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Economic Recovery Depends on Robust Financial Market

By Gregory P. Wilson and James C. Sivon
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In a recent speech at Osawatomie High School in Kansas, President Obama acknowledged that a strong and competitive financial industry is inextricably linked to a healthy economy. This is a message that we believe deserves greater attention by all policymakers, including the presidential aspirants.

Before the financial crisis, financial market global competitiveness was becoming an increasingly debated policy issue, mostly on a bi-partisan basis. Studies in 2006 and 2007 by New York Mayor Michael Bloomberg and New York Senator Charles Schumer, the Committee on Capital Markets, the U.S. Chamber of Commerce, the Financial Services Roundtable, and Treasury Secretary Henry Paulson's *Blueprint for Financial Regulatory Reform* all agreed on the benefits of fair, open, and competitive financial markets, even if they didn't agree on each and every recommendation.

These reports provide a well documented and well reasoned starting point to renew the public debate on the role of competitive financial firms and markets in our global economy. These reports differed in approach and details, but there was broad agreement on a range of actions needed to promote a competitive and healthy economy. Those actions include: reform of a financial regulatory structure that was (and still is) complex, cumbersome, and costly, and at the end of the day failed to anticipate or prevent the financial crisis; simplification of the tax code and tax rates, which make the U.S. tax system the least competitive among all OECD nations except Japan; legal reforms to ensure greater certainty and predictability for investors and companies seeking to do business here; and reform of our educational and immigration systems, to ensure we have the best educated workforce possible and win the global war for talent and skills.

The crisis understandably pushed the debate surrounding competitiveness to the back burner. The poor state of our economy, however, should provide the reason to renew this debate now.

We need an efficient and secure payments system for the millions of daily financial transactions by retail consumers and wholesale markets. We need well capitalized banks and nonbanks to lend prudently and responsibly, from the smallest business on Main Street to the largest multinational engaged in international trade and commerce in highly competitive global markets. We need vibrant asset managers, pension funds, and insurance companies to help all Americans — especially the middle class — save, invest, and create wealth for their future and their children's future. We need fair, open, and competitive financial markets to attract and retain capital and investment in the United States to grow our economy more.

If the economy is the number one issue in this election year, then we surely need to broaden the debate on the role of the financial services industry with respect to creating opportunities for all, supporting sustained economic growth, and financing new, more, and better jobs. To date, there has been too little meaningful discussion on this important topic by policymakers and presidential contenders.

The roll-out of roughly 400 new rules under the Dodd-Frank Act — with little real coordination and prioritization by regulators, and even less consideration of the cost, benefits, and impact to our economy — only heightens the need to step back and reassess the contribution that open, fair, and competitive markets can make in the economic recovery and job creation.

So let the debate on competitiveness and economic growth begin again. As a starting point, let's agree we need firms and markets that are well governed, ethically run, and treat investors and consumers fairly. We need firms that are adequately capitalized with resilient risk management to prudently lend, finance, and invest in our economy. We need markets that are efficient, liquid, deep, transparent, and free of fraud and corruption. We need to ensure regulatory policies and rules that are balanced and cost effective, recognizing that financial stability and consumer protection are as important national objectives as thriving financial markets and economic growth -- balance here is critical, especially in our weak economy.

If we can agree on these simple goals for our financial marketplace, we can then restart the debate how best to achieve these goals.

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