*Far from requiring greater government oversight, U.S. banking's woes have been the product of regulation.*

# Banking Regulation's Illusive Quest

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Deregulation has met with such success — in trucking, airlines, telecommunications, securities brokerage, and many other economic sectors — that it is now hard to find defenders of continued or increased regulation. That is why Jonathan Macey's recent article "Commercial Banking and Democracy: The Illusive Quest for Deregulation" is so interesting.

Macey is a well-known and highly respected scholar who has written extensively on the regulation of securities and banking. Generally, he is skeptical of regulation; if he defends regulation, one would expect a well-reasoned and persuasive case. In that sense, his article is both a disappointment and an encouragement — a disappointment because the case Macey advances for the continued (or increased) regulation of banks turns out to be so weak, and an encouragement because the very weakness of Macey's case suggests that bank regulation — while it retains support among the political class — is losing its intellectual foundation. As one who has questioned whether bank regulation is any longer necessary, that is good news.

## INHERENTLY UNSTABLE?

Macey first sets an ambitious goal: "The point of this paper is to demonstrate that government regulation is necessary, sometimes in heavy doses, for private markets to function well." Despite this broad statement, he actually means that regulation in heavy doses is necessary to keep *banking* functioning well, and it is that much narrower proposition that I will address in this article. I will argue that Macey does not successfully defend the proposition that banks require government regulation, in "heavy doses" or otherwise. Part of the reason for this is that he makes the wholly erroneous assumption that banking is a business that cannot be carried on safely without regulation.

At the outset, Macey makes the following points:

- "Banks are systematically far more highly leveraged than other kinds of firms in the economy."
- "Banks' balance sheets are characterized by severe disparities in the liquidity and transparency of assets and liabilities."
- "Banks' balance sheets are unusual because of the mismatch in the term-structures of their assets and liabilities."

These statements are all true, of course. But Macey goes on to derive from them that "banks are inherently unstable because depositors have access to banks' liquidity on a first-come, first-served basis." Because of this, he says, banks are susceptible to runs as depositors seek to protect themselves.

Are banks, then, "inherently unstable"? It is true that banks are highly leveraged and have illiquid and non-transparent assets as well as liabilities that often are payable on demand or are for a considerably shorter term than their assets. But, without being flippant, that is because they are banks — they are

