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CLINTON VS. TRUMP

Where They Stand on Wall Street

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As Donald Trump and Hillary Clinton square off in the presidential election, one big dividing line is Wall Street. The Republican standard-bearer says he wants to rip up the landmark 2010 Dodd-Frank Act enacted in response to the financial crisis. His Democratic opponent says she wants to extend its reach. But the picture is more complex. Both candidates, during decades in public life, have embraced, and tangled with, the financial industry. Here's a look at how they compare on policies and predilections.

THE FUTURE OF DODD-FRANK

One result of the 2008 financial crisis was a big Democratic victory in elections that November, giving the party control of the White House and both houses of Congress. That empowered the party to shape the postcrisis regulatory regime, through Dodd-Frank. In the 2016 campaign, Democrats and Republicans are fighting over the impact and future of the law.

DONALD TRUMP

"We have to get rid of Dodd-Frank. The banks aren't loaning money to people that need it.... The regulators are running the banks."

—Oct 20, 2015, interview on Fox News

In one of the most consistent policy pronouncements of a campaign that has often shown unusual flexibility on issues, Mr. Trump has repeatedly said (http://www.cnbc.com/2016/05/05/cnbc-excerpts-donald-trump-republican-presidential-candidate-and-trump-organization-chairman-speaks-with-cnbcs-squawk-box-today.html) he would move to scale back or eliminate Dodd-Frank.

"I think absolutely, Dodd-Frank has to be either eliminated or changed greatly," said Mr. Trump in a May 5 CNBC interview.

He went on to blame the law for the country's anemic recovery from the financial crisis, saying: "The regulatory (http://www.breitbart.com/video/2016/05/05/trump-talks-economic-growth-regulations-in-plan-for-first-100-days/) climate is so bad that the banks just aren't loaning to businesses... And that's one of the reasons you have GDP there. It's one of the reasons we have no growth."

He envisions an economic proposal (http://www.wsj.com/articles/trump-says-he-will-release-policy-plan-to-dismantle-nearly-all-of-dodd-frank-1463523072) that "will be close to dismantling of Dodd-Frank," he told Reuters May 17. "Dodd-Frank is a very negative force, which has developed a very bad name," he said. However, his economic plan released Aug. 8

(http://www.wsj.com/articles/trump-pledges-tax-crackdown-on-hedge-fund-managers-1470693096) included no mention of Dodd-Frank, though a spokeswoman said he would address that at a later time.

The Republican Party's platform adopted at the July convention that nominated Mr. Trump also called for the repeal of the six-year-old law, as well as abolishing the Consumer Financial Protection Bureau created under Dodd-Frank.

As for punishing banks and bankers, Mr. Trump has also criticized executives—not for misbehavior, but for agreeing to settle crisis-related charges leveled by the government, rather than fighting them. He once called J.P. Morgan Chase & Co. Chief Executive James Dimon, "the worst banker in the United States" (http://www.bloomberg.com/view/articles/2013-10-23/donald-trump-thinks-jamie-dimon-is-a-wimp) for settling a civil lawsuit with the Justice Department for an estimated $13 billion in November 2013 tied to a number of investigations and lawsuits targeting soured mortgage bonds issued before the financial crisis. "I don't believe in settling cases," Mr. Trump told Bloomberg View in October 2013. "What happened to the days when you actually go to trial?" he said. "I'm from the old school." A J.P. Morgan spokesman declined to comment.

HILLARY CLINTON

"As president, I would not only veto any legislation that would weaken financial reform, but I would also fight for tough new rules, stronger enforcement and more accountability that go well beyond Dodd-Frank."

—Dec. 7, 2015, op-ed in New York Times

Mrs. Clinton has praised Dodd-Frank (http://www.nytimes.com/2015/12/07/opinion/hillary-clinton-how-id-rein-in-wall-street.html?_r=0), vowing in an op-ed to "veto any legislation that would weaken financial reform." A core plank of her platform is expanding the law to more lightly regulated corners of finance. "I want the law to extend to those that are part of the shadow banking industry—the big insurance companies, the hedge funds," she said during an April 14 Democratic debate.

