



Destroying the Economy in Order to Save It

BY RICHARD W. RAHN

REGULATORS WARM TO THE HARM THEIR RULES CREATE

If one phrase encapsulated the Vietnam War, it was this: “We had to destroy the village in order to save it.” Those in the political class in Washington have learned nothing, but perhaps more accurately, many don’t care if their policy proposals and actions cause more misery than benefit.

On Sept. 29, Congress held a hearing on the rules proposed by the Consumer Financial Protection Bureau (CFPB) that would likely destroy much of the small-dollar loan industry and drive many low-income and poor credit-risk people into the arms of loan sharks. The CFPB rules are so costly that most lenders will likely go out of business — by government intent. The small-dollar loan industry has been criticized for charging high fees and engaging in aggressive collection practices. The problem is that it is expensive to lend money to poor credit-risk people, and if legitimate businesses are not allowed to make a reasonable profit because of government regulation, the black marketeers will be the only ones serving the poor. As Rep. Jeb Henslaring, chairman

of the House Financial Services Committee, noted to CFPB Director Richard Cordray: “These are the very loans many need to keep their utilities from being cut off suddenly or keep their car on the road so they can, in turn, keep their jobs.” Mr. Cordray had no answer as to how the poor will obtain necessary low-dollar loans once he has destroyed the legitimate lenders.

The Internal Revenue Service’s new Foreign Account Tax Compliance Act regulations have made it both very expensive and, in many cases, impossible for Americans living abroad to obtain bank accounts in the countries where they live. The new IRS and Treasury “know your customer” regulations have also made it extremely costly or impossible for low-income workers in foreign countries, all over the globe to send remittances back to their families in their home countries. The harm these regulations would do has been obvious to many of us who have been writing about the issue for the past several years. Officials in the Obama administration’s IRS and Treasury have been callous and mean-spirited in destroying the ability of millions to obtain needed banking services, without providing legal and low-cost alternatives.

President Obama has made clear his intent to kill the coal and other fossil fuel industries. The results are that energy costs are being driven much higher, that hundreds of thousands of workers in these industries are now losing their jobs, and that low-income people will suffer the most from unnecessarily high energy costs. Even by the administration’s own estimates, if all of the president’s proposals were enacted into law, it would only reduce the world’s temperature by two-hundredths of a degree Celsius by the end of the century. Greatly reducing the well-being of millions — and destroying the economic village — for virtually no benefit is the height of political arrogance.

A new report published last week by the Global Warming Policy Foundation, authored by former Intergovernmental Panel on Climate Change delegate Indur Goklany, calls for a reassessment of carbon dioxide. Mr. Goklany said: “Carbon dioxide fertilizes plants, and emissions from fossil fuels have already had a hugely beneficial effect on crops, increasing yields by at least 10-15 percent.” The carbon-dioxide fertilization effect is estimated to have increased

the value of global crop production by about \$140 billion per year. Other researchers have shown that the earth has become greener in recent decades, largely because of the increase in carbon dioxide. At the same time, reputable solar researchers have provided evidence that the output of the sun is likely to go through one of its cyclical declines over the next few decades. There are still too many unknowns to make firm conclusions about the offsetting global temperature effects of rises in carbon dioxide and diminished sunlight. But it is clearly irresponsible to destroy much of the potential for economic growth and to hurt people living today in order to benefit future generations who may or may not be adversely affected by climate change. And because of evolving technology and increases in income, those living in the future will be in a much better position to cope with any negative changes.

Finally, I was struck by the fact that during the Democratic Party debate last week, no one listed the rise in global government debt as a percentage of gross domestic product as a major risk. The debt crisis is upon us now and is only getting worse. The people of Greece have already suffered about a one-third decline in their per capita income as a result of the debt crisis and misguided financial regulation. This crisis will spread around the globe in the next few years. Because of too much debt, the Puerto Rican economy is now contracting rapidly. Without first solving the global debt crisis, there will not be the resources to deal with any future climate or other catastrophic events such as a global epidemic.

The political class, in its lust for power and control, is in the process of destroying the global “economic village” while falsely claiming to be saving it.

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