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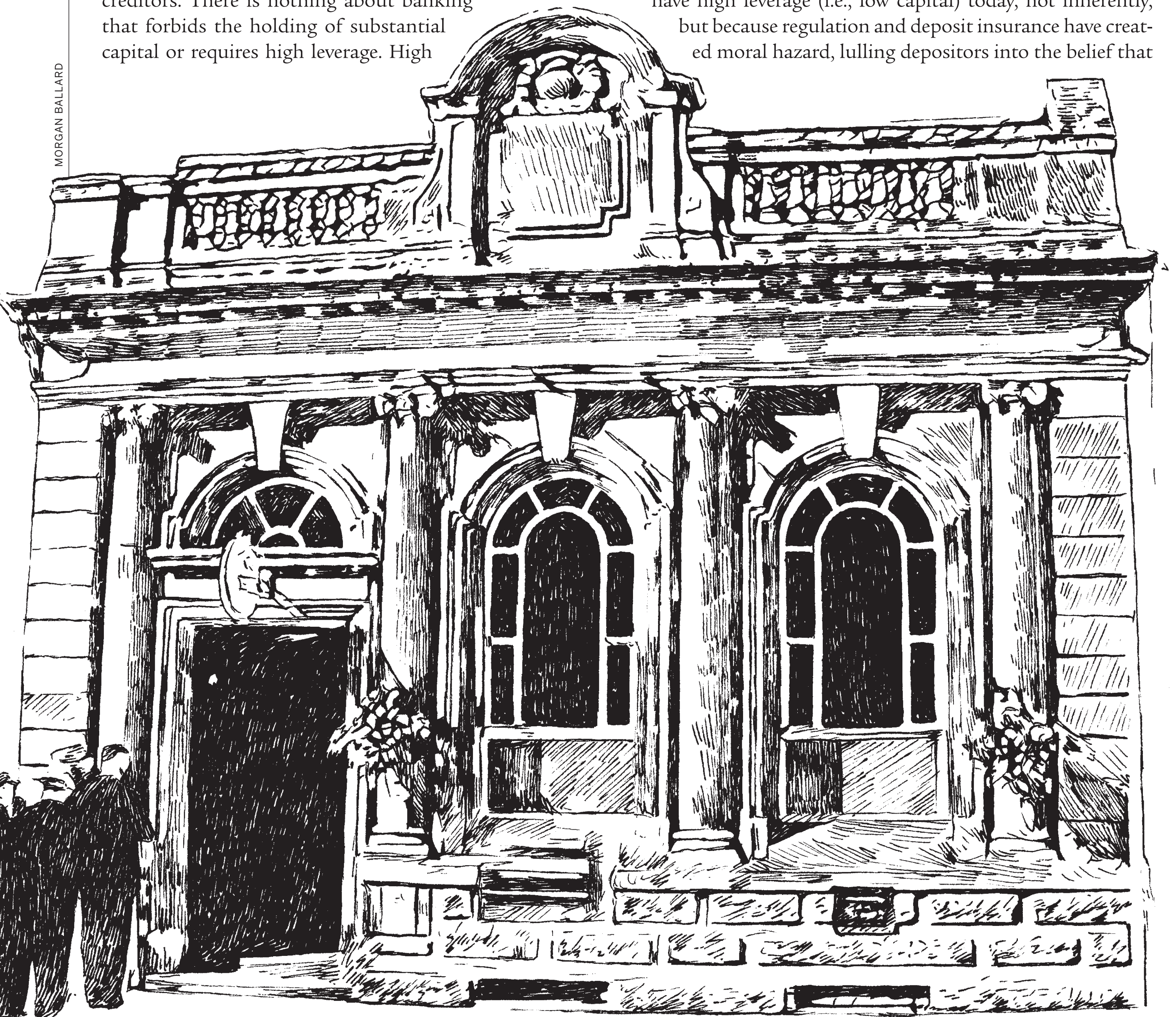
in the business of intermediating between depositors and borrowers by pooling the funds of depositors and monitoring the condition of borrowers. This, in itself, does not make banks inherently unstable and is not in itself an argument for regulating them. Deposit banking has been around for over 500 years. It developed as a business because it served an economic purpose — and still does today. It is not therefore logical to believe that, for five centuries, banks and banking were inherently unstable. If the business of banking is inherently unstable, it would long ago have been supplanted by a stable structure that performs the same functions without instability.

Only comparatively recently has banking become subject to government regulation and supported by deposit insurance. Indeed, before regulation and deposit insurance, banks — like any other commercial enterprise — held capital in order to maintain their stability and the confidence of their creditors. There is nothing about banking that forbids the holding of substantial capital or requires high leverage. High leverage is only a way to increase profitability; in an unregulated environment, depositors and other creditors might demand high levels of capital, which would simply reduce a bank's profitability while increasing its stability. In other words, banks are only unstable when they hold insufficient capital to reassure depositors and other creditors.

This raises the question of why banks, if they are susceptible to instability, would ever hold less capital than is needed to reassure depositors and other creditors. In the absence of regulation or deposit insurance, one would expect to see banks hold sufficient capital for this purpose, simply because instability would result without it and instability would make it difficult for banks to acquire deposits. So if we see banks with low capital ratios, it is because something other than market forces is allowing them to do it. That something is deposit insurance and government regulation. In other words, banks have high leverage (i.e., low capital) today, not inherently, but because regulation and deposit insurance have created moral hazard, lulling depositors into the belief that



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they do not have to be concerned about the financial condition of banks. When market discipline is impaired, high leverage should not be a surprise.

**HISTORY'S LESSON** Like any other business, banking has not only an optimal capital structure — including an optimal capital position given all circumstances — but also an optimal form of industrial organization. As shown clearly by my American Enterprise Institute colleague Charles Calomiris in his book *Bank Regulation in Historical Perspective*, bank panics and failures are not the result of any inherent instability but of the branching restrictions that historically kept banks from diversifying. In states where such restrictions did not exist, banks were able to diversify beyond a particular local economy and had a far lower rate of panic and failure than banks in states that did not permit branching.

