

John A. Tatom
Editor

Financial Market Regulation

Legislation and Implications



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Preface

Financial regulatory reform has been critically important for several years. Even before the mortgage and financial crisis became apparent to most policymakers and analysts, Treasury Secretary Frank Paulson initiated, in spring 2007, a broad and sweeping review of financial regulation that was path breaking in its conceptual redesign. Moreover, the tenth anniversary of the passage of the Financial Modernization Act of 1999, also called the Gramm-Leach-Bliley Act (GLBA), at the time and perhaps still the most fundamental change in the nation's financial structure since the Great Depression, is a natural watershed for the evaluation of the structure and its regulation. The inevitable review of federal regulation was reinforced by the mortgage and financial crisis of 2007–2009. Several leading financial economists and analysts saw the problems of flawed financial regulation, especially the GLBA, as the fundamental cause of the crisis and demanded its repeal. There were many regulatory changes in 2008–2010 because of the crisis and Congress passed the Wall Street Reform and Consumer Protection Act of 2010. Also called the Dodd-Frank Act, it was signed into law on July 21, 2010.

The GLBA fundamentally changed the financial landscape in the United States and was the most sweeping financial legislation in 66 years. The GLBA allows the formation of financial holding companies that can offer an integrated set of commercial banking, securities, and insurance products. The tenth anniversary of such a sweeping change in the industry's structure is a natural benchmark for assessing the effects of the law and for questioning whether changes are necessary in the working of this historic legislation. But the importance of this review is reinforced by a variety of proposals that have been made in the last few years to reform the regulation of financial institutions; these reform proposals have attracted considerable attention among regulators and in the financial firms that they regulate. For example, many of these proposals follow the spirit of the GLBA by proposing that the regulatory system move toward a more integrated view of risks rather than continuing to follow the structure that was left untouched by the GLBA based on divisions across product lines or functional regulation for commercial banks, securities firms, and insurance companies. Most recently, the financial crisis and the failure of some large financial institutions have called into question the legitimacy of our current financial structure and its regulation, including to some degree the GLBA. There is no doubt that

regulatory reform is front and center on today's policy agenda and that the lessons of the GLBA experience are critical to that discussion. This book examines financial regulation, especially the debate over the GLBA and its effects, and issues arising from the mortgage and financial crisis, "too big to fail" policy (TBTF), and the new Dodd-Frank financial reforms.

This book has four parts. Part I provides an overview of recent and prospective financial legislation and its effects. Part II presents more detailed empirical evidence of the global effects of the GLBA on banks and insurance companies. Part III provides six chapters on continuing issues in financial regulation. All of these chapters deal directly or indirectly with legislation and legislative failures to deal with TBTF, the implications of those failures, as well as serious proposals to deal with it more effectively than has been the case, at least through 2010. Part IV is a retrospective and prospective on financial legislation by Congressman James Leach, one of the original authors of the GLBA.

I explain in Chapter 1 that the GLBA was created to allow integrated financial service firms that could provide commercial banking, investment banking, and securities business and insurance under one roof, something that had been made illegal by the Glass-Steagall Act of 1933. The GLBA removed those barriers, boosting competition across all these product lines, driving down prices of financial services and boosting the quantity and quality of financial services. Moreover, the GLBA increased diversification of newly formed financial holding companies. In the recent financial crisis, provisions of GLBA reduced the damage of the failures of firms like Merrill Lynch, Bear Stearns, Lehman Brothers, Countrywide, and Wachovia by allowing large banks to acquire their remaining assets quickly and efficiently, something that would have been impossible under Glass-Steagall.

The GLBA did not lead to the overpowering of small- and medium-sized financial institutions by large financial conglomerates, as some had feared at the time. Consolidation has continued, but there are only about 600 financial holding companies in the United States today and most of them are small. There are several very large financial holding companies, but most of them were already large banks, investment banks or insurance companies.

In Chapter 2, Peter Wallison, Senior Fellow at the American Enterprise Institute and recently appointed member of the U.S. Congressional Commission on the Financial Crisis, reviews arguments that the GLBA caused or contributed to the financial crisis and rejects those arguments or suggestions. Ever since severe turmoil enveloped the financial markets in the fall of 2008, commentators have blamed deregulation of the financial system, and specifically the supposed "repeal" of the Glass-Steagall Act by the GLBA for the crisis. This led many to advocate a restoration of the separation of commercial and investment banking that was supposedly the essence of the Glass-Steagall Act. According to Wallison, these statements reflect a remarkable degree of ignorance about something that could be easily understood with a small amount of research. In this paper, he outlines the provisions of the Glass-Steagall Act, and shows that it did not and could not have had any significant effect in creating or exacerbating the financial crisis.