Her detailed plan for increasing financial regulation includes levying a "risk fee" on the largest banks beyond higher capital requirements already imposed over the past six years, and tightening the "Volcker Rule" that bans banks from betting with deposits covered by taxpayer-funded insurance.

She wants to tax certain types of high-frequency trading, automated stock trading by computers that has been profitable but can amplify volatility. The former secretary of state has also gone after activist investors (http://blogs.wsj.com/moneybeat/2015/07/20/clinton-to-put-activist-investors-in-campaign-spotlight/), proposing to revamp capital-gains taxes that would hit some short-term investors with higher rates.

Mrs. Clinton has pledged to enforce rules aimed at curbing Wall Street pay. And she wants to extend the statute of limitations for prosecuting financial crimes and force individual bankers to pay a portion of fines levied on their institutions. “No bank is too big to fail, and no individual is too big to jail,” she said during the Jan. 17 Democratic debate in South Carolina.

The Democrats’ platform adopted at their July nominating convention pledged giving the Justice Department, the Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission “more resources to prosecute wrongdoing” and to extend the “statute of limitations for prosecuting major financial fraud.”

BREAKING UP BIG BANKS

The crisis made America’s megabanks political punching bags. But they maintained their size and, by some measures, have grown even bigger. One continuing debate revolves around whether the ultimate fix should go beyond regulation, to breaking up those institutions.

DONALD TRUMP

“Asked about calls to break up big banks, the candidate responded: “I disagree.””

—Oct 20, 2015, interview on Fox News

The idea of breaking up banks barely came up during the Republican nominating contest. In October 2015, Fox News posed this question to Mr. Trump: “Break up the big banks.... A lot of the people on the left want to break them up. What say you?”

His response (https://www.youtube.com/watch?v=Ee-tiYf0iyU): “I disagree, but I also think we need to get rid of Dodd-Frank.”

And yet, Mr. Trump’s campaign created confusion on just where he stands on the issue, when the Republican platform approved at the Cleveland convention in July included a line calling for reinstatement of the Depression-era Glass-Steagall law (http://www.wsj.com/articles/gop-platform-calls-for-revival-of-glass-steagall-1468876558), “which prohibits commercial banks from engaging in high-risk investment.” That would effectively force a break-up of the big Wall Street banks.

Trump campaign chairman Paul Manafort told reporters the line was inserted to draw a contrast with Mrs. Clinton who has avoided supporting the restoration of the 1933 law that was repealed during her husband's presidency, in the late 1990s. Mr. Trump himself hasn't mentioned restoring Glass-Steagall.

HILLARY CLINTON

"We now have power under the Dodd-Frank legislation to break up banks. And I've said I will use that power if they pose a systemic risk."

—Feb. 4, 2016 Democratic debate

Throughout the Democratic nominating contest, Mrs. Clinton was pressed by rival Bernie Sanders, a self-professed democratic socialist, as well as the left wing of her party, to support breaking up the biggest banks. She has resisted going that far, saying such prescriptions are too simple.

"I am not interested in just saying there is one answer to the too-big-to-fail problem…," she told (http://blogs.wsj.com/washwire/2015/07/23/hillary-clinton-rebuffs-liberals-push-to-break-up-banks/) reporters in mid-2015.

But in carefully calibrated statements, Mrs. Clinton has said she wouldn't hesitate to use existing laws to force financial institutions to shrink—if regulators deemed that step necessary. "You know, we now have power under the Dodd-Frank legislation to break up banks (http://www.realclearpolitics.com/video/2016/02/04/clinton_agrees_with_sanders_we_now_have_power_under frank_to_break_up_big_banks.html). And I've said I will use that power if they pose a systemic risk," she said in a February debate.

