

Trump is driving me to despair

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As The Guardian (and others) [report this morning](#):

The Federal Reserve is proposing to ease a rule aimed at defusing the kind of risk-taking on Wall Street that helped trigger the 2008 financial meltdown.

The Fed, under new leadership on Wednesday, unveiled proposed changes to the Volcker Rule, which bars banks' risky trading bets for their own profit with depositors' money. The high-risk activity is known as proprietary trading.

It should be added that they also note:

The proposed changes would match the strictest applications of the rule to banks that do the most trading — 18 banks with at least \$10bn in trading assets and liabilities. They account for 95% of all US bank trading and include some foreign banks with US operations, Fed officials said.

I take no comfort from this. What I do note, and what I am sure the Fed and Trump want the world to note is that the post 2008 rule is being relaxed.

We can dismiss this as just another example of Trump seeking to overturn anything Obama did to Naomi extent that would be a correct interpretation: the limitation on the relaxation suggests that the Fed is trying to limit Trump's desire in this regard. But on this occasion this is not the message the White House is sending out. They are saying this is instead all about removing red tape.

What we already know is that the world economy is in a perilous state.

There is a risk of a significant trade war.

Italy is tottering in all sorts of directions and what might fall there, and when, is anyone's guess.

Brexit has yet to really wreak its havoc on the world.

The oil price rise threatens instabilities.

And markets remain overvalued, about which fact governments are powerless to act because they have no tools to do so.

What is more, many of the reforms thought essential after 2008 have yet to have impact, not least in the UK.

And now Trump is seeking to unwind regulation that did have some beneficial effect in ring-fencing systemically important banks from risk.

And in this regard, the idea that only 95% of banks matter is just wrong. This assumes that banks carry all their own risk on their own balance sheets. If 2008 proved anything it was that this is not the case. Bank risk is systemic, and risk in one bank always creates risk in another and no bank can ring fence itself from this. This is, of course, why market liquidity collapsed in 2008: no one could appraise overall risk in the marketplace, and this is exactly what would happen again if the Volcker rule were to be relaxed.

I despair. There are days when even I find it hard to be optimistic: this might be one of them. It's as if he wants to create the next global financial crisis. But then, maybe he does. The wealthy did very well out of the last one.