Wallison also reviews the implications of what he sees as the successful outcomes of the GLBA during its first 8 years and during the last 2 years of crisis. The effort to blame the Gramm-Leach-Bliley Act for the financial crisis—part of the general effort to blame deregulation or lack of regulation—is misplaced, in his view. GLBA permitted banks and securities firms to affiliate, but this was irrelevant to what happened in the financial crisis. Wallison argues that the banks that got into trouble in this crisis were the most heavily regulated financial institutions in the U.S., and hurt themselves in the traditional way for banks—by making bad loans. The securities firms or investment banks that got into trouble were not affiliated with banks, and they also created their financial problems in the traditional way—by underwriting bad securities. GLBA did not affect the potential for development of the new complex financial instruments, including mortgage backed securities, collateralized debt obligations, collateralized loan obligations, credit default swaps and auction rate securities, or financial institutions' ability to market or hold them. GLBA, accordingly, had nothing to do with the financial crisis, according to Wallison. He also argues that the capital markets and regulation should be reformed to widen the integration of markets and regulation; functional disparities in ownership and regulation that remained after the GLBA should be eliminated, in his view, to further enhance the efficiency, competitiveness and consumer welfare of the U.S. financial services industry.

In Chapter 3, Martin Mayer, Guest Scholar at the Brookings Institution and the author of numerous books on financial markets and policy, argues that the GLBA implicitly assumed that the TBTF policies of the 1980s had successfully been reined in or abolished by Congress in the early 1990s and that the GLBA, by implicitly encouraging the creation of larger and larger integrated financial service companies, required that abolition in order to be successful and develop a more stable and competitive financial system. Given the resurrection of TBTF in fall 2008, Mayer suggests that one option is to repeal the GLBA or perhaps replace it with a more stringent regulatory environment. Mayer explains that the growth of integrated financial institutions since the GLBA was passed makes repeal impossible, but that alternatives for financial institutions with narrower product focus and asset powers and some separation by function would be possible and desirable as approaches to limiting institution size, risk exposure and systemic risk.

According to Mayer, a dozen years ago, Randall Kroszner, soon to become one of George W. Bush's economic advisors and a Federal Reserve (Fed) Governor, could comment in a Levy Institute seminar, without fear of contradiction, that there was no evidence to back the "public interest rationale" for the separation of commercial and investment banking. Except for deposit insurance (and even here, there were mutterings about moral hazard), the limits imposed on banking by the Glass-Steagall Act of 1933 were roundly condemned through the entire cadre of academic and corporate economists, as the old law was unceremoniously junked 66 years later. A few of us did worry about the loss of information that could result as the veil of bank secrecy was extended over additional transactions, but we were not really respectable. Today, we few stand on the high ground of observed recent experience

and watch the survivors of the still-acclaimed wave of financial innovation struggle defensively, if not repentantly, up the slopes of what Alan Greenspan called “shocked disbelief.” Ten years after its repeal, Glass-Steagall has a constituency again.

Part III contains two chapters that contain empirical evidence on the global effects of the GLBA on the banking and insurance industries. In Chapter 4, the effects on global banking are discussed by Professors Kabir Hassan, Abdullah Mamun, and Ihsan Isik. Professor Hassan is Professor of Finance at the University of New Orleans and a Fellow at Networks Financial Institute. Professor Mamun is Associate Professor of Finance at the University of Saskatchewan, and Professor Isik is a Professor of Finance at Rowan University. Their paper investigates the impact of the GLBA on foreign banks. They find that the GLBA has had significant and negative spillover effects on the banking sectors of most developed countries, although the effects differ across countries. Most importantly, they show that the systemic risk of foreign banks relative to the world equity index increased following the passage of the GLBA and that the varying degrees to which this occurred accounts for the varying size of their adverse wealth effects. These effects are larger for large banks. According to Hassan, Mamun and Isik, these results imply that the GLBA reduced diversification opportunities for foreign banks by restricting their operations in the U.S., the most important banking market.