Indeed, in the absence of regulation, it is not clear that banks have a record of failure that is any greater than other kinds of businesses. Calomiris shows that in states that permitted branching, banks had failure rates as low as .02 percent, even before federal deposit insurance, during times of severe economic distress such as the agricultural declines of the 1920s. This failure rate probably compares very favorably to that of other kinds of commercial enterprises during the same period, or even today. It is also important to note that when banks did fail, the losses suffered by depositors — again, before the institution of any form of deposit insurance — were frequently less than one percent, and this is likely to be considerably less than the losses suffered by the creditors of commercial companies when they went into bankruptcy. On the other hand, in states where deposit insurance systems were put into effect, bank failures soared — exactly what one would expect if moral hazard brought on by deposit insurance blunted the wariness of depositors. The reason for this discrepancy is clear: in the absence of deposit insurance, banks were indeed susceptible to runs if their capital decreased to the point where they lost the confidence of their depositors and creditors; runs in turn resulted in the closing of those banks before they could become deeply insolvent, reducing the losses to depositors when the bank was liquidated.

Yet, Macey writes:

> *Deposit insurance is the most salient example of beneficial government banking regulation. Without government intervention in the form of deposit insurance and access to emergency loans, banking crises of the kind observed during the Great Depression would be regular occurrences.*

He offers no justification for this statement, taking it as a given. However, the fallacy of this view is clearly demonstrated by the record of Canadian banks, which were small in number and free to branch throughout the country from the 19th century to the present day. Despite the close connection between the U.S. and Canadian economies, the Canadian banking system suffered no panics or periods of general bank failure after the 1830s, including the years during which the United States suffered through the Great Depression. This is true even though — and perhaps because — Canada had no deposit insurance system and no central bank until 1935.

**REGULATION'S NECESSITY?** Macey then extends his argument to the political realm. Politicians will always be tempted to impose regulation in response to political pressures. "The take-away lesson," he writes, "is that once one admits the inevitability of certain government action, such as providing deposit insurance, or taxing corporate profits, or providing police protection for citizens, we must similarly acknowledge the necessity of governmental regulation." His point here seems to extend beyond banking, to the economy as a whole.

But again, his proposition seems wildly overbroad. Outside banking, deregulation has been the trend over the last quarter century in the United States, and to overwhelmingly positive results. Beginning with the end of fixed securities brokerage commissions in 1975, deregulation has spread to airlines, trucks, long-distance telephone rates, interstate buses, cable television, broadband services, oil, natural gas, other commodities, and many other fields. It has even been extended successfully to banking, through the elimination of interest rate caps and restrictions on intrastate and interstate branching.

Although everything could change in the future, proponents of deregulation might be excused for thinking at the moment that the politicians by now have got the idea. Of course, no one can say that, in the face of some huge economic catastrophe in the future, regulation of large sectors of the economy will not be re-imposed, but at the moment that looks unlikely; deregulated markets are simply working too well everywhere. Macey's notion that regulation is necessary so that markets will work satisfactorily seems absurdly out of date if he means it to apply to fields other than banking, and even for banking — as will be demonstrated below — he has it wrong.

## ARGUING FOR REGULATION

Macey begins his thesis with the wrong idea — that banks must be regulated because they are inherently unstable. But he does not bother to consider whether banks would be so unstable if they were not regulated at all. He then seems to generalize this argument into the political realm, suggesting that even if deregulated markets make sense, the political system will not permit them to exist for long:

> *Given this political reality, it is a mistake to compare a regulatory regime such as the one that exists in the United States with a mythical unregulated regime in which the government can credibly commit itself to stand aside, watch bank failures, and do nothing in response. . . . Thus, the real-world policy choice in banking is between a regulatory regime characterized by de jure (explicit) deposit insurance protection and a "non-regulatory" regime characterized by de facto (implicit) depositor protection in the form of government bailouts of failed banks after a banking crisis has manifested itself.*

There can be no argument with this. Given the Sarbanes-Oxley Act, the politicians might do almost anything to save their skins at the next election. But that does not mean that it is hopeless to argue for deregulation. After all, the same thing might have been said about deregulation in all the fields where it has already occurred, and yet economists — using theory and data rather than political assessments — successfully argued for deregulation in each of those fields. And when

deregulation was finally adopted as a policy, they were proved correct. Macey would be hard put to find any constituency today for re-regulating any of the markets that are now functioning without government controls.

