« What People Are Saying about Asheville Transit

This Dopey Injustice Has Got to Stop

Posted May 22nd, 2010 at 7:39 PM by Leslee Kulba

It was later than expected, but it is good to take as much time as is needed to get something right. Maybe they were reading the bill.

Anway, the Cato Institute has published three short articles on the financial reform bill. They should confirm what you expected but didn't find in the press.

Mark A. Calabria argues the new bill "doubles down" on the problems that caused the last crisis without correcting even the hugest reasons government chose to elect itself members of the board of some institutions, force loans with interest on corporations that had no use for them, and, of course, regulate, regulate, regulate. As Calabria explains, it moves the self-same bureaucrats that allowed the meltdown to occur on their watch to a new box on the organizational chart with no new measures for accountability. It grants special privileges to the largest of financial institutions while claiming to eliminate the concept of "too big to fail." It does nothing to prevent banks from borrowing forty times their assets, as Lehman Brothers was doing before it collapsed. To answer to the people, it calls for 28 studies.

> Indeed, the real theme of the Dodd bill is: Give the bureaucrats more power and discretion, without any accountability. Its main achievement is to set up a new agency that will largely determine who, what and how it will regulate.

In a second article, Calabria lists a few "carve outs" in the bill. Instead of correcting wrongs and preventing future mishaps, it imposes unnecessary encumbrances on innocent bystanders and exempts the perpetrators because they have large lobbyists or are arms of government themselves.

Alan Reynolds spoke more specifically about accountability. He observed the TARP fund is still intact, and the FDIC still insures bank clients. For what, then, did the government allocate $50 billion?

> Who stands to collect that extra $50 billion if not the big foreign and domestic institutions that might make big bad loans to big bad failures?

Reynolds called the TARP fund a "fraudulent executive branch slush fund [that] never contributed a dime toward relief from troubled assets." He continued, quoting the president as saying taxpayers' sacrifices had to be allocated to save the economy. Now that a lot of the money has been repaid, big banks have to pay a fee to help the government recover the remainder. The bailout program, says Reynolds, is at risk not due to large banks, but because of small banks and large auto companies. These are exempt from the fee.

There were about three large financial institutions that were failing. One, WAMU, did fail, as did eight mid-sized banks. The remaining 216 were small. Citigroup took three bailouts illustrating the efficacy of the program. Citi is the only large bank that hasn't paid back its bailout. The others were forced to take money they neither wanted nor needed and pay it back so the federal government could collect interest.

Stop it, you! Barbie doesn't like math. Can't you see you're upsetting her?

It has been argued that monopolies cannot grow without government assistance. Just as the federal government has a reputation for creating dictators in foreign nations that come back to terrorize the hand that fed them; Reynolds pointed out that special deals were wrought during the last two years to build crony banks into the perfect beasts. Now, they must pay penalties, downsize, and make more loans. According to the state of the union address, the president wants Wall Street to reinvent itself and lower its risks by investing in small businesses.

> The hasty illogic of it all should also make us prudently leery about the unexpected consequences of granting dangerous discretionary authority to SEC and Federal Reserve regulators simply because they failed so miserably once again (as with Enron).

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