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opinion

Carroll: Obama spars with invisible foes

By Vincent Carroll

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"There are those who would suggest that we must choose between markets unfettered by even the most modest of regulations and markets weighed down by onerous regulations that suppress the spirit of enterprise and innovation."

— President Barack Obama, speaking to Wall Street Monday

Knowing the president's unrivaled commitment to honest debate and his scorn for those who misrepresent others' views, I was puzzled at first upon hearing those words.

Were those resisting Obama-style regulation of Wall Street really advocating "markets unfettered by even the most modest of regulations"? I hadn't noticed this reactionary agenda, but the president surely would not lie about it — not after making such a big deal about truth-telling in his recent health-care address.

So I set out to locate these laissez- faire extremists.

Perhaps they were hunkered down at the Republican National Committee. No, spokeswoman Kirsten Kukowski assured me, no one at her outfit fit that description. Meanwhile, she noted, Republican leaders in Congress support "common sense regulatory reform" complete with . . . well, regulations.

"The president is creating a straw man," she suggested, but I knew that couldn't be true. Maybe the doctrinaire radicals he described were lodged elsewhere in the GOP power structure. Alas, the chairman of Colorado Republicans, Dick Wadhams, was equally emphatic regarding the need for regulation. "This just proves that if you don't have his worldview of a totally regulated economy, he considers you some sort of anarchist," Wadhams said.

A cheap shot, obviously, and so the quest continued. Maybe Obama had free-market think tanks in mind. So what about it, David John of the Heritage Foundation? "We've had banking regulation since 1863," John replied. "No one I know is proposing going back to 1862." Heritage's finance expert even proposes creating a "council of consumer financial regulators" to deal with "the challenges posed by complex new financial products."

Next up: Jon Caldara of the Independence Institute. "There need to be regulations in the

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marketplace," Caldara disappointingly said. "Government needs to be the referee."

Surely a libertarian outfit like the Cato Institute salivates at the thought of a regulation-free financial industry. "It's a false dichotomy," retorted its financial services expert, Mark Calabria. "Is Obama talking about the same financial services industry that everyone else is? You'd have to go to the nuclear power industry to find a business more regulated than financial services."

Then, suddenly, a sign of hope.

"I would certainly choose an unfettered free market over what we have now," Calabria admitted.

Now we're getting somewhere. Still, Calabria sounded more like a realist than an absolutist, so I dialed up Doug French, president of the Ludwig von Mises Institute in Auburn, Ala.

"Would you prefer markets unfettered by even the most modest of regulations?" I asked.

"Yes," he replied.

At last.

"I'm not sure anyone in this country knows what unfettered capitalism looks like," French added, but — and I think he may have been joking — "let's give anarchy a chance."

So Obama didn't fib about the existence of laissez-faire purists. You can find one in Alabama. Still, the president might be more credible if he'd stop portraying mainstream opponents as part of the fringe while refusing to acknowledge the scope of government's role in the market debacle. As Calabria reminded me, nowhere in the president's speech did he utter the phrase "housing bubble." Nowhere do his reform proposals make a serious effort to transform incentives embedded in federal housing policy — from absurdly high FHA loan guarantees and subsidized interest rates to a host of other debt-rewarding policies — that encouraged so many consumers to get in over their heads in the first place.

Instead, the president expects us to believe that regulators with enhanced authority will short-circuit a bubble next time around.

"The public loves a bubble when it's going on," Calabria warns.

So do politicians.

Super regulators aren't likely to avert big bailouts. They are far more likely to institutionalize them.

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