



Construction Industry Round Table

Legislative News

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11/12/09 – Financial Firms/Wall Street Next Target of Government Take-Over?

While all eyes are transfixed on the drama being played-out over health care, Congress is quietly moving to make changes in the law that amount to a “hostile takeover” of Wall Street and the financial firms that provide capital in our economy. A proposed bill winding its way through committee would place regulators in control of managing asset prices under a regulatory body called the “Financial Services Oversight Council.” The new agency would be granted authority to regulate banks, bank holding companies, insurance companies, hedge funds, finance companies, and any other kind of company that might be designated too big to fail. Under this new regime, the government would have a say in whether companies could start new activities, enter new markets, or perhaps even open new offices – according to former Treasury official, Peter J. Wallison, “this is a degree of political control of business that has never been attempted before.” Well, maybe with one major exception – Fannie Mae and Freddie Mac – and we have all “painfully” learned how well that has worked-out. In fact, the same dynamic duo that led the charge for the subprime/mortgage lending model [Senator Chris Dodd (D-CT) and Rep. Barney Frank (D-4th MA)] are at the heart of this new “takeover” – with President Obama’s full support. Unfortunately, once again this Administration’s blind spot is showing – whereby it prefers Washington and the political system – rather than competition, risk taking, and performance to determine the eventual “winners and losers” in a free market system. Swiss money manager Axel Merk warns “Governments that regulate away risks destroy the growth engine of their nation.”