steagall has some supporters in Republican circles, including Sen. John McCain, R-Ariz., who co-authored a bill with Warren on the issue.

But most GOP lawmakers, including top House Republicans, have dismissed the idea.

"If Republicans think they can outflank Sen. Warren, they are delusional," said Tony Fratto, a partner at Hamilton Place Strategies and a former Bush administration official. "Returning to Glass-Steagall would be destructive and unworkable. As every analysis has demonstrated, Glass-Steagall would have done nothing to prevent the crisis."

Many conservatives agree that restoring Glass-Steagall would be a mistake.

"The notion that the repeal of Glass-Steagall had anything to do with the recent crisis is simply wrong," said Norbert Michel, a research fellow at the Heritage Foundation, a conservative think tank. "Regardless of who wants to reinstate Glass-Steagall, doing so is bad policy. It relies on political calculation and not economic analysis."

But much like Sanders did during the primaries, Trump's campaign is clearly hoping to paint Clinton as the Wall Street candidate, a point Manafort emphasized on Monday.

"They know she is their champion and they have supported her fully; we are supported by small banks and mainstream ... that reflects some of the mistakes made in the repeal of Glass-Steagall and some of the mistakes made in imposing Dodd-Frank," he said.

Yet, even though Trump and progressives appear aligned on the issue, it's not clear Glass-Steagall will become law again.

"It's hard to see Republicans in Congress getting behind a return to Glass-Steagall if it ever came to a vote," said Ian Katz, an analyst at Capital Alpha Partners. "Even Democratic support is suspect. Congress has had ample opportunity to do it over the last eight years and has chosen not to."