The Daily Dish

Getting Ahead of the Rhetoric Curve

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Eakinomics: Getting Ahead of the Rhetoric Curve

The Senate continues deliberation of the Economic Growth, Regulatory Relief, and Consumer Protection Act. As Eakinomics noted yesterday, Senator Elizabeth Warren pledged to have three days' worth of floor debate, with each day focusing on a particular theme. Yesterday's focus was consumers, so today and Friday will be devoted to big bank gains from the bill and Congress' history of deregulation.

I would love to devote three full days to marking Sen. Warren to the truth market. Unfortunately, tomorrow's Eakinomics will be on loan to AAF's Gordon Gray for his preview of the February jobs report due out Friday. So, today is devoted to getting ahead of the rhetoric.

Thursday: "Big banks will benefit from this bill as it will roll back everything that Dodd-Frank did to them."

The author of Dodd-Frank denies this claim. Barney Frank said just two months ago on CNBC, "If this bill became law tomorrow, well over 90 percent of the Wall Street Reform bill would be unchanged. The Consumer Financial Protection Bureau; the strict regulation of derivative trading; the orderly liquidation authority; the risk retention requirements on securitizations and most other provisions would remain in full force. There would be no change at all in the law as it applies to J.P.Morgan Chase; Bank of America; Wells Fargo; Morgan Stanley; Citicorp; or Goldman Sachs."

Mere mortals could figure this out for themselves. The bill specifically targets banks with assets between $10 billion and $250 billion. Those are not the big banks. JPMorgan currently holds $2.5 trillion in total assets. Bank of America currently holds $2.3 trillion. More than 99 percent of banks in the United States are community banks with less than $10 billion in assets. Further, the bill explicitly provides the Fed with the discretionary authority to subject *any* bank with over $100 billion in assets to the *same* oversight that they are under now, under the current tenants of Dodd-Frank.

Friday: "Ever since Dodd-Frank passed in 2010, Republicans in Congress have done everything they can to try to roll it back and put the country back into another financial crisis."

This is far from "everything they can." The bill does not touch or eliminate any of Dodd-Frank's safety and soundness measures. It streamlines the most burdensome pieces of Dodd-Frank to alleviate the current regulatory costs to small and community banks. Republicans have tried to fix Dodd-Frank since its inception because banks continued to merge or close completely as a result of its costs, leading many consumers to lose access to traditional banking services.

More sweeping efforts were not merely repeals. Last year the House did pass a sweeping regulatory overhaul, the CHOICE Act. It did take square aim at Dodd-Frank's Consumer Financial Protection Bureau, Volcker Rule, and Orderly Liquidation Authority, among other provisions. It also stipulated a regime of much tougher capital requirements that would enhance the safety and soundness of the financial system, properly focus losses on equity investors, and protect the taxpayer against the cost of private-sector risk taking. No responsible policymaker of any stripe is advocating to "put the country back into another financial crisis."

Ignore the rhetoric. This bill is a responsible bipartisan agreement that balances financial stability concerns with efficient bank-operation concerns and puts a priority on access to capital, small business lending, community banking services, and consumer impact.