The Daily Dish

A Public Credit Reporting Agency

DOUGLAS HOLTZ-EAKIN | JULY 1, 2021

Eakinomics: A Public Credit Reporting Agency

It is easy to be dismissive of campaign policy proposals. They often appear to be disposable, flimsy items that are adopted and disposed of with equal alacrity. But campaign proposals do follow candidates, and they become the *de facto* platform of the winner.

This is not always a good thing.

The Biden presidential campaign endorsed a plan to eliminate the private credit reporting industry and replace it with a new government agency to provide the same service. AAF's Thomas Wade took note of the proposal and reviewed it earlier this year. He concluded, "Proponents of a public credit reporting agency rely on a single fundamental assumption: that government is better placed than industry to provide competitive services with strong oversight in the most efficient manner to the maximum number of people. Never has this been shown to be the case."

Presumably this logic should have been a stake in the heart of the idea. Wrong again. On Tuesday, the House Committee on Financial Services held a hearing entitled "A Biased, Broken System: Examining Proposals to Overhaul Credit Reporting to Achieve Equity." This hearing featured legislation that would overhaul the system and create a public credit reporting agency, which would be housed within the Consumer Financial Protection Bureau.

Advocates repeatedly emphasized errors that have occurred with credit reports and the supposed superiority of a government-led effort. Indeed, at one point a public credit registry became "infrastructure." Amy Traub of Demos argued, "The many problems we're discussing today all stem from the fact that credit reporting is part of our public infrastructure that's under a private stranglehold by three companies. My written testimony describes why a public credit registry is needed to serve the public interest and how it will develop algorithms that diminish the impact of past discrimination, deliver transparent

credit scoring, improve accuracy and offer a publicly accountable way to address disputes."

Not everyone was buying this line. "I heard numerous of the witnesses today talk about all the errors that are made by the private-sector credit bureaus, and I'm not defending them — they're not perfect, they're human, they make errors," said Representative Blaine Luetkemeyer (a Republican). "But if you believe the government is going to make less errors than the private sector, who has to be responsible for being able to have good information out and can be sued for it…you're either naive or misinformed, or worse." An even harsher criticism came from Democratic Representative Brad Sherman: "We see the communist government of China creating a social credit score based on politics," Sherman said. "As much as I fear and am concerned about what the credit rating agencies can do to consumers, I'm even more concerned about what the government can do. I'm also concerned about any bill that would take a system where the banks pay and instead provide the service for free or the cost of taxpayers."

The public credit registry was a seeming throwaway proposal from the Biden campaign. It has morphed into a dangerous distraction for Congress that would nationalize an entire industry on the basis of exactly zero evidence. That is the power of campaign proposals.