"Banks should not be able to gamble with taxpayers' deposits or pose an undue risk to Main Street," the Democratic platform said. (http://www.wsj.com/articles/democratic-platform-grew-more-liberal-on-financial-regulation-1469209399) The platform also endorsed an "updated and modernized version" of Glass-Steagall and breaking up too-big-to-fail banks that pose a risk to the American economy.

During the primary season, Mrs. Clinton stopped short of calling for reinstating the Depression-era law—a position Mr. Sanders had continuously endorsed.

BAILING OUT BIG BANKS

The 2008 government bank bailout was wildly unpopular at the time, and the lingering resentment helped fuel the conservative Tea Party movement and, ultimately, populist movements in both parties. But many political and business leaders backed the move.

DONALD TRUMP

"Whether they fund them or nationalize them, it doesn't matter, but you have to keep the banks going."

—April 15, 2009, CNN interview

The bailout debate emerged long before the real-estate mogul entered politics, or declared his Republican affiliation.

"Maybe it works, and maybe it doesn't, but certainly it is worth a shot," he told CNN in October 2008, days before Congress passed the package.

Asked in April 2009 on Larry King Live (http://www.cnn.com/TRANSCRIPTS/0904/15/lkl.01.html) his opinion of Barack Obama, Mr. Trump answered in part: "I'm not saying I agree with everything he's doing. I do agree with what they're doing with the banks. Whether they fund them or nationalize them, it doesn't matter, but you have to keep the banks going."

After the measure passed, Mr. Trump ran an ad (http://bit.ly/221Ou67) on Dec. 2, 2008, in the Arizona Republic newspaper offering a free 90-minute investor workshop through Trump University teaching how to "cash in on the greatest property liquidation in history," a reference to the bailout.

"Today's financial crisis and credit crunch has politicians and bankers scrambling for answers," according to Mr. Trump's ad. "They've got bailouts and rescue packages, but who's helping you? We'll help you by teaching you how to profit from the $700 billion bailout that has opened the door for unprecedented investment opportunities."

HILLARY CLINTON

"I think the banks of New York and our other financial institutions are probably the biggest winners in this, which is one of the reasons why in the end, despite my serious questions

about it, I supported it."

—Oct. 2, 2008, WNYC radio interview

Mrs. Clinton was serving as a senator from New York when Congress approved the $700 billion bailout in the final months of the Bush administration. She voted in favor. "I think that the banks of New York and our other financial institutions are probably the biggest winners (http://abcnews.go.com/Politics/hillary-clinton-cited-ny-banks-biggest-winners-wall/story?id=37629893) in this," she said in 2008, "which is one of the reasons why, at the end, despite my serious questions about it, I supported it."

WALL STREET TIES

A lasting legacy of the crisis has been the deep unpopularity of Wall Street, putting politicians with close ties to the financial industry in an awkward position.

DONALD TRUMP

"I know Wall Street. I know the people on Wall Street.... I'm not going to let Wall Street get away with murder. Wall Street has caused tremendous problems for us."

—Jan. 9, 2016 campaign speech in Ottumwa, Iowa

In more than four decades building a multibillion dollar global real-estate empire, Mr. Trump has had extensive dealings with the financial industry. It has been a complicated, often tense, relationship. After doing significant business with Mr. Trump in the 1980s and 1990s, Wall Street banks pulled back in part due to their frustration with his business practices.

While other financial firms have shunned Mr. Trump, Deutsche Bank AG has been a steadfast financial backer (http://www.wsj.com/articles/when-donald-trump-needs-a-loan-he-chooses-deutsche-bank-1458379806) of the Republican presidential candidate's business interests. Yet even that relationship has been rocky. He sued Deutsche Bank in November 2008 seeking an extension on a loan repayment tied to a troubled Chicago condominium hotel and project, claiming the financial crisis should trigger the kind of relief often invoked for wars or natural disasters. The court rejected the argument.

During a January campaign appearance in Iowa, Mr. Trump slammed the financial industry, saying: "I know Wall Street. (http://www.bloomberg.com/politics/articles/2016-01-09/-tax-wall-street-trump-pledges-after-stock-market-selloff) I know the people on Wall Street.... I'm not going to let Wall Street get away with murder. Wall Street has caused tremendous problems for us."

