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xxxxEditorial: Economy dealt another blow

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America's jobless recovery was dealt another body slam Thursday when the Senate passed the financial "reform" bill. Also passed by the House last month, the bill is touted as a way to prevent another 2008-style financial meltdown. Sen. Christopher Dodd, D-Conn., chairman of the Senate Banking Committee and the main crafter of the bill, promised, "This is a major undertaking, one that is historic in its proportions, that is an attempt to set in place the structure that will allow us to minimize problems in the future."

The president was expected to sign the bill.

In fact, the bill, which, at 2,300 pages, will only be understood as it worms its way into the economy, is bad news for business and consumers. As economist Thomas Sowell put it in a column Wednesday in the Register, the Obama administration's continuous assaults on businesses – from the 2,400-page Obamacare health care bill, to record deficit spending, to bank bailouts, to this new financial regulation bill – have brought great uncertainty. No one knows what hammer blow will come next.

On the positive side, the bill includes the Volcker Rule, named after former Federal Reserve Chairman Paul Volcker, which in Wikipedia's definition restricts "banks from making certain kinds of speculative investments if they are not on behalf of their customers." That could help prevent some of the excessive speculation that wreaked havoc during the past decade.

And it mandates disclosure of some lending by the Fed, such as emergency lending – but only after a year. Unfortunately, this is an anorexic version of the bill to audit the Fed that was introduced by Rep. Ron Paul, R-Texas.

In the "not as bad as it could have been" category, federal banking supervisors are directed to develop tighter capital requirements for banks.

Some of the worst elements in the new bill:

•Economic uncertainty will continue and unintended consequences will pile up as bank and securities regulators start to write and adopt 243 rules ordered by the legislation. Some of the rules will take years to implement.

•It retains the snooping provisions we decried in a May 10 editorial. This will allow not just federal snoops to look at your financial records. But even outside snoops, such as private investigators or hackers, could identify you from patterns of homeownership and credit card spending.

• Save for online version:The bill sets up more than 20 "offices of minority and women inclusion" at the Department of the Treasury, reported The Washington Times. This is supposed to advance lending to women and minorities. But there's a problem. Although the recent housing bust and spate of foreclosures would have happened, no matter what, it was made worse by previous outreach efforts to women and minorities, Mark Calabria told us; he's the director of financial regulation studies at the Cato Institute and formerly was a member of the senior professional staff of the U.S. Senate Committee on Banking, Housing and Urban Affairs.

•The heart of the mortgage meltdown crisis, the Fannie Mae and Freddie Mac quasiprivate lending institutions taken over by the Treasury Department in September 2008, hardly even was dealt with in the bill, said Mark Calabria at the Cato Institute, formerly a member of the senior professional staff of the Senate Committee on Banking, Housing and Urban Affairs.

•The bill does not make the credit markets more certain for small businesses, Mr. Calabria said. Given that small businesses are the heart of new jobs creation, the outlook for reduced unemployment remains dim.