Chapter 5, also written by Professors Hassan and Mamun, investigates the impact of the GLBA on the insurance industries of developed countries. They find that the insurance industries of most of the developed countries were significantly and negatively affected by the GLBA, as U.S. insurance companies gained competitive advantage. Similar to the results with foreign banks, they find that the adverse effects of the GLBA on non-U.S. insurance companies vary across countries, although the effects on firms from the European Union do not vary by country. When they control for country-specific effects, they find that differing negative effects on profitability explain the adverse effect of the GLBA on non-U.S. insurance companies. This result is robust to various statistical techniques.

Part IV contains six chapters on continuing issues in financial regulation. All of these issues revolve around the cost of the financial sector safety net and the policy of TBTF, whether directly reducing or eliminating it and its public cost, or reducing its size by managing and controlling it, including the often neglected costs arising from regulatory actions themselves.

The most significant effort to deal with the TBTF problem was the Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991, at the end of the savings and loan crisis. It set up a detailed process to ensure that no bank would ever again be in a position to have failed and yet be judged as TBTF. However, in the mortgage and foreclosure crisis, those barriers were hurdled with exceeding ease. Indeed, there were no media reports that institutions were approaching the threshold for a TBTF decision or of the official decision that institutions were TBTF. In the early stages of the mortgage and financial crisis, Professor George Kaufman recognized the flaws or loopholes in FDICIA and proposed a four pillar

program to fix them and minimize the private and public cost of failure. Essentially his solution aims at minimizing the financial cost of failure and the financial safety net. Kaufman is the John F. Smith Professor of Finance and Economics and Director of the Center for Financial and Policy Studies in the School of Business Administration, Loyola University, Chicago, and he is a Senior Fellow at Networks Financial Institute. His analysis of how to minimize the cost of failure is contained in Chapter 6.

According to Kaufman, bank failures are often perceived to be more costly to the economy than the failure of other firms of comparable size and to generate widespread public fear. As a result, preventing bank failures is a major public policy concern in all countries. Kaufman argues that most public policy strategies adopted in nearly all countries to achieve this objective have eventually failed to do so, at a large cost, not only in reduced income and wealth to the failed bank's customers and in the bank's market area, but also to the taxpayers of the country as a whole, who have frequently been asked to finance most or all of the losses to bank depositors, other creditors, and, at times, even shareholders. The high cost of these policies has encouraged a search for more efficient ways of protecting the economy from bank failures, while permitting poorly managed or unlucky individual banks to exit but at no or little cost to either their customers or the economy. Kaufman's program is much simpler than the elaborately detailed processes developed in the Dodd-Frank Act of 2010. And these processes are unlikely to be used in most cases.

In Chapter 7, Professor Edward Kane, the James F. Cleary Chair of Finance at the Carroll School of Management at Boston College and a Senior Fellow at Networks Financial Institute, takes a different approach to TBTF. Instead of attempting to minimize the cost of failure, he focuses on monitoring and controlling the cost of the financial sector safety net so that when failures occur, the safety net cost is relatively low. He argues that the recent crisis is the product of shortcutting and eventual meltdown of due-diligence incentives in the securitization process. He maintains that the GLBA did not cause the crisis. Rather the two phenomena are linked by a common cause. The crisis and the GLBA both trace to difficulties of monitoring the effects of regulation-induced innovation on the cost of the financial safety net. These difficulties come from the ease with which clever managers can extract implicit subsidies to risk-taking from national safety nets by using advances in information, communications, and financial-contracting technologies to book traditional business in innovative and nontransparent ways, according to Kane.

Professor Kane says that the U.S. barriers between the banking, securities, and insurance industries that GLBA eliminated resemble the broken down remnants of ancient city walls visible in many European cities today. Before these walls were abandoned, blasts from the artillery of regulation-induced innovation had long since reduced them to rubble. Rebuilding cross-industry barriers would not lower the odds of future crises. What it would do is distract Congress and regulatory personnel from repairing the defects in supervisory incentives that brought about the shortcutting and outsourcing of due diligence. To fix these defects, Kane argues that the system needs a dose of better ethics. This requires that financial institutions and government

supervisors be made formally accountable for pursuing the benefits of safety-net support in fair and efficient ways.