**THREE ARGUMENTS** Nevertheless, it is entirely possible that banking is different — and it would be if Macey were correct that banks are inherently unstable institutions. So while one can disagree with the applicability of his thesis everywhere else in the economy, it is still necessary to consider his argument that regulation is necessary as it applies to banking. Here he relies on three examples: the savings and loan debacle of the late 1980s, an Environmental Protection Agency rule that freed banks from certain liabilities, and the weakness of state bank regulation in relation to that of the federal government. But each of those examples turns out, on analysis, to be further evidence that bank regulation is destructive rather than efficacious.

***S&L Debacle*** Macey's argument here — not substantially different from the positions advanced by opponents of deregulation in the past — is that deregulation of the savings and loan industry in the early 1980s allowed those institutions to take enormous risks that ultimately proved to be their undoing. The S&L collapse cost the federal government approximately $150 billion. In this respect, Macey argues, deregulation was a failure. But in reality, what he describes is a good deal less than half the story.

As noted above, deposit insurance creates moral hazard that impairs market discipline. Moral hazard, as a term, is somewhat opaque. It refers to the phenomenon in which the behavior of insureds is modified by the existence of insurance itself. Thus, if one's auto is insured against theft, one may be less careful in locking it up or taking the ignition key. Moral hazard thus increases the potential liability of an insurer by reducing the care with which the insured conducts himself. As it applies to deposit insurance, it refers to the fact that deposit guarantees relieve the depositor of the obligation to examine the financial health of a bank that holds his deposits.

At the time the S&Ls were deregulated, deposits in S&Ls were insured by the Federal Savings and Loan Insurance Corporation (FSLIC) up to $100,000. Under those circumstances, why would anyone be concerned about making a deposit up to that amount in an S&L? Moreover, S&Ls were regulated by the federal government, which further suggested that they were safe and sound institutions. Throughout the 1980s and into the early 1990s (until the enactment of the Federal Deposit Insurance Corporation Improvement Act, or FDICIA), bank and S&L regulators routinely bailed out all depositors and creditors of failed institutions by selling those institution to healthy buyers. Finally, financially weak S&Ls, by using deposit brokers, were raising large amounts of funds from all over the country by offering high rates of interest on their insured deposits.

So, although deregulation did permit S&Ls to make risky and imprudent bets with their depositors' funds, it was the existence of deposit insurance itself that provided them with the money to do so. If it had not been for deposit insurance, no one in his right mind would have offered funds to a sick S&L that was taking advantage of its newly deregulated status.

In addition, one must ask how the sick S&Ls became ill. The answer, again, is regulation. The S&L industry was created by Congress in the 1930s to direct investment into residential mortgages. Under an S&L charter, the only permissible investment was a home mortgage or something closely related to it. Accordingly, S&Ls, by statute and regulation, were only able to acquire home mortgages — assets that were both illiquid and long term. Meanwhile, the institutions were authorized to offer short term and demand deposits, setting up the usual inconsistency between the maturity terms of their assets and the terms of their liabilities. Because they were backed by the government, the S&Ls were not required to hold capital that was commensurate with the risk they were taking, and depositors and other creditors were not concerned about this risk for the same reason.

All of this came apart when — during the inflationary period of the 1970s — market interest rates began to rise. At that point, S&L deposit rates were capped — regulation again — at 5.25 percent. Depositors began to withdraw their funds and place them in money market mutual funds, where they could get rates of return that protected their principal. To prevent the collapse of the S&Ls, Congress authorized the deregulation of interest rates, so that they could keep pace with the market and compete with mutual funds for deposits. The strategy worked, but only for a while. After all, the mortgages that S&Ls were holding were paying very low historic rates, while they were required to pay high market rates for their deposits. This conflict drove many of them into or near insolvency. Still scrambling to make up for its original errors in structuring the S&L charter, Congress then authorized the S&Ls to invest in other assets, including shorter-term assets. This, it was thought, would permit their assets to pay something equivalent to what they had to pay for their deposit liabilities. This is the deregulation that allowed

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the S&Ls to make imprudent bets and resulted eventually in the collapse of most of the industry.

