



The Daily Dish

The Future of Dodd-Frank

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This week President Trump told Fox Business that he intends on finishing health care reform before tackling tax reform and infrastructure. President Trump stated that while tax reform is more impactful to business managers, savings from health care reform will be needed before the administration can move onto tax reform so that the savings can be put into tax cuts. During the campaign President Trump promised to repeal Obamacare and has been working with members of Congress since his election.

The Department of Defense (DOD) is calling for a 5 percent cut in the price of new F-35 fighter jets, according to Reuters news. The Pentagon is expected to order about 130 new planes meaning a 5 percent reduction in cost could equate to around a \$660 million savings for the U.S. government. President Trump was critical of the high cost of Lockheed Martin's F-35 even before he assumed office.

Eakinomics: The Future of Dodd-Frank

President Trump weighed in on the future of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) saying, "For the bankers in the room, they'll be very happy because we're really doing a major streamlining and, perhaps, elimination, and replacing it with something else." Certainly there is a long list of desirable changes that one might make. But what will the administration support and, especially, how will they make those changes?

The Administration's decision-making process starts with the president's executive order that directed the Secretary of the Treasury to "consult with the heads of the member agencies of the Financial Stability Oversight Council (FSOC) and...report to the President within 120 days of the date of this order (and periodically thereafter) on the extent to which existing laws, treaties, regulations, guidance, reporting and recordkeeping requirements, and other Government policies promote the Core Principles and what actions have been taken, and are currently being taken, to promote and support the Core Principles." This is a clear opportunity to find candidates for repeal or modification.

The next step would be regulation. Some have held out hope that a Trump administration could simply re-issue new Dodd-Frank rule-makings, but that is unrealistic. First, an agency has to have some basis for re-doing a rule making. And this process is now complicated by the fact that for every new rule (which these would be) the agency would have to get rid of two (or more) rules to offset the cost. Undoing Dodd-Frank's 142 finalized regulations would require over 420 rule makings — and the foundation to undertake them. It simply cannot be done.

That leaves the Congress. The House Financial Services Committee has completed a repeal-and-replace bill known as the CHOICE Act. The 2016 version is [here](#), and the committee plans to revisit it in an updated form this Congress. Over in the Senate, however, it will require 60 votes to undertake an off-ramp from the Dodd-Frank regulatory apparatus: reform to the Consumer Financial Protection Bureau (CFPB), eliminating the orderly liquidation authority that has been a crutch for too-big-to-fail institutions, and other fixes from the CHOICE Act. That is, they won't happen.

Instead, the most likely path will be to undertake more targeted reforms to Dodd-Frank, like relieving the regulatory burden on the small community and regional banks, putting the CFPB under the oversight of Congress, removing some of FSOC's designation authority, or others. This might not constitute "replacing it with something else," but even incremental improvements are to be applauded.