In Kane's view, effective programs of regulatory reform must address the incentive conflicts that intensify financial risk-taking and undermine government insolvency detection and crisis management. He notes that subsidies to risk taking that large institutions extract from the financial safety net encourage managers to make their firms riskier, harder to supervise, and politically and administratively more difficult to fail and unwind. In his view, repealing the GLBA or breaking up TBTF institutions would do little to arrest subsidy-induced activities. Rebuilding Glass-Steagall barriers between banking, securities, and insurance firms would instead make implicit taxpayer support of large institutions less transparent and serve foreign interests by encouraging conglomerate firms to operate affected businesses through foreign subsidiaries. To discourage financial institutions from abusing safety-net support, government supervisors must be made specifically accountable for delivering and pricing safety-net benefits fairly and efficiently. Kane argues that if Congress wants to make the system more stable, it should focus on: rewriting top officials' oaths of office; changing the ways top officials are paid and the ways they measure and report regulatory performance; and changing the kinds of securities that large institutions have to issue. The Dodd-Frank Act of 2010 did not take any of these recommended actions.

According to Professor Kane, TBTF, or the difficulty of failing a bank and unwinding it, or now a non-bank financial firm, has three dimensions, the size of institutions, their complexity and political clout. The GLBA deals with the complexity problem, but it does not address size or political clout. Tradeoffs in successfully dealing with one or even two of these problems intensify the other dimensions, making the problem of failing and unwinding virtually insoluble.

In Chapter 8, Professor Kane focuses on the fact that official definitions of systemic risk leave out the role of government officials in generating it. He claims that policymakers' support of creative forms of risk-taking and their proclivity for absorbing losses in crisis situations encourage opportunistic firms to foster and exploit incentive conflicts within the supervisory sector. To restore faith in the diligence, competence and integrity of officials responsible for managing the financial safety net, reforms need to rework operative incentives in the government and financial sectors. The goal should be to align the incentives of private risk managers, accountants, credit-rating firms, and government supervisors with those of ordinary taxpayers. Professor Kane describes a series of complementary ways of advancing toward this goal. The most important steps would be to measure regulatory performance in terms of its effect on safety-net risk exposures and to require insured institutions to support this effort. This entails estimating the explicit and implicit safety-net benefits they receive and issuing extended-liability securities designed to improve the accuracy of these estimates.

In Chapter 9, Christopher Whalen, cofounder and managing director of Institutional Risk Analytics and a Fellow at Networks Financial Institute, asserts that, in dealing with the 2007–2009 financial crisis, the Fed has placed its role as monetary agency and de facto steward of the market for U.S. Treasury debt ahead

of its statutory responsibility for ensuring the soundness of the private banks. This behavior is a key illustration of the problem of political clout in addressing TBTF. The Fed sees itself as a national hero that can save the banks and financial system in order to save the economy and in the process be rewarded with expanded powers. The Fed was politically weak at the beginning of the crisis, as many analysts and politicians viewed the Fed as largely responsible for the crisis itself. But during the crisis, by surrendering its independence to the pressures of individual congressmen and the Treasury, the Fed was able to play its hero role and, in the end, to increase its powers. For example, the Fed becomes the central player in the Financial Stability Oversight Council (FSOC), having the key power to close or order the asset or liability structures changed, or to limit their overall size. This presumably would address the size problem of TBTF, but these powers conflict with the Fed's interest in being a hero and gaining more power, so it is not likely the Fed will act on these new powers unless strongly pressured to do so by a toothless, and likely ineffective committee, the FSOC, which has the same incentives not to act to limit the size of financial institutions. The Fed's enhanced political clout will render more difficult its incentives to fail and unwind.

While not central to Whalen's argument, the Fed, under pressure from the Congress early in the crisis, fundamentally altered its concept of monetary policy. It took on new lending powers to private financial firms and focusing on expanding direct placement of private credit rather than using traditional monetary policy, so-called quantitative easing, to increase the monetary base and money and credit supplies through relatively safe open market purchases of government securities. Indeed, the Fed began to act like a commercial bank, attempting to fund new private sector credit extensions by reducing other, safe holdings of U.S. government securities. Also the Fed, in a reversal of what might be called traditional banana republic central banking, asked the Treasury to sell such securities to them. In this case, however, the call was to further the Fed's commercial banking activity as it also asked the Treasury to hold the proceeds in special Treasury deposit accounts that are not used, thus sterilizing the potential to expand overall money and credit, and allowing the Fed, as commercial bank, to fund larger private lending by sales of these newly acquired Treasury securities.