On the campaign trail, the New York billionaire has repeatedly blasted Mrs. Clinton for her finance industry ties. "Hillary will never reform Wall Street. She is owned by Wall Street!" Mr. Trump said in a July 28 tweet, following her speech accepting the Democratic nomination in Philadelphia.

In his January Iowa appearance, Mr. Trump also boasted about his campaign's independence from the financial sector, saying: "I don't care about the Wall Street guys... I'm not taking any of their money."

He did stick to that position through much of the Republican nominating contest, when he largely paid for his campaign out of his own funds. During the primary, Mr. Trump drew $43,856 in donations from Wall Street, (http://www.wsj.com/articles/donald-trump-steps-up-wall-street-fundraising-efforts-1466724320) of the $14 million he raised. Through mid-May, Mr. Trump was largely self-funding (http://www.wsj.com/articles/donald-trump-wont-self-fund-general-election-campaign-1462399502) his campaign.

And yet, since sealing his nomination, Mr. Trump has turned to a bevy of big-name financiers to help fund his run.

Prominent financiers who say they are backing Mr. Trump include billionaire investor Ken Langone, hedge-fund founder Anthony Scaramucci, and activist investor Carl Icahn. Mr. Trump attended a fundraiser in June at Manhattan's Le Cirque restaurant co-hosted by hedge-fund billionaire John Paulson and Mr. Scaramucci, among others.

The presumptive nominee has named as his national finance chairman Steven Mnuchin (http://blogs.wsj.com/washwire/2016/05/05/donald-trumps-new-finance-chairman-was-big-donor-to-hillary-clinton/), a former Goldman Sachs employee who now serves as CEO of hedge fund Dune Capital Management. Mr. Mnuchin is also one of several financial heavyweights (http://www.wsj.com/articles/the-big-name-financiers-advising-trump-on-economic-policy-1470444998) named to Mr. Trump's economic advisory council unveiled Aug. 5. Other big names (http://www.wsj.com/articles/what-links-donald-trumps-economy-team-1470867987) included Mr. Paulson and Stephen Feinberg, co-founder and chief executive of private-equity giant Cerberus Capital Management LP.

Five of Mr. Trump's economic advisers are among his biggest donors, contributing a total of $1.7 million in recent months to his campaign's fundraising efforts.

Howard Lorber, who heads a real-estate brokerage, is expected to join Mr. Scaramucci in holding a fundraising event in East Hampton, N.Y., on Aug. 13, while Lewis Eisenberg—co-founder and head of private-equity firm, Granite

Capital International Group L.P.—held a fundraiser with Reince Preibus, chairman of the Republican National Committee, and Mr. Mnuchin on Aug. 4.

Over the summer, Wall Street has emerged as a top source of cash for the Trump campaign, donating at least $10 million in June to his joint fund with the Republican National Committee, though that figure still lags behind the amount raised by Mrs. Clinton.

HILLARY CLINTON

"Wall Street can never be allowed to once again threaten Main Street, and I will fight to rein in Wall Street."

—Feb. 9, 2016, concession speech in New Hampshire

Few Democrats have longer, stronger ties to Wall Street than Mrs. Clinton—bonds developed during the presidency of her husband, who made a point of making the Democratic Party more finance friendly, and that strengthened during her eight years as senator from New York.

After she ended her stint as President Obama's secretary of state, she regularly gave highly paid speeches (http://www.wsj.com/articles/hillary-clintons-wall-street-talks-were-highly-paid-friendly-1455239512) to big banks and brokerages totaling $4.1 million in fees.

On the campaign trail, Mrs. Clinton was criticized heavily by Mr. Sanders for, in particular, receiving $225,000 apiece for a trio of speeches (http://www.wsj.com/articles/financial-sector-gives-hillary-clinton-a-boost-1462750725) to Goldman Sachs Group Inc. Financial industry donations account for $5.8 million of the $260 million her campaign has raised through June, according to the nonpartisan Center for Responsive Politics. Her super PAC drew about $36 million from Wall Street donors, about a third of its total fundraising.

