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Dodd's jobs-killer

Slapping Main St., not Wall St.

By MARK A. CALABRIA

Last Updated: 1:08 AM, April 20, 2010

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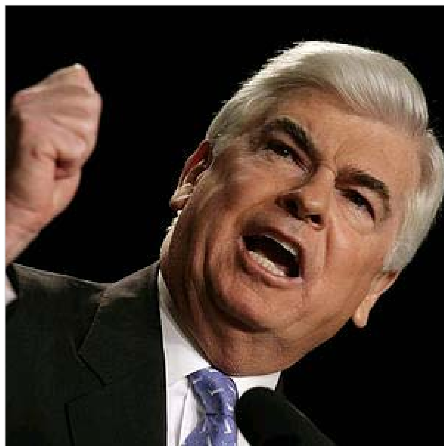
The financial-regulatory bill now before **Congress** is a fraud: Under cover of "reforming" Wall Street, it would inflict tremendous costs on Main Street.

All the fresh publicity about alleged dirty doings by Goldman Sachs, etc., is beside the point: **Senate** Banking Committee Chairman **Christopher Dodd** (D-Conn.) has produced a bill that skips over the real issues to focus on a Democratic bugaboo -- supposedly abusive lending.

Thus, Dodd's bill fails to end bailouts, as many have noted. Instead, it adds new restrictions on credit -- which are likely to cost our economy tens of thousands of jobs a year.



Dodd: His bill would make it harder for everyone to get credit. UPI

Dodd says his new consumer-protection provisions are designed to prevent abusive lending -- but he's got a record of missing his target on this issue. His credit-card bill, signed into law last year, has both reduced the availability of credit *and* increased its cost.

Reductions in credit directly result in declines in job creation. We know, for instance, that the two most common sources of funds for starting businesses are home-equity and credit-card debt. The bursting of the housing bubble largely eliminated the first option; now Washington is trying its best to kill the second.

Dodd's proposed "consumer protections" would reach beyond credit cards and restrict the availability of all forms of credit, while raising costs.

The bill would expand the depth and scope of federal financial regulation, raising both regulatory and litigation costs that are ultimately passed on to the consumer. Dodd gives his proposed bureau almost unlimited authority to decide which products and services it can regulate.

The increased cost of offering products to higher-risk borrowers would likely result in many of those products being eliminated from the marketplace, reducing credit for the very individuals who need it the most.

George Mason University Professor Joshua Wright estimates that the Dodd bill's credit restrictions would reduce job creation by 4.3 percent -- about 60,000 fewer jobs every year.

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or even shut down that investment market.

An "angel investor" is a wealthy individual or small group that provides start-up capital for business ventures. The Dodd bill would require start-ups to file with the SEC before seeking "angel investments" and delay those investments while the SEC reviews the filing. The added legal and filing fees could raise the cost of starting a business by tens of thousands of dollars. It could also add another half-million jobs to the body count.

The impact of reduced job creation won't only show up in employment numbers, but would also result in less economic opportunity and greater income inequality. **Brown University** professor Ross Levine and others have demonstrated that the spread of financial innovation increases job creation and over time boosts income parity. More competition in financial services has also been shown to reduce racial discrimination and lower consumer prices. Dodd's bill would roll back many of these gains.

The economic consequences of the Dodd bill are a direct result of an ideology that replaces a respect for the free choices of individuals with a Washington-knows-best attitude.

Most of what passes for "consumer protection" in the bill is nothing more than an attempt to eliminate consumer products that the left hates.

Yet payday loans, check cashiers and title loans are already subject to oversight by the Federal Trade Commission. Anyway, none of them had anything to do with the financial crisis.

The Dodd bill would push the government into the business of dictating the terms at which consumers and businesses can contract. This has nothing to do with protecting consumers and everything to do with replacing consumer preferences with bureaucrats' choices.

It's all fair and fine to debate whether Wall Street has grown too big or if its contribution to society is positive. But that has nothing to do with the Dodd bill, which leaves Wall Street almost untouched. It doesn't even put its new consumer bureau in charge of overseeing Wall Street -- that job stays with the failed Securities and Exchange Commission.

If the Dodd bill were to eliminate future financial crises and related bailouts, perhaps its high cost would be worth paying. But it instead ignores the causes of the crisis, in favor of an agenda that rewards the very regulators that failed us the last time.

It's a win for special interests, and a loss for job creation.

Mark A. Calabria is director of financial-regulation studies at the Cato Institute.

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The ones bringing us to the brink of disaster is our current administration. Barry's incompetence is staggering. The public has woken up to that fact, and now the media and liberal talking heads are chatting up how the Tea Party is racist and extremist. Not working anymore - the jig is up. The day of reckoning begins in November.

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Congress is the problem, they have put ex GS big shots into high places in the White House,treasuary & it nevers stops. Clintin put in Rubin,Bush had Paulson,Obama has really stacked the deck, with Giethner who worked for Rubin,Summers who put Harvard into a mountain of debt. Dodd got so many perks from bankers to keep the lending to the poor &

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