As Whalen (2010) explains, the Fed's behavior was motivated by an attempt to placate Congress where the Fed's independence had come under serious question and threat. The Fed believed that it could play the national hero role by targeting private credit to financial firms, rather than simply targeting the federal funds rate, or a monetary aggregate such as the monetary base. In Whalen's view, the Fed changed its behavior rather than pursue another mandate to ensure the safety and soundness of the nation's large complex banking organizations and also to ensure the ability of the Treasury to borrow at low and stable interest rates. Apparently the Fed's actions were sufficient to placate Congress as regulatory reform has granted new powers to the Fed, including a lead role in financial stability monitoring and control and housing the new consumer financial protection bureau. Thus it appears that the Fed has regained its independence, but the path to that victory has shown congressional leaders that the Fed can be forced to act by congressional pressure and this lesson

will not be forgotten by congressional leaders. In the end, the experience has seriously damaged the future independence of the Fed by demonstrating that Congress can influence policy through a threat of action.

Why did the Fed do this? In part it was due to a paradigm shift in understanding of how the Fed influences the economy and how it could stabilize the economy in the midst of a financial crisis and the developing recession. It also did so, however, because of a concern for systemic failure, normally understood as a desire to forestall failure in depository institutions, the traditional set of firms with whom central banks conduct business and on whose safety and soundness they attend, but now extended to “too interconnected” firms that could not be allowed to fail. Thus the Fed as hero was a key author of a new narrative that envisioned the country as exposed to a new and broader form of systemic risk that only it could fix. Whalen argues that the Fed was driven by its loss of credibility and reputation within the halls of Congress and its concern that as a result it would lose its independence and its ability to pursue long term goals of price stability, high employment and cyclical stability. The ironic result is that, while it appears that the Fed was successful because financial system reform has given the Fed new powers in monitoring and policing financial stability, with no loss of its supervisory powers over the nation’s largest banks or its supervisory powers over the community banks, in fact the Fed has demonstrated convincingly that under pressure it has given up, and also will give up in future, its hard fought independence at the drop of a congressional hat. This will serve the Fed badly in all future crises when congressional pressures rise to dictate Fed actions.

The price of the Fed’s victory is that the country is now shackled with a notion of the Fed’s role as protector of private sector financial institutions, at least of those that are too interconnected to fail. The size of the Fed’s balance sheet, which had hitherto been feared as a harbinger of inflation, is now encouraged to expand because it provides the new insurance of the largest financial (and probably eventually non-financial) institutions. This introduces a new level of moral hazard, potentially socializes normal and crisis-driven losses of private firms, heightens the threat of productivity and growth, kills new financial regulations and poses new risks to the achievement of the Fed’s traditional goals, especially for price stability. As with any congressional response to crisis, it is likely that recent steps will be revisited and polished to remove rough edges. Whether Congress can or would want to reign in the Fed in its new regulatory posture and reverse the Fed’s new monetary policy is less likely, however.

In Chapter 10, Professors Ronnie J. Phillips and Alessandro Roselli explore an older approach to limiting the size of the financial safety net by reducing the risk that a bank can fail, which is called the narrow bank proposal. Professor Phillips is a Professor of Economics at Colorado State University and a Networks Financial Institute Senior Fellow; Professor Roselli is currently at the Cass Business School in London. Phillips and Roselli argue that the normal crisis response of Congress would be passage of legislation that increases oversight and regulation by the federal financial regulatory agencies, rather like Dodd-Frank. But they indicate that a superior approach would be to limit the risk of a liquidity and insolvency in a financial

crisis by adopting a “narrow bank” structure. This is another way to manage the cost of the financial safety net but avoiding failure, even in the event of a bank run. A narrow bank is one that holds only U.S. government securities and cash as assets behind deposits and other liabilities that are payable on demand. The heart of the proposal, they argue, is to make checkable deposits as safe a means of payment as currency, but without the need for the elaborate supervisory and regulatory structure required when federal deposit insurance and the discount window are part of the financial safety net. It works because it separates the role of banks in providing a safe and stable means of payment from the system of credit creation by financial institutions. Those liabilities would not be insured, nor would they keep a bank from becoming TBTF because regulators would focus only on protecting the payment system, minimizing runs and protecting banks from failure. In the current environment where regulators are concerned with interconnectedness of credit instead of liquidity and solvency, such a scheme might be deemed to be inadequate.

