

EDITORIAL

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Keep Mnuchin Out of Treasury To Avoid a Crash

Jan. 22—After misrepresenting and opposing the Glass-Steagall Act in his confirmation hearings, Steven Mnuchin is a “destructive force” who should be kept out of the Trump Administration Treasury, said economist and *EIR* Founding Editor Lyndon LaRouche today. “He can’t be accepted for what he was claiming to be; he’s not qualified,” LaRouche added, and “he’ll make a mess in the Trump Administration. Trump could come out successfully on this [Glass-Steagall] issue; but this guy will mess it up.”

As nominee for Treasury Secretary, Mnuchin’s exchanges with Sen. Maria Cantwell (D-WA), who has been a lead sponsor of legislation to restore Glass-Steagall, constituted her entire questioning period during the Senate Finance Committee hearing. Despite President Trump having called for “going back to Glass-Steagall” during the campaign, Mnuchin stated his opposition to it. Cantwell pressed the Republican Party platform’s call for restoring Glass-Steagall; she also cited official estimates that a huge \$14 trillion in economic losses to Americans resulted from the 2007-08 bank blowout, and that Glass-Steagall restoration was necessary to prevent that from happening again now.

“Senator Cantwell’s presentation of the case was valid, and it was a case by which she is trying to save this nation,” LaRouche said. “We’re on the fringe of what could be a terrible collapse.”

Mnuchin’s response to Cantwell was, “No, I don’t support going back to Glass-Steagall as is.” He said that he supported the Volcker Rule of the Dodd-Frank Act if modified.

Moreover, Mnuchin made a serious false claim to the Committee, in support of his opposition to Glass-Steagall. He claimed Glass-Steagall, according to a

recent Federal Reserve report, “would have very big implication to the liquidity and the capital markets, and banks being able to perform necessary lending.” In other words, that Glass-Steagall would result in a less liquid bond market for economic investments, and less lending by banks.

The truth is that this Federal Reserve Report, released this past September, criticized the Volcker Rule on that point, not the Glass-Steagall Act. It is titled, “The Volcker Rule and Market Making in Times of Stress.” Its main finding is that “bonds are less liquid during times of stress due to the Volcker Rule.” But Mnuchin was distressing the Committee Republicans and large numbers of bankers themselves, by supporting a Volcker Rule.

As to Glass-Steagall and bank credit: FDIC Vice Chairman Thomas Hoenig has repeatedly given expert opinion to Congress and other institutions that during the roughly 60 years when Glass-Steagall was enforced, the United States’ capital markets for bank lending and bond issuance were the strongest and deepest in the world.

LaRouche emphasized Jan. 22 that Mnuchin is “doing dirty work which can lead to a deadly collapse in the United States and elsewhere. With what he was pushing, he could cause a crisis which would rapidly bring down the U.S. economy as a whole. We have a new financial system coming about [referring to the international development institutions of China and the BRICS-allied nations]; and here, that begins with restoring Glass-Steagall. So this is international, not only national, in importance.”

“I think there is no other option but to state that he must be gotten out” of the Treasury, LaRouche concluded.