

# The Legacy of Dodd-Frank

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We can sum up Dodd-Frank in a word: underrated.

With the usual caveats that no 2,000 page work of legislation is “perfect,” Dodd-Frank set out to accomplish one of the most difficult balancing acts possible: completely re-regulate a major industry while simultaneously keeping it afloat.

The goal of Dodd-Frank is, to risk felonious understatement, ambitious. It seeks nothing less than to prevent future financial panics. Whether it achieves that mission is unknowable until a future financial panic occurs—which is hopefully somewhere between never and a long way off. If economic turmoil hits and the financial sector keeps on ticking, the levies constructed by Dodd-Frank held. If not, it’s back to the drawing board.

But by any reasonable standard, the law seems to have made the financial markets a great deal safer. Dodd-Frank replaces opacity with transparency, lackadaisical enforcement with beefed up government regulation, minimal capital requirements with more and better quality loss absorbing capital, and perverse financial incentives with realigned, skin-in-the-game incentives so that investment mistakes by financial institutions are more likely borne by them, not other players in the market. That’s a sea change.

Yet it is the Rodney Dangerfield of law; it simply gets no respect. Republicans who voted against it almost unanimously have nothing good to say about Dodd-Frank. That’s understandable, because they have nothing good to say about any law passed during the Obama Administration. The finance industry derides the law, but that’s understandable as well. That’s what any industry would say about any new government regulation.

What is so striking is that Democrats have nothing good to say about the law. To be clear, they have nothing bad to say

about the law, either. They just don't talk about it. Perhaps it is bad politics to say that Congress took on Wall Street and Congress won. Perhaps they feel voters aren't ready to hear a success story. Perhaps the law is so complicated that Democrats don't talk about it because they don't understand it. Yet there it stands on the books, the bulwark against financial panic.

Dodd-Frank did not solve every problem in financial markets, and policymakers should continue working to improve financial regulations. But it did address many of the most important financial matters that led to the market collapse in a comprehensive way. On the whole, Dodd-Frank is the toughest Wall Street reform law in nearly a century and should be seen as such.

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