It is very hard to see this episode either as an endorsement of regulation or, as Macey would have it, as an object lesson against deregulation. The original idea that Congress should establish an industry that would borrow short and lend long was a mistake. Government insurance of the industry's deposits, so that no one cared whether the industry kept sufficient capital, was another mistake. And allowing undercapitalized or insolvent S&Ls to continue to function — attracting deposits through use of their government insurance — guaranteed a financial catastrophe.

The deregulation that occurred was an effort to compensate for the earlier regulatory mistakes, but it was too late. Many in the industry were already hopelessly insolvent. As Macey writes, "Without government regulation to substitute for the market discipline typically supplied by contractual fixed claimants, disaster ensued." True enough, but regulation was clearly the underlying cause of the problem.

Deregulation was an expedient that came too late to halt the slide of the S&L industry toward insolvency. There can hardly be any doubt that if the industry had been established without government insurance or restrictions on the rates they could pay and the assets they could acquire, it would have been better able to survive the high interest rate environment of the 1970s. What Macey treats as a case against deregulation is in fact a case against regulation.

***The EPA*** Macey's second example is an Environmental Protection Agency regulation that relieved banks of liability for environmental cleanup where hazardous waste is found at a site that a bank has acquired as collateral on a defaulted loan. The possibility that banks might be liable for an environmental cleanup in the first place was the result of a provision in the 2000 Comprehensive Environmental Response, Compensation, and Liability Act. Subsequently, a court interpreting the act in the *Fleet Factors* case held banks liable as the "operators" of hazardous waste sites, where they had the "capacity to influence" how the site was managed prior to their acquisition of control of the property on the borrower's default. A subsequent EPA regulation made clear that banks would not be held liable if they required in loan documentation that borrowers comply with environmental standards, and monitored such compliance.

This was certainly a sensible idea, allowing banks to police the environmental compliance of their borrowers without incurring environmental obligations themselves. But Macey argues that this relief is another example of good regulation:

> *One example of beneficial banking regulation is the EPA clarification of lender liability after* Fleet Factors. *Before the EPA clarification, banks that demanded that borrowers comply with environmental laws were subject to liability for the borrowers' subsequent violations. This was clearly not an efficient outcome and further regulation was needed to restore banks' ability to lend to such borrowers.*

This is a rather odd conclusion. The EPA's new regulation in fact relieved banks of a liability that an earlier regulatory requirement — federal legislation, as interpreted by the courts — had placed upon them. Macey seems to be saying that a regulation offering relief from a liability otherwise created by an earlier regulation is one of those regulations that "is necessary, sometimes in heavy doses, for private markets to function well." Indeed, like the S&L case, this example seems to demonstrate just the opposite — that if there had not been regulation in the first place, there would have been no need for the remedial legislation that followed. It can hardly be argued that if Congress and the courts had not placed an environmental obligation on the banks, there would have been any need for the remedial action.

***Federal-State Relations*** Macey's third example is federal-state competition in bank regulation. He argues that, because of deposit insurance, the costs of which are borne by the federal government, the states have no incentives to require state-chartered banks to act prudently. Indeed, in some cases, he contends, they can be observed exporting to federal taxpayers the risks associated with lax state regulation. It is not entirely clear how this, if true, supports Macey's general proposition that regulation of banks is necessary for markets to function properly, but in any event he has his facts so badly askew that his argument falls apart.

Macey's first point under this category discusses the events that led up to the imposition of reserve requirements on state-chartered banks that were not part of the Federal Reserve System. This was done in 1980, in the Depository Institutions Deregulation and Monetary Control Act. Prior to 1980, only national banks and state-chartered banks that were members of the Federal Reserve System had reserve requirements. Macey correctly notes that, to avoid the costly reserve requirements, state-chartered banks were leaving the Federal Reserve System. He does not mention it, but at the same time and for the same reason national banks were converting to state charters.

However, Macey treats this migration to state charters as though it were an effort by state-chartered banks to avoid federal prudential regulations, and the adoption of the 1980 law as an effort by Congress to bring them back into the federal prudential fold. He claims that "as the reserve requirement controversy illustrates so aptly…the states have no *incentive* to enact laws that constrain banks' proclivities towards excessive risk-taking." This is incorrect. Not only do states have plenty of incentives to restrain bank risk-taking, as discussed below, but reserve requirements have almost nothing to do with prudential regulation.

