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THURSDAY, SEPTEMBER 17, 2009

Don't Blame Competition between Regulators

by Mark A. Calabria

Treasury Secretary Tim Geithner and congressional Democrats are calling for an end to competition between bank regulators, claiming that it contributed to the crisis. This claim, however, has almost no evidence to support it and much to the contrary. Washington needs to stop wasting valuable time on peeves unrelated to the crisis and focus on fixing the underlying flaws in the regulatory system.

The narrative in Washington is that competition among financial regulators allowed financial institutions to choose the weakest regulator, and also encouraged regulators to weaken their supervision and enforcement in order to attract more entities toward their charter. This drives the call by Democrat congressional leaders and the Obama administration for the elimination of both the Office of Thrift Supervision (OTS) and the Office of the Comptroller of the Currency (OCC), and their merger into a single "super" bank regulator.

But is this narrative more than mere assertion? Fannie Mae and Freddie Mac could not choose their regulator, nor could Bear Stearns or Lehman Brothers. The worst-performing U.S. institutions at the very center of the crisis had no choice in their regulator.

> **Creating a single bank regulator, under the supervision of the Treasury secretary, would deprive Congress and the public of much needed diversity in views on bank regulation.**

And of course, this was not simply a U.S. crisis. Northern Rock had no ability to choose its regulator. The U.K., like much of

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