



Insight

A Progressive Bidding War

GORDON GRAY, MEGHAN MILLOY | OCTOBER 9, 2015

As progressives attempt to outbid each others' anti-market bona-fides, their policies are continuing down a path to expand laws already working against Main Street.. The substantive proposals are typically long on rhetoric and short on practicality, and usually take the following form: [retread tax proposals](#), [retread regulations](#), and [tough talk on "enforcement" and "accountability."](#)

CFPB Should be a Commission, not a Czar

Back in 2008, a [popular idea with progressives](#) was the creation of a Financial Products Safety Commission. The idea of a commission originally was similar to the U.S. Consumer Product Safety Commission which consists of five members nominated by the President and confirmed by the Senate. Instead, this idea devolved into our current system which is led by an appointed czar sitting on top of the Consumer Financial Protection Bureau. [Now progressives argue that a commission "defangs" the bureau even though this structure is what they originally proposed](#), and a commission structure is similar to other regulators with a consumer protection mission.

As [AAF noted](#), "the CFPB should be subject to more checks and balances. Unlike any other agency, the CFPB is led only by a sole director, has a very difficult veto process (needing 7 of 10 votes to overturn any decision, one of which is by the CFPB director himself), and is not dependent upon appropriations (rather relying on a set, guaranteed fund from the Federal Reserve). For CFPB to be an effective agency, it must be subject to oversight, whether that is commission-based leadership, a more fair veto process, reliance on appropriations, or all of the above."

New/Old "Volcker Rule"

Progressives are proposing to expand the Volcker rule, implemented as part of Dodd-Frank

to impose limits on proprietary trading. It's [fairly common knowledge](#) that proprietary trading had nothing to do with the financial crisis. With that in mind, everyone should agree that the Volcker Rule is entirely unnecessary. It is a solution in search of a problem. Unfortunately for anyone that will ever buy or sell any sort of financial product, the Volcker Rule is also one of the most expensive financial rules ever made, levying [crippling costs and liquidity worries](#).

Volcker [limits demand and potential buyers](#) for any financial product- making it inherently less liquid. Liquidity problems were the hallmark of the crisis. Exacerbating the same problems that led to the crisis should not be the lead for any financial strategy.

The fact that policymakers are proposing to not only retain the Volcker Rule but to add to it and make it more onerous and costly, is symbolic of progressives' approach to governance: that the government is the economy and that more lawyers, penalties, and taxpayer money is the route to success. Wrong.

More Funding for SEC & CFTC?

Typical of new schemes to reform "Wall Street," is tough rhetoric about "accountability" and "enforcement." Indeed, one recent proposal included three major policy prongs, of which two were devoted to just doing more of the same - maintaining Dodd-Frank and enforcing existing law. Policy proposals from the left often lament under-resourcing of enforcement agencies such as the Securities and Exchange Commission and the Commodity Futures Trading Commission. However, a careful review of their appropriations history reveals that since 2009, these agencies have seen their funding levels increase by [57 percent](#) and [71 percent](#), respectively.

Bank Tax

Among the [top ten worst tax proposals](#) in the president's budget has been a tax on large financial institutions. For 6 years running, the administration has included this proposal in its budget and has gotten nowhere on it, which makes it a ripe target for inclusion in the menu of "new" financial reforms trotted out by progressives. Unfortunately, this is the exact type of tax passed on to the consumer, and will likely reduce the [supply of lending](#) in the economy or raise borrowing costs.