ABA Attacks Glass-Steagall

Aug. 27—*In a letter to the editor in the Daily Oklahoman Aug. 21, American Bankers Association (ABA) Chief Operating Officer Michael J. Hunter published the following inane attack on Glass-Steagall. EIR has learned that this op-ed is being distributed to bankers who call ABA state or national headquarters on the issue.*

Unfortunate myths

Paul Gallagher's call to revive the 80-year-old Glass-Steagall Act (Point of View, Aug. 14) [see box: "Gallagher Op-Ed: Restore Glass-Steagall Act Now"] propagates a number of unfortunate myths about the American economy and banking system. Allowing bank holding companies to build diversified businesses in lending, securities, insurance and other sectors strengthened our financial systems. The biggest firms to fail or be bailed out during the 2008 financial crisis—Lehman Brothers, AIG—weren't traditional banks at all. Had Glass-Steagall remained in place, even more investment banks would likely have collapsed, plunging the world economy into an even deeper trough.

Reviving Glass-Steagall would also break apart America's largest banks, severely diminishing the banking sector's ability to meet the needs of our economy. This would likely crush the tenuous economic recovery and push American businesses to seek financing either offshore or in the lightly regulated shadow banking system, which wouldn't eliminate risk-taking but instead move it out of sight where it's harder to monitor. Gallagher's call for a return to Glass-Steagall simply ignores the facts.

Glass-Steagall would not have prevented the financial crisis. Bringing it back would do enormous damage and little good.