Written by Charles Scaliger on July 13, 2010

Financial Reform Bill on Brink of Passage

The final version of the financial reform bill that has become a central component of President Obama's New Deal-esque program to enormously enlarge the powers of the federal government is on the brink of passage by the Senate.

According to *Congressional Quarterly's* Joseph Schatz, the support of two Republican Senators virtually guarantees the passage of the bill:

> Two key Republican swing votes — Olympia J. Snowe of Maine and Scott P. Brown of Massachusetts — said Monday that they would vote for the financial regulation conference agreement (HR 4173), which the House adopted late last month.?? "While not perfect, the legislation takes necessary steps to implement meaningful regulatory reforms, create strong consumer protections and restore confidence in the American financial system," Snowe said in a statement Monday night.??The endorsements by Brown and Snowe mean that Reid, D-Nev., will now have the 60 votes necessary to overcome a GOP-led filibuster of the deal, unless Democrat Ben Nelson of Nebraska — who has been frustrated with new rules for over-the-counter derivatives — defects.

The Republican Party, it seems, has been tepid in its resistance to the financial overhaul bill. Republican Minority Whip John Kyl admitted that Republican leaders have not exerted any pressure on rank-and-file Senate Republicans to vote against the conference report. There is nothing surprising in this; from the get-go, Republican opposition to so-called financial reform has been tepid at best, given the anti-free market frenzy that Big Government apologists, both in the media and in Washington, have been able to incite since the onset of the Great Recession. Few Republicans, anti-Big Government rhetoric notwithstanding, truly grasp the fundamentals of free-market economics and have therefore been unwilling to resist on principle more government intrusions into the financial sector. Almost all the clamor surrounding the Obama financial reform bill has been over how much new regulation and where it should be applied, not whether the very premise of government intervention in the free market is mistaken.

Barring a last-minute miracle, therefore, it looks very likely that the Obama Big Government juggernaut is about to deliver again, to the lasting detriment of American taxpayers and the once-vibrant American economy. Senate Majority Leader Harry Reid is confident the finished bill will reach President Obama's desk for signature by week's end, "to ensure that these critical protections and accountability for Wall Street are in place as soon as possible."

The long-term outcome of the new legislation is easy to predict: far from healing the alleged ills associated with the free market, this bill — like every other attempt at legislative financial reform before it — will merely create more moral hazard, distort still further the workings of the free market, and impose new costs and regulations on consumers. Taken together, these effects will eventually engender a new crisis, just as the current crisis was caused not by the free market but by government intervention in the markets. And when that next crisis comes, expect freedom to be blamed yet again instead of the scoundrels who brought us more of the stifling overburden of Big Government.

Photo: Olympia J. Snowe