It is possible that reserve requirements for banks initially had some prudential function, but by the 1980s bank supervisors were focusing almost entirely on regulatory capital as a means of controlling bank risk-taking. Bank reserve requirements at that point were useful only for the Fed's monetary control activities — and even that is debatable in light of the Fed's tendency, even then, to work its monetary magic through open-market operations. Nevertheless, the Fed was concerned in 1980 that, because state-chartered banks were leaving the Federal Reserve System and national banks were converting to state charters, it would lose its ability to influence mone-

tary policy through adjusting reserve requirements. At the time, the Fed managed monetary policy by raising and lowering bank reserves, which affect the ability of banks to lend and thus create money. It is for this reason that the second half of the 1980 act's title was "Monetary Control Act." So the act does not reflect a purpose to gain more federal control over bank regulation; but instead to keep federal control of monetary policy. Indeed, by authorizing the elimination of interest rate caps, it was deregulatory in its purpose and effect. Wags have noted that only Congress, in adopting the act, could manage to use both the words "deregulation" and "control" in the same statutory title.

But is it true that states are more lax as regulators than the federal government, and as a result — as Macey suggests — is it bad policy to allow competition between the state and federal regulatory systems? Beyond his reserve requirements point, on which I believe he is incorrect as a matter of fact, Macey suggests the idea that if state banks are allowed to operate imprudently and fail, the losses actually fall on the federal government. This is wrong in two respects. First, bank failures have serious adverse effects on local economies, even if depositors with accounts less than the federally insured amount ($100,000) are eventually reimbursed. Many local businesses have larger accounts than this amount, and those accounts are subject to loss along with financing commitments that failed banks will no longer be able to service. Elected state officials, accordingly, have strong incentives to maintain healthy banks.

Oddly, Macey even recognizes this, as he later advances an argument that directly contradicts his statement that state bank regulators have no incentives to prevent risk-taking. "Bank closures are problematic," he writes, "because they lead to rashes of foreclosures on delinquent loans by the receiver of the failed banks and other events such as strict adherence to debt covenants, which, from a macroeconomic perspective, are highly deflationary to local economies." Huh? So tell me again why states have no incentive to limit bank risk-taking.

But what of Macey's claim that states, through the FDIC and federal deposit insurance, can export to the federal government the risks associated with their lax regulation? He writes:

> *[S]tate regulators, in a regulatory world of federal deposit insurance, lacked the proper incentives to establish capital requirements for state-chartered banks that provided adequate protection for the federal deposit insurance fund. Federal regulators have more appropriate incentives because the cost of insufficient capitalization for banks is borne at the federal level.*

In reality, federal deposit insurance is a bit of a misnomer. The system is administered by the FDIC, but since the adoption of FDICIA in 1991, the capital of all insured banks is what stands behind federal deposit insurance, not the resources of the federal government or its taxpayers. Under FDICIA, if the insurance fund falls below a certain minimum level, the FDIC is authorized immediately to levy new insurance premiums on all insured banks and S&Ls, sufficient to replenish the insurance funds. Before 1991, the premiums the FDIC could levy in any year were limited by statute, and once its fund was exhausted its only recourse was to apply to Congress for funds. This is exactly what happened when the FSLIC exhausted its deposit insurance fund in the midst of the S&L crisis.

So it is not correct, as Macey suggests, that states can export to the federal government the consequences of risks they permit their banks to take, although it is true that individual states can export to the entire banking industry any risks that arise because of lax bank supervision. The trouble with this argument, however, is that the federal government has the same lack of incentives to curb bank risk-taking. So, to the extent that Macey's argument rests on the proposition that the states' incentives are different from and weaker than the federal government's incentives, it fails.

In reality, in spite of Macey's contentions, there has been no significant difference in the number of bank failures between national banks and state banks since 1991. Moreover, the trend in recent years has been for banks to convert from state charters to national charters — a move that would not make sense if Macey were correct that states let banks take more risks than the federal government will allow. The reason this is occurring, it seems, is that the comptroller of the currency — the regulator and supervisor of national banks — has been willing to preempt state laws that unduly restrict bank activities, and national banks were given extensive new authorities to engage in nonbanking financial activities by the Gramm-Leach-Bliley Act of 1999. Again, none of this is remotely consistent with Macey's thesis.

