

## **AM with Tony Eastley**

Monday to Saturday from 8:00 am on ABC Local Radio and 7:10 am on Radio National.

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# Obama takes on the big banks again

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ELEANOR HALL: The US President Barack Obama today announced plans to limit the size and power of America's biggest banks.

He says the crackdown will help address the causes of the financial crisis.

It also has the President taking a very public swipe at Wall Street, as Washington correspondent Kim Landers reports.

KIM LANDERS: President Barack Obama has blamed banks for sparking the worst economic crisis since the Great Depression.

And so he wants to limit the size and scope of US banks and finance firms.

BARACK OBAMA: Never again will the American taxpayer be held hostage by a bank that is too big to fail.

KIM LANDERS: The President says while the financial system is far stronger today than it was a year ago, it's still operating under the same rules that led to its near collapse.

And now he wants new rules, changes he describes as simple and common sense reforms.

BARACK OBAMA: Banks will no longer be allowed to own, invest or sponsor hedge funds, private equity funds or proprietary trading operations for their own profit, unrelated to serving their customers.

But these firms should not be allowed to run these hedge funds and private equities funds while running a bank backed by the American people.

KIM LANDERS: He also wants to ban banks from proprietary trading operations, meaning a firm making bets on financial markets with its own money.

This plan is the latest attempt by the White House to harness popular anger at massive Wall Street bonuses and tight credit markets, as Congress heads to a crucial election year.

The President's plan has to be approved by Congress, and Barack Obama is vowing to make sure it happens, even if Wall Street deploys an army of lobbyists to try to block it.

BARACK OBAMA: If these folks want a fight, it's a fight I'm ready to have.

KIM LANDERS: Mark Calabria is the director of financial regulation studies at the Cato Institute in Washington..

MARK CALABRIA: To say that these banks held the taxpayer hostage is just ridiculous. It was the

decision of policy makers who voted to spend public money to bail out these banks.

**KIM LANDERS:** Wall Street gave an immediate thumbs down to the plan, with the Dow Jones industrial index sinking two per cent as the President delivered his announcement.

**MARK CALABRIA:** I cannot find one single example of where some institution took insured deposits and used it to gamble on the stockmarket. Where is the example, where does this make a difference? All this seems to be is some misdirection at something that never made a difference to begin with.

**KIM LANDERS:** The plan may mean that some of America's biggest banks such as Bank of America and JP Morgan may have to be broken up. The industry lobby group for banks says President Obama is trying to return the US to the past.

The Financial Services Roundtable says the better idea would be to modernise the regulatory framework and not take the industry back to the 1930s.

This is Kim Landers in Washington for AM.

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