Congress, regulators and pundits have viewed financial institution compensation as a contributing factor to the recent crisis. The argument is that bankers and others took on undue risk that led to the downfall of some institutions. Such behavior is unfathomable for long-term employees or their managers because the incentives for “excessive” compensation that might promote “excessive” risk taking are not in the long-term interest of either party. More importantly, the usual argument in the crisis was that the instruments that became illiquid and fell in value were viewed by the marketplace, banks and employees as relatively low risk. Thus taking such risks could not have contributed to excessive, not to mention normal, compensation. In Chapter 11, Professor David VanHoose addresses the case for regulating bank compensation and its pitfalls. VanHoose is the Herman W. Lay Professor of Private Enterprise and Professor of Economics at the Hankamer School of Business at Baylor University and a Senior Fellow at Networks Financial Institute.

According to VanHoose, the government has been explicitly and implicitly regulating the compensation of top managers at a number of U.S. banks since passage of the Economic Stabilization Act of 2008. Bank regulators also have added evaluations of bank management compensation packages to the list of factors taken into account in supervisory safety-and-soundness examinations. He also notes that pending legislation would require the Federal Reserve to establish explicit standards for evaluating the risk implications of bankers’ pay. The FDIC has proposed incorporating the structure of bank management compensation into the determination of banks’ deposit insurance premiums, according to VanHoose. He reviews the academic literature on the empirical relationship between bank management compensation and risk, discusses theoretical considerations that may underlie the mixed evidence regarding this relationship, and assesses potential pitfalls associated with actual and proposed regulations of the structure of management compensation in the banking industry. His main conclusion is that there is neither persuasive empirical evidence nor an unambiguous theoretical argument in favor of either direct or indirect regulation of bankers’ pay.

In Part IV, former Congressman and GLBA author James A. Leach reprises the missing link between the crisis and the GLBA, the performance of the GLBA and

the shortcomings in existing regulation, before Dodd-Frank, and the problems with this new regulation. He calls attention to the role of excessive leverage at investment banks, promoted by erroneous regulatory changes at the U.S. Securities and Exchange Commission, in creating the crisis and the difficulties of the so-called “invisible government,” the armies of regulators that use their political clout to expand their powers, yet in doing so boost the cost of the financial safety net, and create disincentives to effective regulatory behavior. Leach reinforces the arguments about political clout emphasized by Kane and Whalen, focusing laser attention on what he calls the invisible government, the growing number and increasingly powerful group of financial regulators. Congressman Leach is currently the Chairman of the National Endowment for the Humanities. He served as a representative in Congress for 30 years, where he chaired the Banking and Financial Services Committee when he sponsored the GLBA.

Congressman Leach reviews the legislative framework of financial regulation, assesses public and private sector accountability for the crisis, and appraises the legislative aftermath. According to Leach, his “thesis is that the economy and the financial security of the country were unnecessarily jeopardized by the unchecked greed of a few; that, at critical moments, politics and ideology dominated regulatory decision making; that the regulators, the invisible government, allowed excess leveraging out of excess confidence in risk-based mathematical modeling; that a conflicted Congress emboldened risk taking at Fannie Mae and Freddie Mac; and that problems in commercial bank regulation related less to what Congress did than what it did not do. As both a participant and observer in the legislative process, [Leach] has designed this review in part as a chronicle of Congressional interactions between the parties and with the Executive branch and in part as a take on regulation itself.”

Networks Financial Institute is pleased that we have been able to make this work available. Regulatory reform issues are central to our research agenda and there is perhaps no more important topic that we could address today. We began work on this material in the early days of the mortgage crisis, largely because of an interest in what research has to say about the effectiveness and success or weaknesses of the GLBA. As the crisis emerged, it became clear that the problems of financial regulation extend well beyond, or more accurately, are largely unrelated to the GLBA, but those issues are readily placed in context by a consideration of financial structure.

A book such as this depends on the support and cooperation of many people. I am very grateful to all of the authors for their excellent work. It is truly and completely their work. I would also like to thank the editorial staff at Springer for their willingness to take on this project and their production staff. I am also very grateful to our team here at Networks Financial Institute, especially our research coordinator Martha Henn McCormick and research assistant Nicholas Ochieng, for making this work possible.

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