As US banks report record profits

Regulators, Congress move to end all restraints on Wall Street speculation

Barry Grey
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On Tuesday, the US House of Representatives passed a bill to exempt the vast majority of financial firms from the Dodd-Frank bank regulations passed after the 2008 Wall Street crash. This coincided with press reports that the Federal Reserve Board and other bank regulators will announce as soon as next week proposals to gut the provision of Dodd-Frank most hated by Wall Street—the so-called "Volcker Rule."

The accelerating offensive against even the most minimal restrictions on financial speculation takes place in the context of surging bank profits and CEO pay. On Tuesday, the Federal Deposit Insurance Corporation, one of the agencies that is preparing to eviscerate the Volcker Rule, reported that US banks recorded record profits of $56 billion in the first quarter of 2018, a 28 percent increase over the same period last year.

As the tenth anniversary of the September 2008 Wall Street crash approaches, the token restrictions on the banks that were passed during the Obama administration are being dismantled. These minimal measures, including increased capital reserve requirements, annual "stress tests" and limited restrictions on risky derivative trading, were mainly enacted to provide political cover for the administration's multi-trillion-dollar bailout of the financial institutions responsible for the wholesale destruction of jobs, millions of home foreclosures and the wiping out of retirement savings.

After eight years of the Dodd-Frank bank "reform," the American financial oligarchy exercises its dictatorship over society and the government more firmly than ever. This unaccountable elite will not tolerate even the most minimal limits on its ability to plunder the economy for its own personal gain.

The Volcker Rule, named after the former chairman of the Federal Reserve Board Paul Volcker, was included in the 2010 Dodd-Frank act but not drafted and approved by the regulatory agencies until 2013. It took effect only in 2015.

The rule ostensibly bars commercial banks, which benefit from federally guaranteed retail deposits and other government backstops, from speculating with bank funds, including customers' deposits, on their own account—a practice known as proprietary trading. However, the rule incorporates huge loopholes allowing banks to speculate with their own funds under cover of hedging their investments and providing liquidity to the financial markets.

At the time of its adoption, the *Wall Street Journal* cynically but accurately wrote: "Rest assured banks will find loopholes. And rest assured some of the Volcker rule-writers will find private job opportunities to help with that loophole search once they decide to lay down the burdens of government service."

No banks have been cited for violating the rule since it took effect.

Nevertheless, top Wall Street CEOs such as JPMorgan's Jamie Dimon and Goldman Sachs' Lloyd Blankfein have campaigned ferociously against the measure, denouncing it as an arbitrary restriction on the financial markets and an impediment to economic growth. Wall Street lobbyists have spent many millions of dollars bribing politicians of both parties to weaken the rule to the point of complete irrelevance.

In a speech to international bankers in March, Randal Quarles, the Fed's new vice chairman for supervision, said, "We want banks to be able to engage in market making and provide liquidity to financial markets with less fasting and prayer about their compliance with the Volcker Rule."

The plan is to make the rule a dead letter through administrative changes in the language of the regulation rather than by means of legislation. At the behest of the major banks, federal regulators are preparing to widen even further the existing loopholes, allowing the banks to carry out short-term trades with their own funds and amass more speculative assets in the name of "market-making." They will also end requirements that the banks provide documentation to prove that their activities comply with the

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rule, relying instead on assurances from the bankers.

The banking bill passed by the House on Tuesday increases the Dodd-Frank asset threshold for financial firms to be considered “systemically important financial institutions,” and thus subject to tighter regulatory oversight, from $50 billion to $250 billion. This is being presented by Democratic as well as Republican backers as a matter of fairness to small and midsize banks. In fact, the exemption covers such giant companies as American Express, SunTrust Banks and Fifth Third Bank.

These companies will no longer be subject to yearly Federal Reserve “stress tests” or higher capital reserve requirements. The bill also exempts banks with less than $10 billion in assets from the Volcker Rule and exempts banks that have granted fewer than 500 mortgages from reporting requirements.

Thirty-five House Democrats joined all but one of the House Republicans to pass the measure, which now goes to President Trump, who has pledged to sign it. The Senate version was passed in March with broad Democratic support, including 11 Democratic co-sponsors. A total of 17 Senate Democrats voted for the bill.

Another aspect of the attack on Dodd-Frank is the strangulation of the Consumer Financial Protection Bureau (CFPB). This agency, lacking any serious enforcement powers and fully subordinate to the Federal Reserve, was set up under Obama-era legislation to give the impression of government support for consumers victimized by illegal or fraudulent banking practices. Despite its toothless character, it was immediately targeted by Wall Street for destruction.

Under Trump, this process is now well underway. The White House pressured the Obama holdover Richard Cordray to resign as director of the CFPB and installed Mick Mulvaney, Trump’s budget director, as acting head of the bureau to oversee its dismantling. Mulvaney has halted investigations, imposed a hiring freeze, stopped the agency from collecting certain data from banks and proposed cutting off public access to a database of consumer complaints.

Despite for-the-record verbal protests by Democratic politicians over the gutting of bank regulations, the removal of restrictions on financial institutions is a bipartisan policy. Trump’s scorched earth approach is an intensification of the basic line of the Obama administration rather than a departure from it.

In 2011, the Senate Permanent Subcommittee on Investigations produced a 650-page report on the financial crisis documenting in detail the fraudulent and illegal activities of the major Wall Street banks, aided by corrupt and compliant federal regulatory agencies and credit rating firms that had a vested interest in promoting the banks’ subprime mortgage fraud and other swindles. At the time, the chairman of the subcommittee, Michigan Senator Carl Levin, gave a press conference at which he said the investigation had found “a financial snake pit rife with greed, conflicts of interest and wrongdoing.”

Nevertheless, Obama pursued a deliberate policy of shielding the big banks and their top executives from criminal prosecution. Financial speculation and fraud continued unabated, subsidized by the government’s policy of supplying the banks with virtually free credit by means of near-zero interest rates and the Fed’s money-printing “quantitative easing” program.

Despite a wave of scandals, including the manipulation of the key Libor interest rate, JPMorgan’s $6.2 billion “London Whale” derivative loss, money-laundering cases involving some of the world’s biggest banks, and the forging of documents to facilitate home foreclosures, not a single leading banker was criminally charged, let alone jailed during the Obama years.

This was not because of difficulties in securing indictments or convictions. On the contrary, Attorney General Eric Holder told a Senate committee in March of 2013 that the Obama administration chose not to prosecute the big banks or their CEOs because to do so might “have a negative impact on the national economy.”

Meanwhile, government policies favored the further consolidation of financial institutions, including JPMorgan’s subsidized takeover of Bear Stearns and Washington Mutual, Bank of America’s acquisition of Merrill Lynch, and Wells Fargo’s absorption of Wachovia. As a result, the stranglehold of a handful of megabanks over economic and social life in America is tighter than ever.

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