



Is the Choice Act the Answer to Tackle Dodd-Frank?

May 3, 2017

President Donald Trump tossed around the idea of breaking up big banks during his time on the campaign trail, but has since given the notion more thought.

“There’s some people that want to go back to the old system, right? So we’re going to look at that,” Trump said during an interview with Bloomberg News.

But John Allison, former Cato Institute President & CEO has a solution for the competitive advantage given to a handful of large institutions, which he said was ironically created by the “Too Big To Fail” doctrine that was supposed to be eliminated by Dodd-Frank.

“The cure is the Choice Act, which has been proposed and Congress which would allow properly capitalized institutions to get out of Dodd-Frank,” said Allison. “What that would do is put pressure on the large banks because they aren’t properly capitalized to actually shrink and getting out of a lot of businesses that don’t make economic sense. And, that’s the rational way to bring down the power of those very large institutions.”

Former Goldman Sachs Partner Peter Kiernan agrees that “tinkering with Dodd-Frank is a great idea,” although he argues that right now might not be the best time to do so.

“I’m not sure we’re terrible broken right now, and I think that’s the last time you want to try and fix things, is when you’re not very broken,” Kiernan said.

Dodd-Frank has been detrimental to community banks because of the regulatory costs, “so, if you care about small business lending, which has been creamed in the U.S., then you should be very unhappy with Dodd-Frank,” said Allison.