Among her big-name financial backers: investor George Soros and hedge-fund veteran Donald Sussman, who have each given millions of dollars to pro-Clinton super PACs. Blackstone Group LP President and COO Hamilton "Tony" James held a fundraiser at his Manhattan home for her in December, attended, among others, by billionaire Warren Buffett (http://blogs.wsj.com/washwire/2015/12/10/warren-buffett-goes-to-bat-for-hillary-clinton-on-wall-street/). Mr. James also held a separate reception (http://www.wsj.com/articles/wall-street-pulls-back-from-political-conventions-1469664517) for her on July 28 at the Democratic convention. Mr. Buffett, the Berkshire Hathaway chairman and chief executive, joined Mrs. Clinton (http://www.wsj.com/articles/warren-buffett-takes-on-donald-trump-at-hillary-clinton-rally-in-nebraska-1470099626) on the campaign trail in August.

Saban Capital Group Inc., a private investment firm based in Los Angeles; HBJ Investments, a New York investment firm; and Avenue Ventures LLC, which operates a capital fund, are among the biggest bundlers (http://www.wsj.com/articles/hillary-clinton-gets-over-6-million-from-wall-street-bundlers-1469746436) to the Clinton campaign.

Mrs. Clinton's chief adviser on financial issues is Gary Gensler, a former partner at Goldman Sachs—though he developed a frosty relationship with the industry during his postcrisis stint running the CFTC, where he was seen as an aggressive regulator frequently fighting Wall Street.

Her close personal and financial ties haven't stopped her from regularly blasting Wall Street during the campaign. She has attacked activist investors, and investor "short-termism." In a July 2015 speech at New York University's Stern School of Business, Mrs. Clinton said "quarterly capitalism as developed over recent decades is neither legally required nor economically sound. It's bad for business, bad for wages and bad for our economy."

One emerging question is whether she would continue the practice, common during the past two Democratic administrations, of leaning heavily on Wall Street veterans to shape financial and economic policy. A revolt has erupted inside the Democratic Party over such appointments, an insurrection that has succeeded in blocking multiple Obama nominees.

Mrs. Clinton has signed on to some of the liberal agenda (http://www.wsj.com/articles/democratic-debate-spotlights-wall-street-washington-ties-1457650411) to stop the Washington-Wall Street revolving door, endorsing a bill that would ban the practice of financial firms giving executives big bonuses as they leave to take a government position—compensation that, critics say, essentially keeps them on the firm's payroll while they're making policy. But she has stopped short (http://www.wsj.com/articles/hillary-clinton-stops-short-of-ruling-out-wall-street-aides-1457590413) of pledging never to tap somebody from the financial industry for her administration, saying she was "not ruling in, not ruling out" such an appointment. "I will always look for the best people when and if that opportunity arises, and I think there's a lot of people around the country, not just in one place in our country, with the kind of experience that would be useful," she said in a June 8 interview with The Wall Street Journal (http://www.wsj.com/articles/hillary-clinton-plans-to-hit-donald-trump-on-economics-1465421529).

TAXING HEDGE FUND MANAGERS AND OTHER FINANCIERS

In the years-long running debate over Wall Street compensation, one ongoing controversy has been the common practice of some asset managers taking their pay in the form of "carried interest," or a share of the partnership's profits, rather than as a salary or year-end bonus. That means their long-term income is taxed as capital gains, which faces a top rate of 23.8%, well below the top income tax rate of 39.6%—prompting critics to accuse those financiers of tax avoidance.

DONALD TRUMP

"The hedge fund guys are getting away with murder... They're paying nothing, and it's ridiculous."

