

Rortybomb

15 years of Cato Financial Deregulation

Posted in [Uncategorized](#) by [Mike](#) on August 30, 2010

Well this is fascinating. Looking at the [Cato Handbook for Policymakers](#), which has 7 editions online starting from 1995, the chapters on financial regulation is a fascinating walk down memory lane. They aren't in every edition, but they are in most. A few fun facts:

- In their 2001 and 2003 edition the financial regulation chapter is called "Financial Deregulation", as in how to do it and keep it going; they changed the title in their 2009 edition to "Monetary Policy and Financial Regulation" because I imagine calling for more financial deregulation looks odd in the public sphere with a massive financial crisis that has devastated so many balance sheets and lives. Heh.

- The 1990s ones are the most interesting. You can see the arguments for deregulation the financial sector up close and personal. The arguments that cultivated in Gramm-Leach-Bliley, the bill whose sole purpose was to give you the eventual undead zombie monstrosity known as Citigroup (all of the non-insurance related regulations were gone by that point, but Traveler's needed legal cover because of the insurance branch) are there being developed in real-time.

- It's worth noting that the 2001, 2003 and 2009 chapters are almost identical in their specific calls for repealing the CRA, privatizing the GSEs and curtailing monetary policy. 2001 wants Gramm-Leach-Bliley Act extended and 2003 wants a bankruptcy bill, which has happened. But, with one exception we'll cover in a second, there are no new ideas on financial market regulation as a result of the financial crisis. None. Which makes the title switch noted above funnier, since no content has changed.

You would have no idea that we've just experienced the most major financial crisis since the Great Depression by reading their high-level policy suggestions. How cool is that?

- The only change is that in 2009 they aren't calling for abolishing FDIC insurance. In every other year they cover financial regulation they call for repealing the Banking Act, one of the cornerstones of the New Deal's 100 days that gives us FDIC, or alternatively reducing the FDIC coverage to just \$1,000. In every other year they are quite passionate about abolishing the well-functioning and highly popular social insurance plan. (Elizabeth Warren had a great line at Netroots Nation. She mentioned that her grandfather told her than FDR made it safe to put money in banks, and he did a bunch of other things too.) Not reforming it, not changing it, not, say, introducing a haircut mechanism or whatever market-friendly neoliberal solutions you could think of doing if this bothered you. Abolishing it.

They do that every year except their latest version. I wonder why they've backed off that all of a sudden? Did the financial crisis show a lack of panic in the commercial banking system, and they suddenly support FDIC insurance? Or are they biting their tongues and sitting it out for a half decade or so before calling for it to be dismantled again?

If it's the second, that's a bit sad to let a financial crisis get in their way of dismantling one of the few popular and widely successful New Deal social insurance mechanisms in the United States. In fact, I'm wondering if they even really mean it; it's a bit chicken to let a silly old financial market collapse undermine the call for eradicating the New Deal. I'm tempted to start clapping my hands, kicking out my legs and going [cockakaw cockakaw kaw!](#)

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Petey said, on August 30, 2010 at 3:52 pm

"You would have no idea that we've just experienced the most major financial crisis since the Great Depression by reading their high-level policy suggestions. How cool is that?"

Why would they change now? The current era has brought about more freedom for many folks. And Cato is all about freedom.

After all, freedom's just another word for nothing left to lose...

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Matthew Yglesias » [Financial Regulation Flashback](#) said, on August 31, 2010 at 6:15 am

[...] Konczal takes a look at the trajectory of the Cato Handbook for Policymakers over the past 15 years and finds that [...]

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[August 2009](#)

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						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					
« Jul						