Incidentally, it is important to recognize in discussing risk-taking that it is the deposit insurance system itself, by creating moral hazard and impairing market discipline, that is really the enabler of bank risk-taking. In comparison to the incentives for risk-taking inherent in deposit insurance — a feature of bank regulation that Macey praises — the failure of federal or state bank supervisors to prevent risk-taking is trivial.

It is the deposit insurance system itself, by creating moral hazard and impairing market discipline, that is the enabler of bank risk-taking.

Macey's next argument is that state regulators were slow to close failed banks as bank failures multiplied in the late 1980s,

adding costs to the FDIC. As he puts it, "as with reserve requirements, recalcitrant state bank regulators . . . were able to transfer wealth to themselves from the federal deposit insurance fund as administrative delay increased the ultimate costs of resolving failures of state-chartered banks." For this reason, he contends, Congress in FDICIA gave the FDIC authority to close state-chartered banks, taking this authority away from state supervisors. He gives no citation for this provision and I could not find it in FDICIA, but it is not relevant anyway because the FDIC has always had the authority to appoint a receiver for a failed bank. Closure of the bank is not a significant issue when it has been taken over by the FDIC, its assets marshaled, and its deposits and liabilities paid off.

FDICIA simply gave the FDIC the authority to restrict the activities of banks that were weakening financially, so as to prevent losses to the deposit insurance fund. The failure of the S&L industry and the large number of bank failures at the end of the 1980s exposed a regulatory phenomenon known as "forbearance." For a variety of reasons, the supervisors of depository institutions — both at the state and federal level — are reluctant to close them when they are approaching insolvency. This diffidence may have a sound legal basis: closing a bank that is still solvent, although weakening, may cause losses to its shareholders, involving the supervisor in nasty litigation. There may be other reasons: fear of political blame or — in the case of the FDIC or FSLIC — a reduction in the amount of the deposit insurance funds as they are paid out to depositors. Whatever the reason, most scholarly work on the causes of the S&L debacle and the extensive losses of the FDIC during this period cite forbearance as a cause of much of the loss. Accordingly, it was clear to the framers of reform legislation that failing institutions should be placed under FDIC control before they actually become insolvent, because this would limit the losses to the deposit insurance funds. In the ideal situation, the funds will suffer no losses if the remaining assets of an institution are sufficient to pay off depositors.

For this reason, the hallmark of FDICIA was not — as Macey suggests — giving the FDIC the right to close state-chartered institutions; it was requiring the FDIC and other supervisors, by statute, to take "prompt corrective action" as the capital of a bank or S&L gradually declines. The rules set up a series of increasingly stringent limitations on bank activities that the FDIC must impose as a bank weakens, ending in closure of the institution before it becomes insolvent. Thus, by authorizing — indeed requiring — early closure, FDICIA insulated the FDIC from shareholder suits alleging that they suffered losses because of unnecessary or hasty closure.

Macey is left with the somewhat absurd proposition that regulation should imitate the market structures that regulation itself destroyed.

The purpose here is to save the insurance funds from losses. There was no great contest between the federal and state power, nor was it a challenge to the dual banking system; it was simply a way to protect the resources of the deposit insurance funds.

## CONCLUSION

I can now address the central point Macey is trying to make. Referring to the examples he cited, he notes:

> *The problem was not deregulation in these cases; rather, the problem was insufficient regulation. When the situation was corrected, the new regulations were market-mimicking in the sense that they replicated the rules that private insurance markets would have imposed if the federal deposit insurance scheme were to be privatized.*

So it seems that in the banking world Macey envisions, to paraphrase Al Smith, "the only cure for the ills of regulation is more regulation." This might make more sense if Macey had made a persuasive case for regulation in the first instance. But since he did not — since he assumed incorrectly that deposit insurance and regulation were necessary for bank stability — he is left with the somewhat absurd proposition that regulation should imitate the market structures that regulation itself destroyed. R

### *Readings*


- "Commercial Banking and Democracy: The Illusive Quest for Deregulation," by Jonathan Macey. *Yale Journal on Regulation*, Vol. 23, No. 1 (2006).
- "Groundhog Day: Reliving Deregulation Debates," by Peter J. Wallison. *AEI Financial Services Outlook*, October 2006.
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