Financial regs bill ignores root problems

Russ Jones - OneNewsNow - 7/16/2010 8:50:00

The Senate has passed the financial reform bill -- legislation whose content is expected to bring landmark changes to the financial industry.

In a statement following Thursday's 60-39 vote on the bill, President Barack Obama stated that "from now on, every American will be empowered with the clear and concise information you need to make financial decisions that are best for you." The measure is expected to be signed into law by the president by the middle of next week. (More details)

Supporters of the massive 2,200-page bill say it will bring safeguards to consumers which led to the nation's current financial crisis. But critics are reluctant to believe what President Obama and those supporters say about the Chris Dodd/Barney Frank-sponsored measure. Mark Calabria, director of financial regulation studies at The CATO Institute, says the bill is worse than no changes at all.

"The problem with the bill is probably what it leaves out," he states bluntly. "The actual causes of the crisis -- whether it was very loose monetary policies including the housing bubble; whether it was Freddie [Mac] and Fannie [Mae]; whether it was the tax-code preferences for debt that led to excessive leverage -- all of these things that really were significant contributors to the crisis aren't even touched in the bill."

"Until Washington takes a long, deep look at its own role in causing the financial crisis," he states on Cato's website, "we will have little hope for avoiding another one...At least we'll know what to call it: the Dodd-Frank Crash."

The historic changes are the greatest of their kind since the Great Depression. Calabria says the bill does not tackle serious financial challenges, but hides left-leaning political projects.

"So I think the greatest tragedy here, in my opinion, is it's really a lost opportunity," says the Cato Institute spokesman. "We have punted the issue of fixing our financial system down the road in lieu of just going after a few things that have been long desired wish-lists rather than actually fixing things that have to do with the financial crisis."

Wall Street Journal columnist Kimberley Strassel concurs, stating that the bill does nothing to address the root causes of the crisis -- but is, in fact, merely an "ideological" victory for the White House and liberals in Congress that allows them "another opportunity to vastly expand government control over the economy and move closer to the European system."

Among other things, critics also say the bill gives the government new powers to break up fragile companies, which if allowed failing would supposedly threaten the economy. It also creates a new agency to guard consumers in their financial transactions.