

## Refocus the regulatory debate on essentials

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Nicholas Brady, a former US Treasury Secretary writing in the FT says:

*Banks are the one place where the ordinary citizen touches the financial system. That citizen wants to be certain that he or she is dealing with an institution that is safe and sound.*

*It was this logic that ensured a clear separation in the US Banking Act of 1933 between deposit-taking commercial banks and the speculative investment banking business. I am not suggesting that we reinstate [Glass-Steagall](#): underwriting activities are sufficiently refined so as to pose a much lower risk to the system than in Senator Glass's day.*

What I do suggest is a philosophy: do not allow the banking industry to create a combustible mix that will contaminate America's central banking system. We will bitterly regret it if we fail to divide deposit-based banks from the shadow banking system.

The Republicans, acting in the interests of the banks who fund them, won't do this. At cost to society at large.