

Introducing Arthur E. Wilmarth, Jr., the next guest of the Economania series of lectures organised by the MNB Institute.

The event will take place on 20 April 2021.



Arthur E. Wilmarth, Jr.

Professor Emeritus of Law

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Taming the Megabanks: Why We Need a New Glass-Steagall Act

(Oxford University Press, Oct. 2020)

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3702556

Arthur E. Wilmarth, Jr. joined the George Washington University Law School in 1986, after 11 years in private law practice. During his 34 years as a member of the faculty, Professor Wilmarth taught courses in banking law, contracts, corporations, professional responsibility, and American constitutional history.

Professor Wilmarth is the author of *Taming the Megabanks: Why We Need a New Glass-Steagall Act* (Oxford University Press, 2020), and co-editor of *The Panic of 2008: Causes, Consequences, and Implications for Reform* (Edward Elgar, 2010). He has published more than 40 law review articles and book chapters in the fields of financial regulation and American constitutional history. In 2005, the American College of Consumer Financial Services Lawyers awarded him its prize for the best law review article published in the field of consumer financial services law during the previous year.

Professor Wilmarth has testified before committees of the US Congress, the California legislature, and the DC Council on financial regulatory issues. In 2010, he was a consultant to the Financial Crisis Inquiry Commission, the body established by Congress to report on the causes of the financial crisis of 2007-09. During 2008-2009, he served as Chair of the Section on Financial Institutions and Consumer Financial Services of the Association of American Law Schools, after serving as the Section's Chair-Elect and Annual Program Chair during 2007-

2008. Professor Wilmarth is a member of the international advisory board of the Journal of Banking Regulation, published by Palgrave Macmillan Ltd. He is also a member of the advisory board of the American Antitrust Institute.¹

¹ <https://www.law.gwu.edu/arthur-e-wilmarth-jr>

Taming the Megabanks: Why We Need a New Glass-Steagall Act

This book demonstrates that universal banks—which accept deposits, make loans, and engage in securities activities—played central roles in precipitating the Great Depression of the early 1930s and the Great Recession of 2007–09.

Universal banks promoted a dangerous credit boom and a hazardous stock market bubble in the U.S. during the 1920s, which led to the Great Depression. Congress responded by passing the Glass-Steagall Act of 1933, which separated banks from the securities markets and prohibited nonbanks from accepting deposits. Glass-Steagall’s structural separation of the banking, securities, and insurance sectors prevented financial panics from spreading across the U.S. financial system for more than four decades.

Despite Glass-Steagall’s success, large U.S. banks pursued a twenty-year campaign to remove the statute’s prudential buffers. Regulators opened loopholes in Glass-Steagall during the 1980s and 1990s, and Congress repealed Glass-Steagall in 1999. The United Kingdom and the European Union adopted similar deregulatory measures, thereby allowing universal banks to dominate financial markets on both sides of the Atlantic.

In addition, large U.S. securities firms became “shadow banks” as regulators allowed them to issue short-term deposit substitutes to finance long-term loans and investments. Universal banks and shadow banks fueled a toxic subprime credit boom in the U.S., U.K., and Europe during the 2000s, which led to the Great Recession. Limited reforms after the Great Recession have not broken up universal banks and shadow banks, thereby leaving in place a financial system that is prone to excessive risk-taking and vulnerable to contagious panics. A new Glass-Steagall Act is urgently needed to restore a financial system that is less risky, more stable and resilient, and better able to serve the needs of our economy and society.²

All in all, this book:

- Provides a detailed and carefully documented case for enacting a new Glass-Steagall Act.
- A comprehensive and detailed analysis of the roles played by universal banks in the two worst financial catastrophes of the past century: The Great Depression of the early 1930s and the Global Financial Crisis of 2007-09.
- Outlines a clear strategy to make our financial system more stable and work better for ordinary consumers and Main Street businesses.³

² <https://oxford.universitypressscholarship.com/view/10.1093/oso/9780190260705.001.0001/oso-9780190260705>

³ <https://global.oup.com/academic/product/taming-the-megabanks-9780190260705?cc=hu&lang=en#>