—Aug. 23, 2015, interview on CBS's Face the Nation

Mr. Trump has taken shots at hedge-fund managers, arguing that "the hedge fund guys are getting away with murder" on their taxes. "They're paying nothing, and it's ridiculous," Mr. Trump said in an Aug. 23, 2015, interview on CBS's Face the Nation.

Mr. Trump says he would tax carried interest as ordinary income or business income, not as capital gains. In his first major economic policy address, (http://www.wsj.com/articles/trump-pledges-tax-crackdown-on-hedge-fund-managers-1470693096) in Detroit on Aug. 8, he declared: "we will eliminate the carried interest deduction and other special interest loopholes that have been so good for Wall Street investors, and people like me, but unfair to American workers."

But under Mr. Trump's current proposed tax plan, it's unclear if hedge-fund managers would end up paying more taxes, since he also wants to narrow the gap between capital gains and income taxes, slashing the top rate to 25%. They might even end up paying less in taxes if they categorize their earnings as "business income," which he says he would tax at 15%.

HILLARY CLINTON

"There's something wrong when hedge fund managers pay less in taxes than nurses or the truckers I saw on I-80."

—April 14, 2015, speech in Kirkwood, Iowa

She proposes (http://www.bloomberg.com/politics/articles/2015-04-14/hillary-clinton-comes-out-swinging-at-ceos-and-hedge-fund-managers) taxing "carried interest" as ordinary income. "There's something wrong when hedge fund managers pay less in taxes than nurses or the truckers I saw on I-80," she said at the start of her presidential campaign in Iowa on April 14, 2015.

FEDERAL RESERVE GOVERNANCE, INDEPENDENCE

Postcrisis politics hasn't just tarnished the big banks. It's also tarnished the Federal Reserve. There have been calls, from both left and right for a big shakeup of America's central bank, for policies that critics say may have fueled the crisis as well as the radical actions taken to quell it.

DONALD TRUMP

"It is so important to audit The Federal Reserve."

—Feb. 22, 2016, tweet

Mr. Trump said he would "most likely" replace Fed Chairwoman Janet Yellen (http://www.wsj.com/articles/donald-trump-says-he-would-replace-janet-yellen-supports-low-interest-rates-1462465158). "She is not a Republican," he said in a May 5 interview with CNBC. "When her time is up, I would most likely replace her because of the fact that I think it would be appropriate."

He seemed to soften his tone in his May 17 Reuters interview, saying he is "not an enemy" of current Fed chairwoman. "I'm not a person that thinks Janet Yellen is doing a bad job," he added.

Mr. Trump has signaled support for a congressional Republican push to impose tighter oversight of the Fed, notably for the "audit the Fed" bill authored by former Republican presidential candidate Sen. Rand Paul of Kentucky that would open up the central bank's policy-making to greater congressional scrutiny.

In February, Mr. Trump chastised another GOP opponent, Sen. Ted Cruz of Texas, for missing a January vote on Mr. Paul's bill, which was defeated. "It is so important to audit The Federal Reserve, and yet Ted Cruz missed the vote on the bill that would allow this to be done," Mr. Trump posted on Twitter.

HILLARY CLINTON

"Common sense reforms — like getting bankers off the boards of regional Federal Reserve banks — are long overdue."

—May 12, 2016, campaign statement

As a recent addition to her campaign platform, Mrs. Clinton called for the Fed to increase the racial and gender diversity of its leadership, and ban private bankers from the boards of the 12 regional Fed banks.

In a statement she said: “the Fed needs to be more representative of America as a whole,” adding that “common sense reforms—like getting bankers off the boards of regional Federal Reserve banks—are long overdue.” The campaign weighed in on the issue after a letter signed by a large group of Democrats—11 senators and 116 members of the House of Representatives—was sent to the Fed, arguing that the board doesn’t adequately reflect the nation’s demographics (http://www.wsj.com/articles/democratic-legislators-criticize-fed-over-leadership-diversity-1463068801).

Mrs. Clinton hasn’t addressed the question of whether she would reappoint, or replace, Ms. Yellen when her current term ends in February 2018.